Annual Report 2025

MTU AERO ENGINES AG

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Key facts and figures with year-on-year comparison

Selected consolidated financial information and key figures at a glance

in € million (unless stated otherwise)	2025	2024	Change against previous year in %
Revenue and earnings			
Revenue	8,763	7,411	18.3
thereof: commercial engine business [1]	2,307	1,842	25.2
thereof: military engine business [1]	614	612	0.4
thereof: commercial maintenance business [1]	5,960	5,066	17.6
Gross profit	1,688	1,233	36.9
Earnings before interest and taxes (EBIT)	1,379	955	44.4
Net income	1,028	642	60.0
Adjusted earnings			
Adjusted revenue	8,717	7,488	16.4
Adjusted gross profit	1,660	1,329	25.0
Adjusted earnings before interest and taxes (adjusted EBIT)	1,351	1,050	28.6
Adjusted EBIT margin (in %)	15.5	14.0	10.5
Adjusted net income	968	764	26.6
Balance sheet			
Total assets	12,721	12,484	1.9
Equity	4,375	3,438	27.3
Equity ratio (in %)	34.4	27.5	24.9
Net financial debt	1,136	1,061	7.1

in € million (unless stated otherwise)	2025	2024	Change against previous year in %
Cash flow			
Cash flow from operating activities	848	714	18.9
Cash flow from investing activities	–485	–603	19.7
Free cash flow (adjusted)	378	183	>100
Cash flow from financing activities	–838	736	<-100
Number of employees at year end			
Commercial and military engine business	8,240	7,837	5.1
Commercial maintenance business	5,434	5,055	7.5
Total number of employees	13,674	12,892	6.1
Share indicators			
Earnings per share in €			
Basic earnings per share	18.90	11.77	60.6
Diluted earnings per share	18.49	11.53	60.3

[1] Before consolidation

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Letter to our shareholders

2025 was once again characterized by global challenges – both political and economic. The year was shaped by geopolitical tensions and military conflicts in various regions of the world as well as by economic uncertainty triggered by U.S. tariff policy and the weakness of the U.S. dollar as the leading currency in international aviation. Persistently strained supply chains also remained one of the defining factors.

Despite this challenging environment, we succeeded in demonstrating our strength, resilience and innovative capabilities and in continuing on our growth trajectory without interruption.

A look at our financial figures confirms MTU's excellent performance in fiscal year 2025. We raised our guidance twice during the course of the year. With revenue of €8.7 billion, an adjusted operating profit of €1.35 billion, adjusted net income of €968 million and free cash flow of €378 million, we fully achieved our targets by the end of the year.

Our success is reflected not only in our strong financial results. Our share price performance is a further indicator. MTU's share price rose again in 2025. In October, our share price reached €398.70 – its highest level since MTU's IPO twenty years ago.

We want you, our shareholders, to participate appropriately in MTU's success. At the Annual General Meeting in May, we will propose a dividend of €3.60 per share. This corresponds to an increase of €1.40 compared with the previous year.

In this way, we would like to thank you for your confidence and trust in MTU and in our long-term growth prospects. We would also like to thank all our customers and business partners worldwide for their long-standing, trusting cooperation, as well as the Supervisory Board for its support of our strategic course. Let's continue writing MTU's success story together!

You can be assured of one thing: we will not be resting on our laurels. Instead, we are focusing on profitable growth, operational excellence, innovation and sustainability – and thereby on enhancing the value of our company. Efficiency and cost discipline are of crucial importance in this context.

We will capitalize on our sector's strong long-term growth prospects. In the next twenty years, the number of aircraft in the sky will approximately double. This signifies sustained demand for new aircraft and a growing need for maintenance solutions. MTU is exceptionally positioned to fully benefit from the global growth of aviation – in all business areas.

Consistently high demand in new commercial business was reflected in our trade fair successes in 2025. At the Paris Air Show in June, engine orders were placed from which we are benefiting to the tune of U.S.$1.75 billion. Never before in MTU's history have we achieved such a high order volume at a single trade fair. This once again underpins MTU's positive growth outlook and demonstrates that we have the right, future-oriented propulsion systems in our portfolio. The new orders are primarily attributable to the geared turbofan engine for the A320neo family. MTU's strong positioning in the wide-body segment was demonstrated at the Dubai Airshow. From this aviation exhibition, we returned in November with orders totaling more than U.S.$400 million. In particular, the GE9X for the Boeing 777X and the GEnx engine for the Dreamliner stood out.

In commercial maintenance, we are preparing for a further rise in demand. We are making substantial investments at all our locations worldwide in order to align them with this growth. In 2025, we consistently expanded both the capacity and the capabilities of our MRO network.

In China, we opened a second plant. The new operational unit of MTU Maintenance Zhuhai will focus on the maintenance of the A320neo engine PW1100G-JM. With both plants, MTU Maintenance Zhuhai now has a capacity of more than 700 shop visits and is set to become the world's largest aircraft engine maintenance facility.

Also in China, we opened a new spare parts warehouse – the third of its kind worldwide. This creates a global, seamlessly connected logistics network that meets the highest industry standards.

We also significantly expanded our presence in North America. Our Fort Worth site is evolving from an on-site service center into a full maintenance facility with comprehensive disassembly, assembly and testing capabilities. Moreover, we expanded our MRO portfolio in the USA to include LEAP and GEnx engines. This makes MTU's global maintenance offering both broader and more specialized.

In Brazil, we tripled our existing floor space with a new workshop building, thereby addressing growing demand for on-site and field-service solutions for aircraft engines and industrial gas turbines in South America.

At our joint venture EME Aero in Poland, which specializes in maintenance of the geared turbofan for the A320neo family, we also expanded capacity and commissioned a second test cell. From 2028 onward, the site should be able to overhaul more than 500 engines per year.

In the industrial gas turbine business, we aim to increase our MRO capacity by 30 percent over the coming years. To this end, we are continuing to invest in MTU Maintenance Berlin-Brandenburg.

We also strengthened our partnership with GE Aerospace in the industrial gas turbine business. In the future, we will work even more closely together in the marine sector as well, with the aim of unlocking new market potentials.

We have also expanded our aviation portfolio at MTU Maintenance Berlin-Brandenburg. In 2025, we added the PW800, a modern engine for business jets, to our maintenance capabilities. Worldwide, we are the second site authorized to service the PW800.

By expanding our maintenance capacities, MTU is also making a significant contribution to ensuring that the Geared Turbofan fleet management plan can be implemented swiftly and as scheduled. We are seeing continuous improvements in turnaround times and material flow.

In the military business, the Eurofighter once again performed strongly in 2025. Germany is procuring 20 aircraft and has also signed the corresponding contracts for 52 EJ200 engines. In addition, Turkey has signed a declaration of intent to purchase 20 Eurofighters.

In the USA, Sikorsky's CH-53K transport helicopter, powered by T408 engines, continues to encounter strong demand. The U.S. Marine Corps has ordered a further 99 helicopters.

MTU is also already focusing on engines for future generations of combat aircraft and helicopters. For Europe's next military helicopter generation, we have joined forces with Avio Aero and Safran. Together with our long-standing partners, we aim to develop a new, fully European helicopter engine.

European sovereignty is also reflected in the ability to equip armed forces with domestically developed products. For this reason, despite uncertainties surrounding the next generation of combat aircraft, we remain committed to the European air defense system FCAS. We are convinced that manned combat aircraft are indispensable for efficient European air defense. Together with our partners, we have reached the milestones of the currently commissioned demonstrator phase as agreed.

We also reached milestones for the future in the commercial OEM business last year:

the GTF Advantage™, the latest evolution of the geared turbofan for the Airbus A320neo family, received certification from both the U.S. Federal Aviation Administration (FAA) and the European Aviation Safety Agency (EASA) in 2025. All of our expertise in durability, efficiency, and thrust has gone into this further-developed engine: The GTF Advantage offers even greater fuel efficiency and lower emissions than the baseline geared turbofan, which already delivers the lowest fuel consumption and CO_2 emissions among single-aisle aircraft. This makes the GTF Advantage the best engine we have ever brought to market.

Together with Airbus, we want to advance the development of hydrogen fuel cell drives, a promising and crucial technology for the decarbonization of aviation. This partnership follows Airbus's decision to focus its own research efforts on an all-electric, hydrogen-powered aircraft with fuel cell propulsion. MTU has built up recognized expertise in this area with its Flying Fuel Cell™ concept and reached important milestones in 2025. The design of the flying fuel cell was finalized, stack production for the demonstrator began and the electric motor from our subsidiary eMoSys was successfully tested for the first time. In addition, we commissioned our first fuel cell test station in Munich.

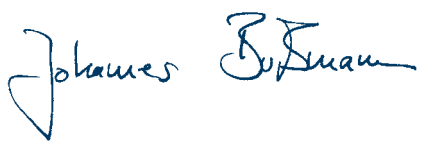
In 2025, we impressively demonstrated MTU's operational and innovative strengths. At the same time, we continued to invest in our future – thereby creating the conditions for sustainable, competitive and profitable growth.

Behind this success stand our outstanding employees around the world. Without their expertise, their excellent work and their passion, this performance would not have been possible. On behalf of the entire Executive Board team, I would like to thank all of them for their commitment to the benefit of our MTU. Together, we will continue to inspire our customers, partners and all stakeholders in the years ahead.

We are all looking forward to shaping the future of aviation and raising the bar once again for 2026. We intend to grow in all business areas – in the commercial engine business as well as in the defense and commercial maintenance sectors. Through targeted investments, we will continue to strengthen and expand our core business, thereby securing our sustainable growth. In doing so, we will reliably continue on our successful trajectory with undiminished momentum.

I very much look forward to your continued support on this journey.

Sincerely yours,



The Executive Board

From left to right: Dr. Johannes Bussmann, Katja Garcia Vila, Dr. Silke Maurer, Dr. Ottmar Pfänder

Dr. Johannes Bussmann

Chief Executive Officer
Born 1969
since September 1, 2025
appointed until July 14, 2030
PhD in mechanical engineering

Responsibilities:
Human resources, legal affairs, strategy, technology & development, corporate communications; Chief Sustainability Officer (CSO)

Katja Garcia Vila

Chief Financial Officer and Chief Information Officer
Born 1972
since July 1, 2025
appointed until March 31, 2028
MBA

Responsibilities:
Finance, IT

Dr. Silke Maurer

Chief Operating Officer
Born 1972
since February 1, 2023
appointed until January 31, 2031
PhD in mechanical engineering

Responsibilities:
Purchasing, production, assembly, quality

Dr. Ottmar Pfänder

Chief Program Officer
Born 1968
since January 1, 2026
appointed until December 31, 2028
DBA

Responsibilities:
Marketing & Sales and program management for MTU's commercial and defense programs, MTU Maintenance locations

Lars Wagner

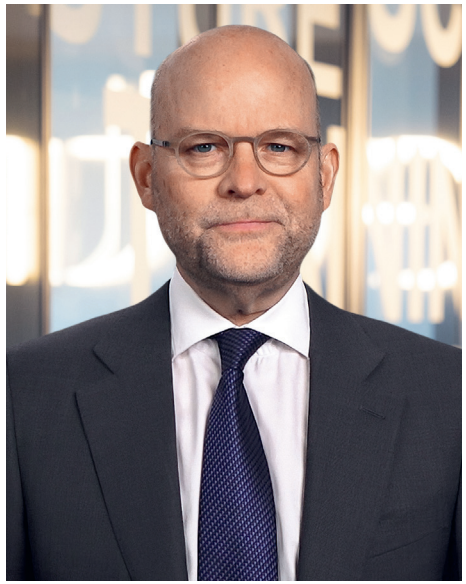
Chief Executive Officer
until August 31, 2025

Peter Kameritsch

Chief Financial Officer and Chief Information Officer
until June 30, 2025

Michael Schreyögg

Chief Program Officer
until December 31, 2025



Gordon Riske
Chairman of the Supervisory Board

Report of the Supervisory Board

MTU can look back on another successful fiscal year. The Group is ideally positioned in the market, and operationally it is a high performer. This is reflected in the company's sustained profitable growth. Revenue and earnings figures for 2025 are better than originally forecast. Adjusted operating profit in particular saw marked growth, along with free cash flow. Thanks to its technological edge, balanced portfolio and broad customer base, MTU is perfectly positioned to achieve a further rise in revenue and earnings on an adjusted basis in 2026, and to go on growing in the years ahead. The following sections contain the Supervisory Board's report on its activities in fiscal year 2025. The Supervisory Board will continue its close and trustful collaboration with all stakeholders in 2026.

Monitoring and advisory activities of the Supervisory Board

In this report, the Supervisory Board provides information in accordance with Section 171 (2) of the German Stock Corporation Act (AktG) on its activities in fiscal year 2025 and the results of its review of the annual financial statements and consolidated financial statements, including the combined management report. In 2025, the Supervisory Board carried out, fully and with due care, the duties of oversight and advice entrusted to it by law, the articles of association, and its rules of procedure.

It advised the Executive Board on the running of the company on an ongoing basis, continually supported and monitored the management of the business activities and assured itself that the Executive Board's dealings were proper and lawful. The Supervisory Board and its committees were informed and consulted in a direct and timely manner on all decisions of consequence for the company. The Executive Board provided the members of the Supervisory Board with regular, prompt and comprehensive information on the company's situation. The Supervisory Board received written monthly reports on the company's net assets, financial position and results of operations. At its meetings, the Supervisory Board also discussed the business performance of all of MTU's affiliated companies.

The Executive Board discussed the strategy and all important projects with the Supervisory Board. After examination and careful deliberation, the Supervisory Board endorsed the company's strategic orientation with its focus on sustainable and profitable organic

growth. The Supervisory Board passed resolutions on all transactions for which its approval was required in accordance with the law, the company's articles of association or the Executive Board's rules of procedure after reviewing, consulting on and discussing them with the Executive Board. Preparatory meetings can also take place without the Executive Board as necessary. Moreover, the Supervisory Board also runs its meetings in a way that enables it to discuss matters without the Executive Board on a regular basis.

In 2025, as in previous years, the Supervisory Board also examined and oversaw the internal control mechanisms at MTU, especially the risk management system, internal control system, internal auditing and legally compliant corporate governance. With the support of the Audit Committee and in dialogue with the Executive Board, it addressed these systems on a regular basis, as well as their appropriateness and effectiveness. Furthermore, the Supervisory Board dealt extensively with the company's compliance.

In view of the legal requirements for stock corporations, which require the Supervisory Board to give its consent for certain related party transactions and, in some cases, disclose this type of transaction, the Supervisory Board adopted and established an internal procedure to comply with these requirements in 2020. In the reporting period, there were no transactions with related parties requiring consent or disclosure.

Meetings of the Supervisory Board

The Supervisory Board held five regular meetings in 2025. Four of these meetings were held in person and one meeting was held as a hybrid meeting – i.e., some Supervisory Board members attended in person, others by video conference. In addition, there was one extraordinary meeting, held in a hybrid format. The members took part in all meetings. Attendance was thus 100%, like in the previous year.

Supervisory Board members' attendance at meetings of the Supervisory Board and its committees

Supervisory Board members	No. of meetings attended (incl. committee meetings)	Meetings attended in %
Gordon Riske (Chairman)	11 / 11	100%
Josef Mailer (Deputy Chairman)	16 / 16	100%
Dr. Christine Bortenlänger	12 / 12	100%
Dr. Johannes Bussmann (until May 8, 2025)	2 / 2	100%
Kai Eisenblätter	6 / 6	100%
Daniele Frijia	10 / 10	100%
Dr.-Ing. Marc Haltrich	6 / 6	100%
Anita Heimerl	6 / 6	100%
Dr. Detlef Kayser (since May 8, 2025)	4 / 4	100%
Dr. Rainer Martens	6 / 6	100%
Claudia Sowa-Frank	12 / 12	100%
Dr. Peter Weckesser (since May 8, 2025)	4 / 4	100%
Prof. Marion A. Weissenberger-Eibl (until May 8, 2025)	2 / 2	100%
Ute Wolf	17 / 17	100%
Average attendance rate		**100%**

At its extraordinary meeting on January 23, 2025, the Supervisory Board discussed the succession of Peter Kameritsch, who did not wish to extend his contract as CFO, which was due to expire at the end of the year. The Supervisory Board appointed Katja Garcia Vila as the new member of the Executive Board. She initially joined MTU on April 1, 2025 as an Executive Board member without a specific board remit, and took over the role of Chief Financial Officer on July 1, 2025, after a familiarization period.

At its meeting on March 18, 2025, the Supervisory Board discussed MTU's financial statements. The Supervisory Board adopted the annual financial statements and the consolidated financial statements and approved the combined management report for the company and the Group for fiscal 2024. In addition, it looked in detail at MTU's Annual Report and the allocation of the net profit for 2024 available for distribution and approved the Executive Board's respective proposal. A dividend payment of €2.20 per share eligible

for the dividend was therefore proposed to the Annual General Meeting on May 8, 2025. The Supervisory Board approved the sustainability statement for the MTU Group and the company for fiscal 2024. The report of the Supervisory Board to the Annual General Meeting and the agenda for the meeting were also approved. Furthermore, the Supervisory Board approved the management compensation report that was created together with the Executive Board and the corporate governance statement for fiscal 2024. The Executive Board also reported on the company's position, including the successful certification of the GTF Advantage™, progress in license negotiations, the opening of a new MRO facility in China, and the start of a project to introduce a new software solution for human resources. The Executive Board also reported on ongoing challenges with regard to the supply chain and the impact of geopolitical uncertainty. During the meeting, the Supervisory Board also examined the short-term incentive payable to the Executive Board for 2024 and – further to the decisions already made during the meeting on December 9, 2024 – expanded the target qualitative and quantitative criteria and figures for the long-term performance-related remuneration (performance share plan 2025) and the financial objectives for the Executive Board's short-term incentive, including the target criteria for the strategic multiplier, for 2025.

The Supervisory Board also extended Dr. Silke Maurer's contract by five years until the end of January 2031. Dr. Maurer was appointed as Chief Operating Officer (COO) of MTU on February 1, 2023 when she took over OEM Operations.

At its meeting on May 8, 2025, the Supervisory Board received reports from the Executive Board on the positive business performance in the first quarter of 2025, the project to expand the Fort Worth site, and strategic projects concerning helicopter engines. In addition, the effects of international trade conflicts, developments in the aircraft-on-ground situation for aircraft equipped with GTF engines, and the key financial performance figures were explained in detail. At this meeting, the Supervisory Board also resolved to assign Peter Kameritsch's board remit to Katja Garcia Vila with effect from July 1, 2025.

In light of Dr. Johannes Bussmann becoming available at short notice after leaving his position as CEO of TÜV Süd AG by mutual agreement, the Supervisory Board passed a circular resolution on July 10, 2025 – to further clarify the resolution dated December 17, 2024 – to appoint Dr. Johannes Bussmann to the MTU Aero Engines AG Executive Board with effect from July 15, 2025 and confer on him the role of CEO with effect from September 1, 2025.

At the meeting on July 22, 2025, the Executive Board presented the half-year figures to the Supervisory Board, reporting on the positive performance of MTU Aero Engines AG, which saw strong growth in revenue, EBIT, and free cash flow. The successful acquisition of major orders, particularly at the Paris Air Show, and the progress made with the Flying Fuel Cell were also addressed at this meeting, as were challenges such as supply chain bottlenecks, the aircraft-on-ground situation for aircraft equipped with GTF engines, and geopolitical uncertainties. The Supervisory Board was informed of efficiency and quality improvements in the OEM segment and successful audits. The Supervisory Board also discussed the very positive performance of MTU shares and the company's planned capital market communications activities. Furthermore, the Supervisory Board discussed the succession of Michael Schreyögg, who, with a view to retiring, did not wish to extend his contract as Chief Program Officer, which runs until June 30, 2026. The Supervisory Board appointed Dr. Ottmar Pfänder as Chief Program Officer of MTU Aero Engines AG with effect from January 1, 2026.

At the meeting on October 21, 2025, the Executive Board provided information on the status of negotiations for the stake in the program for the second generation of GTF engines, the introduction of SAP at the Zhuhai site, positive developments in MRO in general and specifically at the MRO sites in China and Fort Worth, as well as the ongoing challenges posed by U.S. dollar exchange rate fluctuations, customs risks, and geopolitical developments. The Executive Board also reported on the nine-month results. The Supervisory Board discussed the key financial figures for the third quarter of 2025 in detail and assessed them as positive.

At the meeting on December 9, 2025, the Supervisory Board examined the company's situation in detail as usual and held a detailed discussion of the operational business plans and the budget for 2026. The meeting also included a detailed review and confirmation of the management's compliance with the German Corporate Governance Code (GCGC). Other items on the agenda included the company's IT security strategy and Executive Board compensation, particularly setting the targets and bandwidths for the Executive Board's short- and long-term incentives including the ESG targets and strategic multipliers for 2026 based on a resolution recommended by the Personnel Committee. The results of the assessment of the Supervisory Board's effectiveness, carried out as a workshop on November 21, 2025 with the support of an external consultant, were also presented.

At its meetings, the Supervisory Board also discussed the legal requirements and the recommendations of the GCGC regarding Executive Board compensation. The compensation system takes account of sustainability targets and provides for what the Supervisory Board believes to be appropriate and motivating compensation.

Between official meetings, the Chairman of the Supervisory Board was regularly briefed on the company's current situation, significant business transactions and important pending decisions.

This entailed regular meetings with the Executive Board, including consulting on strategy, the status of planning, the progress of business, the company's risk situation, the risk management system and compliance.

Corporate governance

The Supervisory Board is convinced that MTU's success is based, among other factors, on good corporate governance. For this reason, in 2025 the Supervisory Board once again looked in detail at the application and implementation of the GCGC, based on the current version of April 28, 2022. Furthermore, the Supervisory Board regularly discusses the composition of the Executive Board and Supervisory Board with a view to diversity. The Supervisory Board's rules of procedure contain binding provisions for dealing with conflicts of interest. Conflicts of interest must be disclosed and, in certain circumstances, may lead to the termination of the member's term of office or their exclusion from certain resolutions. This also applies for proposals for election submitted to the Annual General Meeting. There were no conflicts of interest in the reporting period. With the exception of a consulting agreement between a Supervisory Board member and a supplier of the company, there were no consulting agreements, contracts for services or similar contractual agreements between members of the Supervisory Board and MTU Aero Engines AG or any of its subsidiaries, or with customers, suppliers, lenders or other business partners in 2025. If there are any discussions or resolutions affecting this supplier in future, the Supervisory Board member concerned will not take part in them. There were no such discussions or resolutions in the reporting period.

The Supervisory Board also undertook a detailed examination of the GCGC recommendations on the independence of the members representing the shareholders. The Supervisory Board deems all of its members to be independent. This expressly applies to the employee representatives and to Dr. Rainer Martens, who ceased to be a member of MTU's Executive Board at the end of 2017. Consequently, all Supervisory Board committees consist exclusively of independent members. The Supervisory Board has set twelve years as the maximum period for membership of the Supervisory Board and considers this to be appropriate for MTU. Members of the Supervisory Board undertake training on their own responsibility, with support from MTU where necessary. MTU may also defray the costs of training. In 2025, the members of the Supervisory Board attended an event organized by the company on the use of artificial intelligence in Supervisory Board work. Supervisory Board members undertook their other training independently in 2025.

In consultation with the Executive Board, the Supervisory Board ensures long-term succession planning for appointments to the Executive Board. To this end, the Supervisory Board regularly reviews the present term of all Executive Board contracts, always taking into account the age of the Board members, diversity requirements, and the competency profile of potential candidates.

There is an onboarding process for new members of the Supervisory Board. This gives them a thorough insight into MTU's product portfolio, strategy, corporate governance and how the Supervisory Board works.

The Supervisory Board regularly assesses how effectively the Supervisory Board as a whole and its committees perform their tasks. In 2025, the Supervisory Board again held a one-day workshop to conduct a self-assessment of the work in plenary session and within the committees. Focus topics included strategic challenges, the organization of and information provision to the Supervisory Board, the use of artificial intelligence in Supervisory Board work, committee activities, cooperation with the Executive Board and management, the discussion culture and conflict resolution potential. In addition, a work program for the Supervisory Board was established for 2026 and 2027, and discussions were held on approaches for monitoring and advising the Executive Board in greater depth, and on long-term succession planning for the Executive Board. The work of the committees, particularly the Audit Committee, was also assessed during the workshop. The self-assessment focused on the area of responsibility and, in particular, also management of and cooperation within the committee. The results were presented at the meeting of the Supervisory Board and the Audit Committee on December 9, 2025. They form the basis for the ongoing development of the work of the Supervisory Board and for its competence profile. The Supervisory Board and the Audit Committee both assessed their work as efficient and resolved to take selective measures to improve the way in which work is organized in plenary and committee meetings.

Cooperation between the Supervisory Board and the Executive Board, and among the members of the Supervisory Board, in the past fiscal year was judged to be very good. No conflicts of interest arose between MTU and any member of its Executive Board or Supervisory Board.

In a joint declaration with the Executive Board dated December 9, 2025, in accordance with the requirements of Section 161 AktG, the Supervisory Board states that MTU Aero Engines AG complies with all the recommendations of the GCGC in the version dated April 28, 2022. This declaration of conformity is reproduced in this Annual Report in the section of the management report headed Corporate governance statement, together with a more detailed description of the company's corporate governance system. The declaration has also been posted on the MTU website.

The Chairman of the Supervisory Board, Gordon Riske, held a corporate governance roadshow in December 2025 and January 2026. The topics discussed were the provisional agenda for the 2026 Annual General Meeting, the presentation, composition, and qualification matrix of the Supervisory Board, the presentation of the Executive Board, and an overview of MTU's sustainability management.

Committee meetings

By convention, the Supervisory Board has three committees with equal numbers of employee and shareholder representatives: an Audit Committee, a Personnel Committee and – in compliance with Section 27 (3) of the German Codetermination Act (MitbestG) – a Mediation Committee. Each of these committees presents regular reports on its activities at the plenary meetings of the Supervisory Board.

A Nomination Committee, which meets on an ad hoc basis, has been set up in accordance with the recommendations of the GCGC. The task of the Nomination Committee is to find suitable candidates for election to the Supervisory Board. The members are Gordon Riske (Chair) and Ute Wolf. In fiscal year 2025, the Nomination Committee met once to discuss the nomination of Supervisory Board member Dr. Detlef Kayser, who was elected to the Supervisory Board by a large majority at the Annual General Meeting in May 2025. In addition to the competencies of potential candidates, special attention is paid to their available time. The Supervisory Board also examined the availability of its current members. It concluded that all its members, without exception, have sufficient time for their work on MTU's Supervisory Board and its committees in addition to their other professional activities and that their availability is high. This is reflected both in the very high attendance rates at plenary and committee meetings (100% in 2025) and in the careful preparation and follow-up of these meetings, enabling intensive and in-depth discussions in the various meetings and with the Executive Board.

The Personnel Committee is responsible, among other things, for concluding contracts with the Executive Board, including on their compensation, and for proposing candidates for the Executive Board. The members of this committee are Gordon Riske and Ute Wolf, and the employee representatives Josef Mailer and Daniele Frijia. In the past year, the Personnel Committee held four meetings – two of which were extraordinary meetings (one hybrid) (total attendance: 100%). Issues examined included a review of target achievement for short-term incentive (STI) payment to the members of the Executive Board for 2024, recommended non-financial and financial targets for the short-term incentive for 2025, proposals for targets and bandwidths for the long-term incentive for the Executive Board (Performance Share Plan 2025) including the targets and bandwidths for the ESG criteria, appropriate resolution recommendations for the Supervisory Board, and recommendations to the Supervisory Board regarding the appointment and compensation of new members of the Executive Board. Other topics for discussion included proposals for ESG targets and strategic multipliers for 2026.

The Mediation Committee, whose members are identical with those of the Personnel Committee, did not have to convene in 2025.

The Audit Committee is composed of Ute Wolf (Chair), Dr. Christine Bortenlänger, Claudia Sowa-Frank, and Josef Mailer. In the past year, it met six times in regular meetings. Attendance was 100%.

The Audit Committee focused on reviewing the annual financial statements, the consolidated financial statements and the combined management report, including the sustainability statement of the MTU Group and MTU Aero Engines AG for fiscal 2024 as well as the company's net assets, financial position and results of operations, and the annual and half-year reports and quarterly statements for the year under review. In addition, it prepared the Supervisory Board's proposal to the Annual General Meeting on the appointment of the auditor and the auditor of the sustainability report. Further, it was responsible for engaging the auditor, the agreement with the auditor on the audit fees, and for specifying the key areas of focus for the audit of the annual financial statements and consolidated financial statements for 2025.

The Audit Committee oversaw the quality of the audit and the independence of the auditor, which had been confirmed by the auditor. Furthermore, the Audit Committee discussed the additional services provided by the auditor. The procedure for procuring the

non-audit services provided by the auditors was reviewed and affirmed and the content and fees for such services in the reporting period were approved on a case-by-case basis.

At its meetings in the reporting year and through additional direct discussions between the Chairman of the Audit Committee and the auditor, the Audit Committee obtained and scrutinized reports on the auditor's strategy and approach, the audit process – especially its effectiveness and progress – and the results of the audit. Moreover, it examined the qualification of the persons engaged to conduct the audit and the auditor's general quality assurance concept and its practical application.

The committee and other members of the Supervisory Board received the audit reports from KPMG for their deliberations. These documents were reviewed in detail in the presence of the auditor. On this basis, the committee recommended that the Supervisory Board should adopt the financial statements and consolidated financial statements for fiscal year 2025, and approve the combined management report and the Executive Board's profit distribution proposal.

In accordance with statutory requirements, the Audit Committee monitored the accounting process, the accounting-related internal control and risk management system and the internal auditing system, and addressed their appropriateness and effectiveness. It oversaw the company's compliance activities and received reports from the internal auditors. As part of this process, the Audit Committee received reports from the heads of Corporate Audit and Compliance Office and on the system for monitoring transactions with related parties.

Furthermore, the Audit Committee discussed MTU's sustainability strategy and reporting, and the status of the project to prepare for implementation of the financial reporting requirements under IFRS 18. The committee also discussed the status of corporate financing and examined MTU's quarterly financial statements. In addition, the committee obtained information on the status of non-financial reporting, the IT security policy, the information security management system, the organization of the accounting system, the ongoing development of the risk management system and the internal control system, and issues relating to compliance and internal auditing.

Adoption of the annual financial statements, the approved consolidated financial statements and the management report

The annual financial statements, consolidated financial statements and combined management report of the MTU Group and MTU Aero Engines AG for 2025 were audited by KPMG, Munich, whose appointment was approved by the Annual General Meeting. KPMG issued an unqualified audit opinion. This was signed by Johannes Hanshen and Angelika Huber-Straßer, who have audited MTU since fiscal year 2023. The audit reports and documents to be reviewed were submitted in good time to all members of the Supervisory Board. The Chair of the Audit Committee reported to the Supervisory Board on the audit performed by KPMG. On this basis, the Supervisory Board conducted a thorough review of the annual financial statements, consolidated financial statements and combined management report of the MTU Group and MTU Aero Engines AG for fiscal year 2025 and the Executive Board's proposal for the distribution of the net profit. Representatives from the auditor KPMG attended all meetings of the Audit Committee of MTU Aero Engines AG in 2025 on February 17, 2026 and March 10, 2026 and the meeting held by the Supervisory Board on March 17, 2026 to discuss the financial statements, and presented the main findings of the audit. The Supervisory Board reviewed the annual financial statements, consolidated financial statements, combined management report including the sustainability statement, and the profit distribution proposal, and raised no objections. The company's annual financial statements and consolidated financial statements for 2025, as submitted by the Executive Board, were approved at the Supervisory Board's meeting on March 17, 2026. The annual financial statements are therefore adopted. The Supervisory Board agreed to the Executive Board's proposal for the distribution of the net profit after giving due consideration to the interests of the company and its shareholders. A dividend payment of €3.60 per share eligible for the dividend will therefore be proposed to the Annual General Meeting.

Changes in the governing bodies

There were two changes in the Supervisory Board in 2025. There were no changes on the employee representatives' side. On the shareholder representatives' side, the terms of office of Univ.-Prof. Dr. Marion A. Weissenberger-Eibl ended on May 8, 2025 and Dr. Johannes Bussmann resigned from his position on May 8, 2025. The Supervisory Board thanks Univ.-Prof. Dr. Marion A. Weissenberger-Eibl for her many years of service and her tremendous commitment.

Dr. Peter Weckesser and Dr. Detlef Kayser are new members of the Supervisory Board. Both candidates were elected to the Supervisory Board of MTU at the company's Annual General Meeting on May 8, 2025 with almost 99% of the votes.

On December 17, 2024, the Supervisory Board appointed Dr. Johannes Bussmann as the new CEO; he joined the company's Executive Board on July 15, 2025 and became CEO of MTU Aero Engines AG on September 1, 2025.

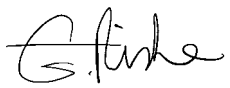
Katja Garcia Vila has been a member of MTU's Executive Board since April 2025. On July 1, 2025, she assumed board responsibility for Finance and Information Technology.

Dr. Ottmar Pfänder joined MTU's Executive Board on January 1, 2026. As Chief Program Officer he oversees marketing and sales and program management in MTU's commercial and military programs as well as MTU Maintenance sites.

Lars Wagner stepped down from the Executive Board on August 31, 2025, Peter Kameritsch on June 30, 2025, and Michael Schreyögg on December 31, 2025. The Supervisory Board thanks the former members of the Executive Board for their dedicated and successful work over the past years and for the smooth handover of their positions.

The Supervisory Board would like to thank the Executive Board for its close and constructive collaboration. It would also like to thank all employees and the Works Council for their successful work and enormous commitment in 2025. Moreover, the Supervisory Board is grateful to all MTU's shareholders for the trust they place in the company.

Munich, March 17, 2026



Gordon Riske
Chairman of the Supervisory Board

The Supervisory Board

Members of the Supervisory Board and the additional mandates they hold on supervisory boards or comparable oversight bodies of other business enterprises in Germany or abroad

Gordon Riske

Chairman of the Supervisory Board

Independent Management Consultant

Former CEO of KION Group AG, Frankfurt am Main

Atlas CopCo AB, Sweden
Sunlight Group Energy Storage Systems S.A., Greece, until June 30, 2025

Josef Mailer

Deputy Chairman of the Supervisory Board

Chairman of the Group Works Council of MTU Aero Engines AG, Munich
Member of the Works Council of MTU Aero Engines AG, Munich

Dr. Christine Bortenlänger

Independent Consultant

Former Chief Executive of Deutsches Aktieninstitut,
Deutsches Aktieninstitut e. V., Frankfurt / Main

Covestro AG
Covestro Deutschland AG
(Covestro Group)
Siemens Energy AG, until February 20, 2025
Siemens Energy Management GmbH, until February 20, 2025
(Siemens Energy Group)
TÜV SÜD AG

Dr. Johannes Bussmann, until May 8, 2025

Chief Executive Officer of TÜV SÜD AG, Munich, until July 14, 2025

AS GmbH (TÜV SÜD AG Group), until July 14, 2025
Diehl Stiftung & Co. KG
TÜV Hessen GmbH (TÜV SÜD AG Group), until July 14, 2025

Kai Eisenblätter

Chairman of the Works Council of MTU Maintenance Hannover GmbH, Hannover
Deputy Chairman of the Group Works Council of MTU Aero Engines AG, Munich

MTU Maintenance Hannover GmbH

Daniele Frijia

Managing director and cashier of IG Metall Munich

Linde GmbH, until August 31, 2025
Linde Holding GmbH, until August 31, 2025
Nokia Solutions and Networks Management GmbH

Dr.-Ing. Marc Haltrich

Senior Consultant Powder Metal, MTU Aero Engines AG, Munich

Anita Heimerl

Full-time member of the Works Council of MTU Aero Engines AG, Munich

Dr. Detlef Kayser, since May 8, 2025

Independent Consultant

Former Member of the Executive Board of Deutsche Lufthansa AG, Cologne

Aerodata AG, since January 22, 2026

Dr. Rainer Martens

Independent Consultant

Formerly Chief Operating Officer of MTU Aero Engines AG, Munich

Claudia Sowa-Frank

Lawyer for the IG Metall Executive Board, Frankfurt/Main

Dr. Peter Weckesser, since May 8, 2025

Member of the Executive Committee, Chief Digital Officer (CDO)

Schneider Electric SE, Rueil Malmaison, Frankreich

Schneider Electric Deutschland (Schneider Group)

Univ.-Prof. Dr. Marion A. Weissenberger-Eibl, until May 8, 2025

Director of the Fraunhofer Institute for Systems and Innovation Research ISI in Karlsruhe and holder of the Chair of Innovation and Technology Management at the Karlsruhe Institute of Technology

Semperit Aktiengesellschaft Holding, Austria
ExxonMobil Central Europe Holding GmbH

Ute Wolf

Independent Consultant

Former member of the Executive Board (CFO) of Evonik Industries AG

Akzo Nobel N.V., Amsterdam
DWS Group GmbH & Co. KGaA
Infineon Technologies AG

SUPERVISORY BOARD COMMITTEES

Personnel Committee

Gordon Riske, Chairman
Daniele Frijia
Josef Mailer
Ute Wolf

Audit Committee

Ute Wolf, Chairman
Dr. Christine Bortenlänger
Josef Mailer
Claudia Sowa-Frank

Mediation Committee

Gordon Riske, Chairman
Daniele Frijia
Josef Mailer
Ute Wolf

Nomination Committee

Gordon Riske, Chairman
Ute Wolf

The MTU share

New records on the stock markets

In 2025, global equity markets reached new highs. This performance mainly reflected declining key interest rates and an overall accommodative monetary policy stance, which supported market conditions. To these factors were added robust corporate earnings, particularly in the technology sector. The tangible easing of inflation dampened recession concerns and also contributed to the positive sentiment. In addition, the partial easing of geopolitical tensions boosted investor confidence. At the same time, low bond market yields led to increased capital reallocation into equities. Overall, equity markets worldwide recorded significant price gains over the course of the year as a whole.

Germany's DAX equity index posted significant double-digit growth in 2025. The benchmark index started the year at 20,025 points and surpassed the 23,000-point level in the months that followed, before a sharp correction set in during April. Triggered by the announcement of new U.S. tariffs and concerns about an escalation of global trade conflicts, the DAX fell to its low for the year of 19,671 points. In the weeks that followed, a strong recovery began: as early as May, the index climbed above 24,000 points. Over the rest of the year, the DAX traded sideways in a range between 23,000 and 24,500 points. On October 9, it reached a new all-time high of 24,611 points. The DAX closed the year at 24,490 points – reflecting a gain of 23.0% compared to the previous year.

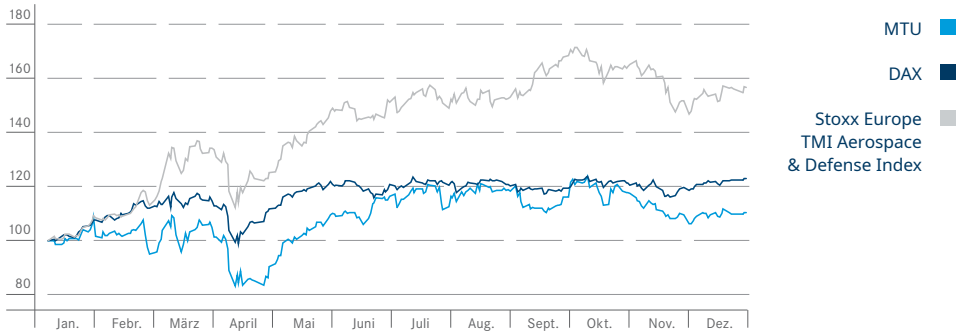
International equity markets also performed well. The U.S. benchmark index, the Dow Jones Industrial Average, rose by 13.0%, while the technology-focused Nasdaq 100 recorded an even stronger increase of 20.2%.

The aviation industry continued on its growth trajectory in 2025. Global passenger traffic once again increased significantly, accompanied by growth in air cargo volumes, according to the International Air Transport Association (IATA). This positive trend was also reflected in the performance of the sector index. The STOXX Europe TMI Aerospace & Defense Index, which includes companies such as Airbus, Safran, Rolls-Royce and MTU, recorded an exceptionally strong increase in the reporting year and closed with a gain of 56.5%. In addition to civil aviation, defense sector shares in particular made a significant contribution to this performance. These benefited from persistently high defense spending and ongoing geopolitical tensions and achieved above-average share price gains.

MTU shares make further gains

In the 2025 reporting year, the MTU share price performed well overall, albeit with sometimes pronounced fluctuations. Following a solid start in the first quarter, a tangible market correction occurred in April, which also impacted the MTU share. On April 7, it touched its low for the year of €268.20. A recovery began later in the month and continued in the months that followed. Strong half-year results and the ambitious medium-term targets through 2030 presented at the Paris Air Show provided additional momentum for the share price. In July, the share exceeded the €380 level for the first time. In the second half of the year, the share price traded in a range between around €340 and just under €400. On October 9, the MTU share reached a new all-time high of €398.70. Towards the end of the fourth quarter, momentum eased somewhat, with the share temporarily trading at €342. At year-end, the share closed at €355.30, corresponding to a gain of 10.3% compared with the previous year. MTU's market capitalization amounted to around €19 billion as of December 31, 2025.

MTU share performance in 2025 compared with stock market indices (indexed, 12/31/2024 = 100)



Year-on-year indicators for shares in MTU

		2025	2024
Highest price for the year[1]	€	398.70	327.60
Lowest price for the year[1]	€	268.20	193.80
Price at start of year[1]	€	321.70	195.05
Year-end price[1]	€	355.30	322.00
Performance over the year[2]	%	10.30	64.90
Market capitalization at year end	€ million	19,124	17,331
Average daily trading volume	€ million	47	31
	thousand shares	138	124
Earnings per share	**€**	**18.90**	**11.77**
Dividend per share	**€**	**3.60[3]**	**2.20**

[1] Xetra closing price.
[2] Based on Xetra year-end share price (Dec. 31).
[3] Proposal to the Annual General Meeting.

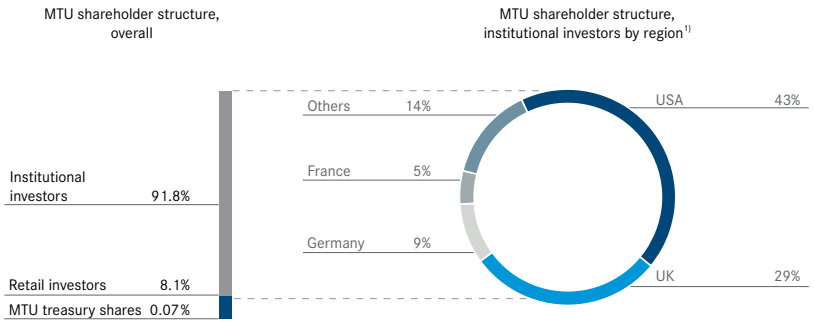
Dividend increase

Shareholders participate in MTU's success through the payment of dividends. In light of the positive business performance, the Executive and Supervisory boards will propose to the Annual General Meeting on May 7, 2026, the distribution of a dividend for the fiscal year 2025 of €3.60 per share. This corresponds to an increase of 64% compared to the previous year's dividend of €2.20 per share. Payment of the dividend is scheduled for May 12, 2026. The payment ratio would be 20% of MTU's adjusted net income.

Higher trading volume

In the fiscal year 2025, the average trading volume on Xetra amounted to around 138,000 shares (previous year: 124,000 shares). The highest daily volume was reached on February 19, 2025, at 472,903 shares. In terms of turnover in euros, the MTU share reached its peak on June 20, 2025, at €166 million. The average daily trading volume amounted to around €47 million (previous year: €31 million). At the end of 2025 MTU ranked 25th in the DAX 40 index in terms of market capitalization (previous year: 24th).

Shareholder structure



1) Estimate, based on shareholder analysis. As of end of December 2025.

High proportion of institutional shareholders

Voting rights totaled 53,824,489 in 2025. The free float was 100% on December 31, 2025. The company held approximately 0.07% of the issued share capital as treasury shares. Around 92% of the free float was held by institutional investors and around 8% by private investors. These institutional investors are predominantly from the USA, continental Europe and the UK. At the end of 2025, notifications under Section 33 of the German Securities Trading Act (WpHG) had been received from the following institutional investors:

Institutional investors with voting rights > 3%

DGAP	Investor	Voting rights in %*	No. of MTU shares
9/5/2025	BlackRock, Inc., USA	12.94%	6,963,186
7/15/2025	Morgan Stanley, USA	3.08%	1,659,538
4/11/2025	Viking Global Partners LLC, USA	3.05%	1,641,683
3/19/2025	DWS Investment GmbH, Germany	3.00%	1,615,756
2/18/2021	The Capital Group Companies, USA	9.87%	5,313,778
9/26/2018	Massachusetts Financial Services Company, USA	4.76%	2,561,829

* Investor share in % translated on the basis of the current voting rights of 53,824,489.

Broad coverage by analysts

In 2025, 22 analysts were reporting regularly on MTU. At the end of December, 11 financial institutions rated the stock as a buy, 9 had it on hold and 2 had a sell recommendation (2024: 13 "buy," 9 "hold," 3 "sell"). The average price target was €409.

The following financial institutions report regularly on MTU:

Agency Partners	DZ Bank	Münchmeyer Petersen
Alpha Value Research	Goldman Sachs	ODDO Securities Research
Barclays	Jefferies	RBC Capital Markets
Berenberg	J. P. Morgan	Rothschild & Co Redburn
BernsteinResearch	Kepler Cheuvreux	UBS
Bank of America	Landesbank Baden-Württemberg	Vertical Research
Citi Global Markets Research	Metzler	
Deutsche Bank	Morgan Stanley	

Intensive investor relations work

MTU again conducted numerous investor relations activities in fiscal year 2025. One-on-one meetings and investor conferences were held both in person and virtually. One particular highlight was the MTU Capital Markets Day on June 17, 2025, held as part of the Paris Air Show. Around 150 investors and analysts attended either in person or virtually. In addition, the management and the investor relations team used the trade show as an opportunity for in-depth discussions with 19 investor groups and around 190 participants.

Overall, MTU attended 17 international investor conferences during the reporting year, including the German Investment Seminar hosted by Commerzbank/Oddo BHF in New York, the 24th German Corporate Conference by Kepler Cheuvreux in Frankfurt, the 17th Goldman Sachs Industrials & Autos Week in London and the Bernstein Pan-European Strategic Decision Premium Review Conference in Paris. In addition, MTU attended other conferences organized by various banks. In total, MTU recorded over 1,300 investor contacts in 2025.

Another important platform for communicating with shareholders was the MTU Annual General Meeting, which was once again held digitally in the form of a video webcast on May 8, 2025. Around 71% of the share capital with voting rights was represented (previous year: around 71%).

Information on IR topics can be found in the *Investor Relations section at www.mtu.de*. You are also welcome to contact the IR team by calling +49 (0)89 1489-4787.

Management compensation report

The compensation report describes the principles applied in determining the compensation for the Executive Board and Supervisory Board of MTU Aero Engines AG, and states the amount and composition of that compensation. The management compensation report complies with the provisions of Section 162 of the German Stock Corporation Act (AktG) and was prepared jointly by the Supervisory Board and the Executive Board.

Principles of the compensation system for members of the Executive Board

"At the proposal of the Personnel Committee of MTU Aero Engines AG, the Supervisory Board decides on a system of compensation for the members of the Executive Board, including the material contractual elements such as the total amount of the compensation and its breakdown into non-performance-related and performance-related components. The Personnel Committee reviews the appropriateness and market alignment of the Executive Board compensation on a regular basis. For this, it also uses the expertise of independent external compensation experts with regard to both the compensation system and the structure of the target direct compensation compared with relevant stock market segments. In the case of MTU, cross-comparisons are made by reference to the DAX stock market segment (peer group for cross-group or horizontal comparison). In accordance with the statutory requirements, the compensation system is resubmitted to the Annual General Meeting for approval no later than every four years or, in deviation from this, in the event that the Supervisory Board identifies a need for modifications. (ESRS 2 GOV-3-29e)"[1]

The current compensation system was designed in accordance with the requirements of the act to implement the Second Shareholders' Rights Directive (ARUG II) and the German Corporate Governance Code (GCGC) and was approved by 56.51% at the Annual General Meeting on May 8, 2024 (agenda item 8). It has been applied on this basis since fiscal year 2024. From the Supervisory Board's perspective, the relatively low approval of the remuneration system was due, in particular, to the authorization of the Supervisory Board to grant an additional, performance-related compensation component in special exceptional circumstances. Other points identified included the adjustment of the maximum remuneration and individual aspects of the measurement of target achievement for performance-related remuneration components. In the run-up to the 2024 Annual General Meeting, the Supervisory Board addressed the criticisms of the compensation system and published its considerations in this regard: *https://www.mtu.de/fileadmin/EN/5_Investor_Relations/9_1_Annual_General_Meeting/2024_AGM_A_04_Top_8__further_info_remuneration_system_MTU.pdf*.

[1] This disclosure is part of MTU Aero Engines AG's Group Sustainability Statement for fiscal year 2025.

In response to feedback on the compensation system from investors and shareholders, the Supervisory Board resolved in fiscal year 2024 to no longer use its authorization to grant additional, performance-related compensation in special exceptional circumstances from the 2025 fiscal year onward.

In accordance with Section 120a (4) of the German Stock Corporation Act (AktG), the compensation report 2024 was submitted to the Annual General Meeting for approval on May 8, 2025 and was approved by 85.15% of the votes cast.

Changes within the Executive Board

After the announcements by Lars Wagner (CEO), Peter Kameritsch (Chief Financial Officer and Chief Information Officer) and Michael Schreyögg (Chief Program Officer) that they would not be standing for reappointment once their current tenures were over, the Supervisory Board appointed Katja Garcia Vila as of April 1, 2025, Dr. Johannes Bussmann as of July 15, 2025 and Dr. Ottmar Pfänder as of January 1, 2026 as new members of the Executive Board.

Effective from July 1, 2025, Katja Garcia Vila succeeded Peter Kameritsch as Chief Financial Officer and Chief Information Officer following his resignation from the Executive Board with the Supervisory Board's approval.

Effective from September 1, 2025, Dr. Johannes Bussmann succeeded Lars Wagner as Chief Executive Officer following his resignation from the Executive Board with the Supervisory Board's approval.

Effective from January 1, 2026, Dr. Ottmar Pfänder succeeded Michael Schreyögg as Chief Program Officer following his resignation from the Executive Board with the Supervisory Board's approval.

Principles of total compensation

The table below shows the basic components of the current, approved compensation system:

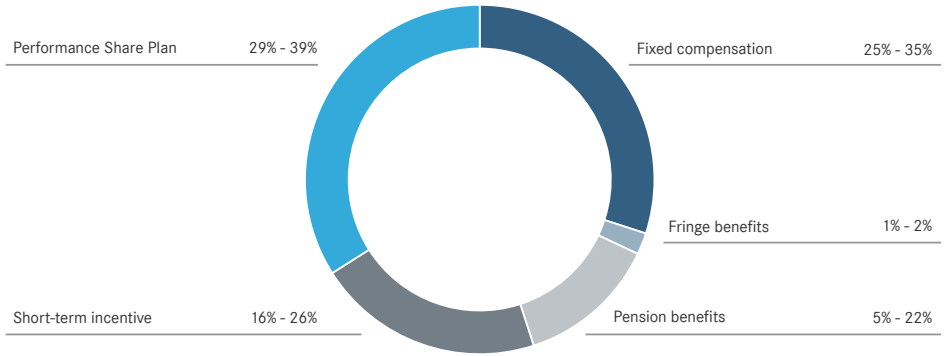
Structure of the compensation system (total target direct compensation)

Non-performance-related components	Fixed compensation	Contractually agreed fixed compensation, paid in 12 equal installments
	Fringe benefits	– Taxable reimbursements of expenses – Cash equivalent of payments in kind – Insurance premiums
	Pension arrangements	As of January 1, 2021, newly appointed Executive Board members receive an annual cash pension allowance for their own pension provision instead of a defined benefit commitment to a company pension
Performance-related components *)	Short-term incentive (STI) (performance-related component excluding long-term incentive)	Performance period: 1 year Financial and ESG performance criteria: – 50% EBIT (adjusted) – 30% free cash flow (adjusted) – 20% ESG targets Capped at 0%–200% Strategic targets taken into account by multiplier (0.8-1.2) Cap: 240% of the target amount
	Performance Share Plan (PSP/LTI) (performance-related component as long-term incentive)	Performance period: 4 years Financial and ESG performance criteria: – 40% relative total shareholder return (rTSR) – 40% earnings per share (EPS) (adjusted) – 20% ESG targets Capped at 0%–200% Cap (incl. share price performance and dividend payments): 250% of the target amount

*) Resolution by the Supervisory Board in 2024 financial year: Waiving the ability to grant this performance-related component from the 2025 financial year onwards. According to the original authorization, the Supervisory Board had the option to offer additional performance-based remuneration in exceptional circumstances, taking into account a cap of 80% of the base remuneration.

"The share of the ESG targets in the variable compensation is 20% for both the STI and the PSP/LTI, regardless of a possible strategic multiplier. (ESRS-2 GOV-3 29d)"[2]

Structure of the total target compensation



Note: If a member of the Executive Board receives a payment to compensate for the loss of remuneration claims against the previous employer in connection with their initial appointment, the proportions of the individual components may differ. The same is true in the event of application of the option to grant performance-related compensation for exceptional circumstances; an option that was originally granted but no longer utilized by the Supervisory Board.

All amounts are rounded to full euros, unless otherwise specified. Due to rounding, it is possible that individual amounts in the compensation report may not correspond exactly to the totals stated and that the percentages presented may not correspond exactly to the absolute amounts they refer to.

Compensation components and structure

The compensation of the Executive Board members is made up of non-performance-related and performance related components, the sum of which constitutes the total compensation of an Executive Board member.

Non-performance-related components

The non-performance-related compensation is paid monthly and comprises fixed compensation, fringe benefits, and pension benefits. The fringe benefits include reimbursement of expenses and remuneration in kind such as the use of a company car for business and private purposes, or an annual medical check-up, including taxes paid on these in individual cases.

The members of the Executive Board are included in the directors' and officers' liability insurance policy taken out by MTU. This insurance policy provides for the statutory deductible for the Executive Board stipulated by Section 93 (2) sentence 2 of the German Stock Corporation Act (AktG).

Executive Board members appointed for the first time before fiscal year 2021 earn vested entitlements to a direct defined benefit commitment. Executive Board members appointed for the first time after January 1, 2021 receive a pension allowance in the form of a lump-sum payment for their own pension provision, which is paid out annually in cash, instead of an entitlement to a direct defined benefit commitment.

Additional information on the contractual structure of the pension arrangements can be found in the following *section headed Rules when terminating the contracts of members of the Executive Board/Pension arrangements*.

Performance-related components

The performance-related compensation is generally made up of the short-term incentive (STI – Short-Term Incentive) component and Performance Share Plan (PSP or LTI – Long-Term Incentive) component.

The payout of the performance-related compensation component with a short-term incentive effect – annual performance remuneration (STI) – takes into account the achievement of the financial performance criteria – EBIT (adjusted) and free cash flow (adjusted) – as well as the non-financial performance criteria – the so-called ESG targets (ESG – environmental, social and governance) – the qualitative criteria of the strategic multiplier defined for the respective fiscal year.

The payment of the performance-related compensation component with long-term incentive effect – the Performance Share Plan (PSP/LTI) – takes into account the development of the MTU share price, the achievement of financial performance criteria – relative total shareholder return (rTSR) and earnings per share (adjusted) – and the non-financial

[2] This disclosure is part of MTU Aero Engines AG's Group Sustainability Statement for fiscal year 2025.

performance criteria – the ESG (environmental, social and governance) targets. This is intended to ensure that corporate governance focuses on the sustainable success of the company, its investors, and other stakeholders.

In order to appropriately reflect structural changes in MTU's business activities in the incentive system, the Supervisory Board has the option of, at its reasonable discretion, to substitute individual financial and/or non-financial performance criteria and their respective weighting with equivalent performance criteria that are also the subject of external financial or non-financial reporting. If the performance criteria are adjusted in this way, this is generally done before, or at the latest at the beginning of the fiscal year for which the short-term incentive (STI) or the Performance Share Plan (PSP/LTI) is granted. For the reporting year and the following year, the Supervisory Board did not identify any structural changes in business activities that would have given it cause to substitute individual financial and/or non-financial performance criteria or their weighting in the STI or PSP/LTI.

Short-term incentive (STI)

The short-term incentive (STI) with a one-year assessment period (performance period) is granted for each fiscal year as performance-related compensation with short-term incentive effect. It amounts to around 40% of the Executive Board's target performance-related direct compensation and is intended to reward the achievement of operational targets that are of particular importance to MTU's development.

The compensation component is granted to the members of the Executive Board for each fiscal year (assessment period) in the amount of the target amount defined individually in the Executive Board employment contract. The payout of the annual performance-related remuneration (STI) is based on the achievement of the target values determined by the Supervisory Board for the fiscal year for the financial and non-financial (ESG targets) performance criteria or the criteria of the strategic multiplier. The Supervisory Board uses the latter to provide the Executive Board with a balanced range of objectives that are intended to reward the achievement of operational and strategic objectives. The targets for the strategic multiplier are designed in a way to ensure they cover as broad a spectrum as possible and take into account the various divisions comprehensively.

The Supervisory Board determines the weighting and the target minimum and maximum values for the specific financial and non-financial (ESG targets) performance criteria at the latest at the beginning of the respective fiscal year. After the end of the fiscal year, the value actually achieved for each financial performance criterion and non-financial performance criterion (ESG targets) is compared with the target value previously set.

The target achievement is 0% if the result realized is below the minimum value set by the Supervisory Board for the respective financial performance criterion and non-financial performance criterion (ESG targets). If the minimum value is not reached, no payment is made for the criterion in question. When the minimum value is reached, the payout ratio corresponding to the target achievement is 50% for the criterion in question. When the target value set is reached, the payout ratio corresponding to the target achievement is 100% for the criterion in question. If the defined maximum value is reached or exceeded, the payout level for the respective criterion corresponding to the target achievement is 200% (cap). Between these three defined points, linear interpolation is applied. The STI overall target achievement is calculated as the arithmetic mean of the weighted payout ratios for the financial and non-financial performance criteria determined for the assessment period (performance period).

The Supervisory Board defines the criteria for the strategic multiplier in the form of specified targeted states, which it determines as either achieved or not achieved based on its detailed analysis of the relevant topics during the assessment period. For each criterion, it defines a fixed decimal contribution for the strategic multiplier. If criteria are met, the base value of the strategic multiplier is increased from 0.8 up to a maximum value of 1.2 (if all criteria are met). The overall target achievement for the STI is scaled by applying the strategic multiplier set for the fiscal year, and the STI payout ratio is calculated on this basis. The contractually defined, individual STI target amount is multiplied by the STI payout ratio and, after deduction of the relevant taxes, paid out to the individual Executive Board member as a cash payment in the following year, taking into account the cap of 240% of the respective contractual STI target amount at the grant date (STI cap).

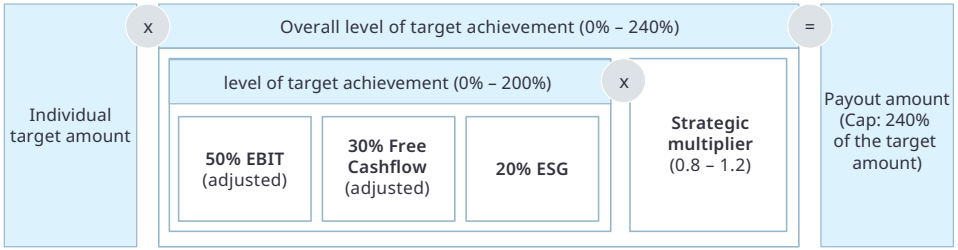
When calculating the target achievement of the financial and non-financial performance criteria, the Supervisory Board must, at its due discretion and in justified special circumstances, take into account exceptionally positive and negative developments that have no specific connection to the Executive Board's performance. Only significant business changes that are not taken into account conceptually in the objectives can be considered as exceptional developments. Generally unfavorable market developments explicitly do not constitute exceptional developments. For the reporting year, the Supervisory Board did not identify any justified special circumstances that gave it cause to adjust the target achievement of the STI criteria at its due discretion relative to the methodological requirements of the compensation system.

The individual STI target amount per Executive Board member, the target values set by the Supervisory Board for the financial performance criteria, non-financial performance criteria (ESG targets) and strategic multiplier criteria, the target achievement determined on this basis, the overall target achievement, the resulting STI payout ratio and the corresponding payout amounts are shown below.

Financial and non-financial performance criteria of the short-term incentive (STI)
For the reporting year, the Supervisory Board defined the following financial and non-financial performance criteria with their corresponding weighting in the context of the overall target achievement:

- EBIT (adjusted) – 50% (financial performance criterion)
- Free cash flow (adjusted) – 30% (financial performance criterion)
- ESG targets – 20% (non-financial performance criterion).

Short-term incentive (STI)



EBIT (adjusted) – financial performance criterion
The earnings indicator EBIT determined in accordance with IFRS standards is adjusted for the following special items:

- "Effects from purchase price allocation,"
- "Effects from the upshare of the IAE-V2500 program participation,"
- "Effects from the GTF™ fleet management plan,"
- "Material aperiodic cash flows"

In this context, the qualification of an item as a special item to be adjusted in the calculation of adjusted earnings before interest and taxes (adjusted EBIT) is always carried out by mutual agreement between the Executive Board and the Supervisory Board.

Background information and quantified details of the special items for which adjustments were made in the reconciliation to adjusted EBIT in the reporting year can be found in the management report in the *section headed Economic report / Results of operations / Reconciliation to adjusted key financial performance figures – Results of operations*.

Free cash flow (adjusted) – financial performance criterion
Free cash flow (adjusted) does not fall under the regulation of the International Financial Reporting Standards (IFRSs) and is explicitly regarded as a supplement to the key figures reported in accordance with IFRSs and is calculated as follows: MTU calculates free cash flow from the sum of cash flows from operating activities and cash flows from investing activities calculated in accordance with IFRSs, with the cash flows from investing activities adjusted for the following special payment items, as in previous years:

- Cash flows in connection with interest-bearing sales financing and financial investments as part of liquidity management,

/ cash flows in connection with the acquisition of shares in OEM or MRO programs, in accordance with the respective materiality threshold determined by the Supervisory Board,
/ cash flows in connection with the acquisition or sale of significant shareholdings, in accordance with the materiality threshold determined by the Supervisory Board.

In this context, the qualification of an item as a special item to be adjusted in the derivation of free cash flow (adjusted) is always carried out by mutual agreement between the Executive Board and the Supervisory Board.

Background information and quantified details of the special items for which adjustments were made in the reconciliation to adjusted free cash flow in the reporting year can be found in the management report in the *section headed Economic report / Financial position / Liquidity analysis / Reconciliation to adjusted key financial performance figures – Financial position*.

ESG targets – non-financial performance criterion

The ESG performance criteria are defined by the Supervisory Board for each fiscal year, taking into account MTU's sustainability strategy. To this end, the Supervisory Board selects up to three non-financial performance criteria (ESG targets) and defines quantifiable target values to be achieved within the STI assessment period (performance period). The inclusion of ESG targets in the STI underscores the ambition of the company's management and Supervisory Board to achieve sustainable business development that takes appropriate account of the interests of all ESG stakeholders and thus boosts the MTU Group's future viability.

List of ESG criteria

Environmental management	Social commitment	Compliance	Growth & resilience	Product responsibility & quality
Innovation	Employer attractiveness	Employees & diversity	Responsible procurement	Digital

An explanation of the non-financial performance criteria selected for the reporting year and how they were determined in the context of target achievement can be found in the following *section headed Development of performance-related components*.

STI strategic multiplier

In addition to the financial and non-financial performance criteria (ESG targets), the Supervisory Board sets criteria for the Management Board for the fiscal year, whose achievement determines the strategic multiplier in a range of 0.8 to 1.2 (80% to 120%). The criteria address specific targets for initiatives that the Executive Board and Supervisory Board regard as being particularly relevant to MTU's strategic development, but whose achievement is expected to be in conflict with ambitious, short-term financial and non-financial performance goals on a regular basis.

Examples of topics for the selection of criteria for the strategic multiplier:

Establishment and development of business relationships with strategic business partners (customers, suppliers, development partners, etc.)	Further development of technology, production and location strategies	Further development and introduction of (digital) solutions	Organizational and cultural change

An explanation of the performance criteria selected for the reporting year in the context of the strategic multiplier can be found in the following *section headed Development of performance-related components*.

Performance Share Plan (PSP)/long term incentive (LTI)

The Performance Share Plan (PSP/LTI) with a four-year assessment period (performance period) is granted for each fiscal year as performance-related compensation with a long-term incentive effect. It amounts to around 60% of the Executive Board's target performance-related direct compensation and is intended to reward the achievement of medium- and long-term targets that are of particular importance to the development of MTU's enterprise value.

The compensation component is granted to the members of the Executive Board in the form of conditionally allocated virtual shares (performance shares) for each fiscal year in the amount of the target amount defined individually in the Executive Board employment contract. The number of conditionally allocated virtual shares (performance shares) is calculated from their fair value and the respective contractual target amount for the PSP/LTI at the grant date. The Performance Share Plan (PSP/LTI) is paid out based on the extent to which the target values set for it by the Supervisory Board for the financial performance criteria and the non-financial performance criteria (ESG targets) are achieved.

The Supervisory Board determines the weighting and the target value, minimum value and maximum value for the specific financial performance criteria and non-financial performance criteria (ESG targets) no later than the beginning of the fiscal year in question. After the end of the fiscal year, the value actually achieved for each financial performance criterion and non-financial performance criterion (ESG targets) is compared with the target value previously set.

The target achievement is 0% if the result realized is below the minimum value set by the Supervisory Board for the respective financial performance criterion and non-financial performance criterion (ESG targets). If the minimum value is not reached, no payment is made for the criterion in question. When the minimum value is reached, the payout ratio corresponding to the target achievement is 50% for the criterion in question. When the target value set is reached, the payout ratio corresponding to the target achievement is 100% for the criterion in question. If the maximum value set is reached or exceeded, the payout ratio corresponding to the target achievement is 200% for the criterion in question. Between these three defined points, linear interpolation is applied. The PSP/LTI overall target achievement level is calculated as the arithmetic mean of the weighted payout ratios for the financial and non-financial performance criteria determined for the assessment period (performance period).

Depending on the extent to which the target values of the financial and non-financial performance criteria set by the Supervisory Board for the PSP/LTI are achieved within the four-year assessment period (performance period), the number of virtual shares (performance shares) conditionally allocated for the fiscal year is modified, and a maximum of 200% of the originally granted number of virtual shares (performance shares) can be achieved. After the end of the assessment period (performance period), the respective payout amount of the PSP/LTI granted for the reporting year is calculated by multiplying the number of virtual shares finally allocated by the sum of the average MTU share price in the 60 trading days prior to the end of the assessment period (performance period) and the dividend payments per share made during the assessment period (performance period). After deduction of the relevant taxes, the resulting PSP/LTI payout amount is paid out to the individuals in question as a cash payment in the following year, taking into account the cap of 250% of the respective contractual target amount for the PSP/LTI at the grant date (PSP/LTI cap).

When calculating the target achievement of the financial and non-financial performance criteria, the Supervisory Board must, at its due discretion and in justified special circumstances, take into account exceptionally positive and negative developments that have no specific connection to the Executive Board's performance. Only significant business changes that are not taken into account conceptually in the objectives can be considered exceptional developments. Generally unfavorable market developments explicitly do not constitute exceptional developments. For the reporting year, the Supervisory Board did not identify any justified special circumstances that gave it cause to adjust the target achievement of the PSP/LTI criteria at its due discretion relative to the methodological requirements of the compensation system.

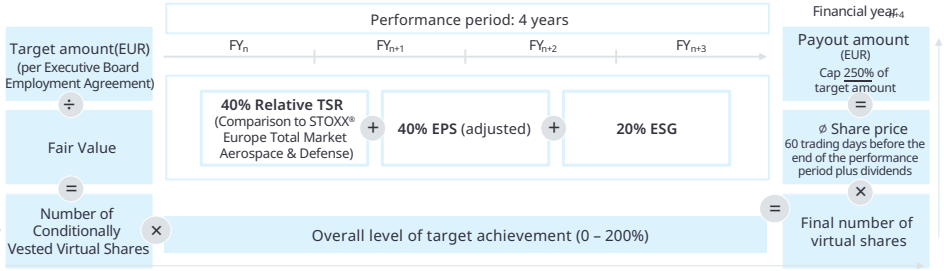
The individual PSP/LTI target amount per Executive Board member, the corresponding number of provisionally allocated virtual shares (performance shares), and the target values set by the Supervisory Board for the financial performance criteria and non-financial performance criteria (ESG targets) are presented below.

Financial and non-financial performance criteria of the Performance Share Plan (PSP/LTI)

For the reporting year, the Supervisory Board defined the following financial and non-financial performance criteria with their corresponding weighting in the context of the overall target achievement:

- relative TSR (rTSR) – 40% (financial performance criterion)
- earnings per share (EPS) (adjusted) – 40% (financial performance criterion)
- ESG targets – 20% (non-financial performance criterion).

Performance Share Plan (PSP)



Relative TSR (rTSR) – financial performance criterion
Relative total shareholder return (rTSR) is recognized as an external performance criterion geared to the capital market. It focuses on a relative measurement of MTU share performance against listed companies from the same industry environment and thus the direct alignment of the PSP/LTI with the interests of MTU shareholders. This rewards long-term and sustainable outperformance by the MTU share compared with relevant companies from the same industry environment.

The relative TSR (rTSR) compares MTU's TSR performance with the TSR performance of the companies in the STOXX® Europe Total Market Aerospace & Defense based on the percentile ranking method. In the context of the PSP/LTI, the relative TSR (rTSR) is therefore defined as the ranking of MTU's TSR performance compared to the TSR performance of the companies in the STOXX® Europe Total Market Aerospace & Defense Index. In order to determine the relative TSR target achievement, the TSR performance of the MTU share during the performance period is determined and the TSR performance of the companies of the STOXX® Europe Total Market Aerospace & Defense (benchmark index) is compared. MTU's TSR performance is the share price performance plus notionally reinvested gross dividends. In a similar way to how MTU's TSR performance is determined, the TSR performance of each company in the benchmark index (STOXX® Europe Total Market Aerospace & Defense) is determined and ranked on this basis. The average value of the 60 trading days before the respective reference date – start and end of the assessment period (performance period) – is used for the relative TSR start value and end value.

In the event that the selected benchmark index is significantly restructured, adjusted or discontinued during the performance period, MTU's Supervisory Board reserves the right to select an alternative benchmark index at its reasonable discretion and, if necessary, to calibrate the target achievement curve. No such developments relating to the benchmark index had to be taken into account for the reporting year.

Earnings per share (EPS) (adjusted) – financial performance criterion
Adjusted earnings per share (adjusted EPS) do not fall under the regulation of the International Financial Reporting Standards (IFRSs) and are explicitly regarded as a supplement to the key figures reported in accordance with IFRSs and is calculated as follows:

Earnings per share (EPS) (adjusted) are calculated in accordance with the (IFRS-)regulated calculation of basic earnings per share, but taking into account adjusted net income instead of IFRS net income.

The starting point for deriving adjusted net income is the financial performance criterion of adjusted earnings before interest and taxes (adjusted EBIT) described in the STI. Firstly, the adjusted earnings before income taxes is derived from this by adding the net interest income and the interest portion of the other financial income/expense to the adjusted EBIT. None of the other components of financial income/expense, especially those that are influenced by the U.S. dollar exchange rate, such as the effects of exchange-rate hedging, are taken into account here. Adjusted net income is in turn calculated on the basis of adjusted earnings before income taxes by reducing it by the "normalized" taxes on income. The "normalized" taxes are derived from the average Group tax rate of 27% (previous year: 27%) determined as part of the Group's operational planning. The after-tax earnings contributions from companies accounted for using the equity method included in the adjusted net profit before income taxes are not part of the tax base.

Background information and quantified details on the reconciliation to adjusted net income can be found in the management report in the *section headed Economic report/ Results of operations/Reconciliation to adjusted key financial performance figures – Results of operations*.

The target value for the adjusted earnings per share (EPS [adjusted]) set by the Supervisory Board for the respective reporting period is the arithmetic mean of the adjusted earnings per share (EPS [adjusted]) derived from the Group's operational planning for the grant year of the PSP/LTI tranche and the three subsequent years. The target achievement for EPS (adjusted) is correspondingly calculated as the arithmetic mean of the realized adjusted EPS figures determined during the four-year assessment period (performance period) on the basis of the external, audited financial reporting compared to the defined target value.

ESG targets – non-financial performance criterion

The ESG performance criteria are defined by the Supervisory Board for each fiscal year, taking into account MTU's sustainability strategy. To this end, the Supervisory Board selects up to three non-financial performance criteria (ESG targets) and defines quantifiable target values to be achieved within the PSP/LTI assessment period (performance period). The inclusion of ESG targets in the PSP/LTI underscores the ambition of the company's management and Supervisory Board to achieve sustainable business development that takes appropriate account of the interests of all ESG stakeholders and thus boosts the MTU Group's future viability.

List of ESG criteria

Environmental management	Social commitment	Compliance	Growth & resilience	Product responsibility & quality
Innovation	Employer attractiveness	Employees & diversity	Responsible procurement	Digital

An explanation of the non-financial performance criteria selected for the reporting year can be found in the following *section headed Development of performance-related components*.

Further rules on compensation

Pension arrangements

All Executive Board members appointed prior to fiscal year 2021 receive contributions under direct defined benefit pension commitments. The structure of these commitments is outlined below in the *section headed Rules when terminating the contracts of members of the Executive Board*. Instead of such direct defined benefit commitments, Executive Board members appointed for the first time after January 1, 2021 receive an annual, earmarked contribution for their own pension provision.

Malus and clawback clauses

Further, the compensation system for the Executive Board contains malus and claw-back rules. This enables the Supervisory Board, at its discretion, to reduce performance-related components that have not been paid out (malus clause) or claim reimbursement of performance-related components that have already been paid (clawback clause). The regulations for malus or clawback are to be applied in the event of serious breaches – e.g., of the Code of Conduct or compliance guidelines. Moreover, the rules serve to retroactively correct the measurement of performance-related compensation components that have already been determined and paid out if this was based on consolidated financial statements qualified as being incorrect* and the corresponding corrected consolidated financial statements would have resulted in a lower amount being paid out.

Share ownership guidelines

Under the applicable share ownership guidelines, the CEO and other members of the Executive Board are required to acquire shares in MTU equivalent to 200% (CEO) and 100% (other Executive Board members) of their base remuneration within a transition period of four years from their initial appointment. All Executive Board members met the key requirements of the share ownership guidelines in the year under review. Executive Board members still within their four-year transition period are expanding their share portfolio as required in line with the planned schedule. Shares acquired in accordance with the share ownership guidelines are subject to a two-year lock-up period once a member leaves the Executive Board.

Departure from the defined compensation system in the interests of MTU's well-being

Under Section 87a (2) sentence 2 of the German Stock Corporation Act (AktG), in special and exceptional circumstances (e.g., in the event of a serious financial or economic crisis), the Supervisory Board may temporarily depart from the defined compensation system if this is in the long-term interests of MTU. In this context, generally unfavorable market developments are explicitly not considered special and exceptional circumstances permitting temporary departure from the compensation system. Departure from the compensation system is only possible on the basis of a corresponding resolution by the Supervisory Board, based on a proposal by the Personnel Committee, after careful examination of its necessity. Even in such cases, the compensation must still be geared to the long-term and sustainable development of MTU and reflect the success of the company and the performance of the Executive Board.

* Retrospective qualification / adverse audit report

Maximum compensation

In accordance with Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG), the Supervisory Board has set a maximum level of compensation for each member of the Executive Board. This comprises all fixed and variable components (fixed compensation, fringe benefits, pension arrangements, performance-related compensation). The maximum compensation caps the total compensation granted for a given fiscal year, regardless of the relevant payout date. It amounts to €8.5 million for the CEO and €5.0 million for the other Executive Board members.

The arrangement takes into account the stipulation that this limitation be kept stable over several years and, in the opinion of the Supervisory Board, explicitly implies no reference to the target compensation level. When defining the maximum remuneration, the Supervisory Board was guided by common practice for the DAX stock market segment relevant for MTU (cross-comparison). Furthermore, they took into account the possibility of actuarial peak effects related to existing direct pension commitments. *(https://www.mtu.de/fileadmin/EN/5_Investor_Relations/9_1_Annual_General_Meeting/2024_AGM_A_04_Top_8__further_info_remuneration_system_MTU.pdf)*

Development of performance-related components

Short-term incentive (STI)

Target achievement for STI 2025

	Weighting	Minimum value (50% target achievement)	Target value (100% target achievement)	Maximum value (200% target achievement)	Actual value	Payout ratio
Financial performance criteria						
EBIT (adjusted)	50 %	€920 million	€1,150 million	€1,323 million	€1,351 million	200.00 %
Free cash flow (adjusted)	30 %	€190 million	€250 million	€295 million	€378 million	200.00 %
Non-financial performance criteria						
CO_2 abatement through sustainable measures	(10 %)	5.90 kt CO2	7.40 kt CO2	8.50 kt CO2	8.86 kt CO2	(200.00 %)
Training days per employee	(10 %)	2.25 days	3.00 days	3.60 days	3.49 days	(181.67 %)
ESG targets	20 %					190.84%
Weighted overall target achievement						**198.17%**
Strategic multiplier		0.8	1.0	1.2	1.2	1.2
STI payout ratio						**237.80%**

Financial performance criteria of the short-term incentive (STI)
A target value (payout ratio 100%) of €1,150 million, a minimum value (payout ratio 50%) of €920 million, and a maximum value (payout ratio 200%) of €1,323 million were set for the EBIT (adjusted) financial STI performance criterion. In the reporting year (assessment period / performance period), the maximum value was exceeded at a realized EBIT (adjusted) of €1,351 million, which means a payout ratio of 200% for this financial performance criterion. In accordance with the defined weighting of the financial and non-financial STI performance criteria, the payout ratio of the EBIT (adjusted) criterion is incorporated in the weighted overall STI target achievement at a share of 50%.

A target value (payout ratio 100%) of €250 million, a minimum value (payout ratio 50%) of €190 million and a maximum value (payout ratio 200%) of €295 million were set for the reporting year for the free cash flow (adjusted) financial STI performance criterion. In the reporting year (assessment period / performance period), the maximum value was exceeded at a realized free cash flow (adjusted) of €378 million, which means a payout ratio of 200% for this financial performance criterion. In accordance with the defined weighting of the financial and non-financial STI performance criteria, the payout ratio of the free cash flow (adjusted) criterion is incorporated in the weighted overall STI target achievement at a share of 30%.

Non-financial performance criteria – ESG targets – of the short-term incentive (STI)
"For the reporting year, two equally weighted non-financial STI performance criteria were set as ESG targets. The 'CO_2 abatement through sustainable measures' criterion from the environmental management area and the 'training days per employee' criterion from the employer attractiveness or employees & diversity areas.

The 'CO_2 abatement through sustainable measures' criterion describes the reduction of emissions resulting from sustainably implemented energy efficiency measures (e.g., use of heat pumps) and climate-neutral substitution of existing energy requirements (e.g., use of photovoltaic systems) compared to emissions in 2019 (reference figure). The Supervisory Board selected the criterion to give a targeted boost to MTU's "ecoRoadmap" climate protection strategy, which aims to continuously reduce emissions from production and maintenance activities at MTU. With this strategy, MTU is contributing to the achievement of the targets in the Paris Climate Agreement. All major production and maintenance facilities controlled by MTU are taken into account here (sites: Munich, Hanover, Ludwigsfelde, Rzeszów, Vancouver, and Nova Pazova). Target achievement for the 'CO_2 abatement through sustainable measures' criterion is measured for the 12-month performance period from December 1, 2024 to November 30, 2025. The separation of this performance period from the fiscal year is needed to safeguard the time-consuming process of recording, evaluating and assuring the quality of an extensive amount of decentralized reporting data. The calculation is based on the emissions factors for the reference year 2019, the year in which savings began to be measured as part of MTU's "ecoRoadmap" climate protection strategy.

A target value (payout ratio 100%) of 7.40 metric kilotons of CO_2, a minimum value (payout ratio 50%) of 5.90 metric kilotons of CO_2, and a maximum value (payout ratio 200%) of 8.50 metric kilotons of CO_2 were set for the reporting year for the 'CO_2 abatement through sustainable measures' non-financial STI performance criterion. For the year under review (assessment period / performance period from December 1, 2024 to November 30, 2025), the target was exceeded with achieved "CO_2 abatement through sustainable measures" of 8.86 metric kilotons of CO_2. This corresponds to a payout ratio of 200.00% for this non-financial performance criterion. "In accordance with the defined weighting of the financial and non-financial STI performance criteria, the payout ratio of the "CO_2 abatement through sustainability measures" criterion is incorporated into the weighted overall STI target achievement at a calculated share of 10% (weighting of ESG targets: 20%). (ESRS E1-13)"[3]

The "training days per employee" criterion expresses the average duration of training achieved per employee at the German MTU sites (Munich, Hanover, Ludwigsfelde). The Supervisory Board selected the criterion to give a targeted boost to the strategic, forward-looking focus on proactive learning and individual development – as it considers learning and training to be a prerequisite for the recruitment and retention of employees who realize their potential and put their ideas into practice. This will further deepen and anchor the established leadership values of "we transform," "we empower" and "we create trust" by giving the employee development process a central management focus. Integrating ambitious employee development in a period characterized by business growth and limited human resources must be recognized as a complex challenge. The target achievement for the "training days per employee" criterion is measured for the assessment period (performance period) between January 1, 2025 and December 31, 2025.

A target value (payout ratio 100%) of 3 days, a minimum value (payout ratio 50%) of 2.25 days and a maximum value (payout ratio 200%) of 3.60 days were set for the reporting year for the "training days per employee" non-financial STI performance criterion. For the reporting year (assessment period / performance period of January 1, 2025 to December 31, 2025), the target value was exceeded at a realized 3.49 "training days per

[3] This disclosure is part of MTU Aero Engines AG's Group Sustainability Statement for fiscal year 2025.

employee", which, on the basis of linear interpolation, means a payout ratio of 181.67% for this non-financial performance criterion. In accordance with the defined weighting of the financial and non-financial STI performance criteria, the payout ratio of the "training days per employee" criterion is incorporated into the weighted overall STI target achievement at a calculated share of 10% (weighting of ESG targets: 20%).

The target achievement of the equally weighted non-financial performance criteria (ESG targets) "CO_2 abatement through sustainable measures" of 200.00% and "training days per employee" of 181.67% results in an arithmetic mean of 190.84%, which, taking into account the weighting of the ESG targets, is incorporated in the weighted STI overall target achievement at 20%. (ESRS 2 GOV-3 29a, 29b, 29c)"[4]

Weighted overall target achievement of the short-term incentive (STI)
Taking into account the target achievement of the financial and non-financial STI performance criteria defined for the reporting year and their weighting, the weighted overall STI target achievement is 198.17%.

Short-term incentive (STI) strategic multiplier
In addition to the financial and non-financial STI performance criteria described, the Supervisory Board has defined five additional criteria, achievement of which scales the STI strategic multiplier from 0.8 to 1.2.

The strategic multiplier criteria defined for the reporting year and the Supervisory Board's assessment of their achievement are described below:

Criteria – strategic multiplier		Determination of target achievement	Strategic multiplier contribution
STI strategic multiplier base amount			0.80
1.	Technology options and scenarios related to the basic structure of the program consortium are available for the 2nd generation GTF.	The Supervisory Board considers the above criterion to have been fully met in the reporting year. In fiscal year 2025, the technology options targeted with the criterion were identified and evaluated. Additionally, scenarios related to the basic structure of the program consortium are available, providing a sound basis for further planning and implementation of decisions. In November 2025, the consortium partners P&W, JAEC and MTU expressly and publicly confirmed their intention to work together.	+0.08
2.	An industrialization concept has been defined to increase rates in the EJ200 engine program.	The Supervisory Board considers the above criterion to have been fully met in the reporting year. In fiscal year 2025, a feasible industrialization concept for increasing the production rate of the EJ200 engine has been created and documented under this criterion. The anticipated demand levels were defined in consideration of the probability of occurrence and the feasibility of the increased production rates for primary components and unmachined parts was confirmed. The measures required for this purpose have been identified and the respective investments are underway.	+0.08
3.	The schedule for the expansion of the MRO site in Fort Worth and the future portfolio have been defined. An industrialization plan is in place for the ramp-up phase.	The Supervisory Board considers the above criterion to have been fully met in the reporting year. Significant progress was made in the expansion of the Fort Worth site in fiscal year 2025. The portfolio (LEAP-1A and LEAP-1B and GEnx) was defined in consideration of the strategic focus areas and has been negotiated with the OEMs. Procurement for machinery and tooling has been initiated and the shop layout has been finalized. An in-depth industrialization plan and qualification plans for the ongoing expansion are in place. As a result, the foundations have been established for a successful expansion and the safeguarding of operational capability.	+0.08

[4] This disclosure is part of MTU Aero Engines AG's Group Sustainability Statement for fiscal year 2025.

Criteria – strategic multiplier	Determination of target achievement	Strategic multiplier contribution
4. Ramp-up of the new MRO site in China/Jinwan is complete: The introduction of SAP is complete and the first PW1100G-JM engines have been delivered following a successful shop visit.	The Supervisory Board considers the above criterion to have been fully met in the reporting year. In fiscal year 2025, the ramp-up of the new MRO site in Jinwan/China targeted with this criterion was successfully completed. The SAP ERP system has been successfully launched. Construction was completed on schedule, allowing the first PW1100G-JM engine repairs to be successfully dispatched to the order system and delivered.	+0.08
5. The initialization phase of the end-to-end business and IT transformation project has been successfully completed: By the end of 2025, the governance structure had been established, the business process model defined and the ongoing initiatives established. A supporting change management system has been established, providing the basis for upcoming project phases.	The Supervisory Board considers the above criterion to have been fully met in the reporting year. In fiscal year 2025, the initialization phase of the end-to-end business and IT transformation project was successfully completed. A clear governance structure was established and areas of responsibility and decision-making channels were defined. The business process model is in place and forms the basis for the definition of coordinated sub-processes during the next program phase. Existing initiatives have been integrated so that uniform alignment can be ensured. In addition, a comprehensive change management system has been established to prepare the organization for the next steps.	+0.08
STI strategic multiplier determined		1.20

Overall, the Supervisory Board was able to determine that the targets for all five defined criteria had been achieved for the year under review and thus that the STI strategic multiplier was 1.2.

Short-term incentive (STI) payout ratio
Taking into account the weighted overall STI target achievement of 198.17% and the strategic multiplier determined of 1.2, this results in an STI payout ratio of 237.80%.

Performance Share Plan (PSP)/long term incentive (LTI)

Target achievement PSP/LTI 2025

	Weighting	Minimum value (0% or 50% target achievement)	Target value (100% target achievement)	Maximum value (200% target achievement)
Financial performance criteria				
Relative total shareholder return (rTSR)	40%	25th percentile	50th percentile	75th percentile
Earnings per share (EPS) (adjusted)	40%	14.21 €	17.77 €	20.43 €
ESG performance criteria				
Remaining CO_2 emissions	(10%)	0,0%	10,4%	18,3%
Women in management	(10%)	15,0%	17,0%	19,0%
ESG targets	20%			

As of January 1, 2025, the members of the Executive Board were conditionally allocated virtual shares (performance shares) under the Performance Share Plan (PSP/LTI) in accordance with their respective contractual PSP/LTI target direct compensation component and the grant date fair value of €314.15 per virtual share (performance share).

The following table shows the virtual shares (performance shares) conditionally allocated to the current tranches:

Current LTI tranches

	Tranche	Target amount in €	Grant date fair value in €	Number of provisionally allocated virtual shares	Maximum number of possible performance shares	Maximum possible payout amount (250% of target amount) in €
Lars Wagner [1]	**2025**	**1,392,000** [2]	**314.15**	**4,431**	**8,862**	**3,480,000**
	2024	1,392,000	166.34	8,369	16,738	3,480,000
Dr. Johannes Bussmann [3]	**2025**	**556,522**	**314.15**	**1,772**	**3,544**	**1,391,305**
	2024					
Peter Kameritsch [4]	**2025**	**684,000** [5]	**314.15**	**2,178**	**4,356**	**1,710,000**
	2024	684,000	166.34	4,113	8,226	1,710,000
Katja Garcia Vila [6]	**2025**	**513,000**	**314.15**	**1,633**	**3,266**	**1,282,500**
	2024					
Dr. Silke Maurer	**2025**	**684,000**	**314.15**	**2,178**	**4,356**	**1,710,000**
	2024	684,000	166.34	4,113	8,226	1,710,000
Michael Schreyögg	**2025**	**684,000**	**314.15**	**2,178**	**4,356**	**1,710,000**
	2024	684,000	166.34	4,113	8,226	1,710,000

[1] Executive Board member until August 31, 2025.
[2] A partial amount of EUR 464,000 is allocated to the period following departure from the Executive Board.
[3] Executive Board member since July 15, 2025.
[4] Executive Board member until June 30, 2025.
[5] A partial amount of EUR 342,000 is allocated to the period following departure from the Executive Board.
[6] Executive Board member since April 1, 2025.

Further information on the development of the fair value of performance shares granted in the reporting year under the PSP/LTI can be found in the Notes to the Consolidated Financial Statements in section *27. Other provisions*.

Financial performance criteria of the Performance Share Plan (PSP/LTI)
For the financial performance criterion of relative TSR (rTSR – MTU's percentile ranking compared with the TSR performance of the companies in the STOXX® Europe Total Market Aerospace & Defense Index), the target value for the LTI/PSP tranche granted in the reporting year (payout ratio of 100%) was set at the 50th percentile, the minimum value (payout ratio 0%) at the 25th percentile and the maximum value (payout ratio 200%) at the 75th percentile. The Supervisory Board set the target, minimum and maximum values after careful consideration of the various practices in place internationally, with the aim of ensuring that the compensation of the members of the Executive Board is competitive, in particular in comparison with the relevant practices on the DAX, the stock exchange segment relevant to MTU (*www.mtu.de/fileadmin/EN/5_Investor_Relations/9_1_Annual_General_Meeting/2024_AGM_A_04_Top_8_further_info_remuneration_system_MTU.pdf*).

In accordance with the defined weighting of the financial and non-financial STI performance criteria, the payout ratio of the rTSR criterion is incorporated in the weighted overall PSI/LTI target achievement at a share of 40%.

A target value (payout ratio 100%) of €17.77/share, a minimum value (payout ratio 50%) of €14.21/share and a maximum value (payout ratio 200%) of €20.43/share were set for the reporting year for the EPS (adjusted) financial PSP/LTI performance criterion.

In accordance with the defined weighting of the financial and non-financial STI performance criteria, the payout ratio of the EPS (adjusted) criterion is incorporated in the weighted overall PSP/LTI target achievement at a share of 40%.

Non-financial performance criteria – ESG targets – of the Performance Share Plan (PSP/LTI)
"For the reporting year, two equally weighted non-financial PSP/LTI performance criteria were set as ESG targets, the 'remaining CO_2 emissions' criterion from the environmental management area and the 'women in leadership' criterion from the employees & diversity area.

The "remaining CO_2 emissions" criterion expresses the residual Scope 1 and 2 CO_2 emissions from MTU's production and maintenance activities targeted at the end of the four-year PSP/LTI assessment period (performance period) for 2028. The Supervisory Board selected the criterion to give a targeted boost to MTU's "ecoRoadmap" climate protection strategy, which aims to continuously reduce emissions from production and maintenance activities at MTU. With this strategy, MTU is contributing to the achievement of the

targets in the Paris Climate Agreement, based on the requirements of the Science Based Targets initiative (SBTi). In accordance with the SBTi requirements, the 2024 base value of 50.2 metric kilotons of CO_2 must be reduced by 5.72% a year, corresponding to a reduced CO_2 value of 47.3 kilotons of CO_2 for the year 2025. All major production and maintenance facilities controlled by MTU in 2025 are taken into account here (sites: Munich, Hanover, Ludwigsfelde, Rzeszów, Vancouver, and Nova Pazova). The target achievement for the "remaining CO_2 emissions" criterion across the four-year assessment period (performance period) is measured by comparing remaining emissions between December 1, 2024 and November 30, 2025 (reference period) and between December 1, 2027 and November 30, 2028 (target period). The separation of this performance period from the fiscal year is needed to safeguard the time-consuming process of recording, evaluating and assuring the quality of an extensive amount of decentralized reporting data. For the non-financial PSP/LTI performance criterion of "reduction of remaining CO_2 emissions", the following targets were defined in the target period (December 1, 2027– November 30, 2028) compared with the reference period (December 1, 2024– November 30, 2025): a target value (payout ratio 100%) of 42.40 metric kilotons of CO_2, a minimum value (payout ratio 50%) of 47.30 metric kilotons of CO_2, and a maximum value (payout ratio 200%) of 38.70 metric kilotons of CO_2. The definition of minimum, target, and maximum values expresses the ambition of not exceeding the base value, reduced by 5.72%, despite significant business growth.

In accordance with the defined weighting of the financial and non-financial PSP/LTI performance criteria, the payout ratio of the "remaining CO_2 emissions" criterion is incorporated into the weighted overall PSP/LTI target achievement at a calculated share of 10% (weighting of ESG targets: 20%). (ESRS E1-13)"[5]

The "women in leadership" criterion expresses the relative proportion of female managers targeted at the German MTU sites (Munich, Hanover, Ludwigsfelde) at the end of the four-year PSP/LTI assessment period (performance period). The Supervisory Board selected the criterion to give a targeted boost to gender equality in a professional context and thus to promoting equal opportunities.

A target value (payout ratio 100%) of 17.0%, a minimum value (payout ratio 50%) of 15.0% and a maximum value (payout ratio 200%) of 19.0% were set for the reporting year for the "women in leadership" non-financial PSP/LTI performance criterion. The definition of minimum, target and maximum values expresses the ambition of bringing the proportion of female managers in line with the relative proportion of female employees within the assessment period (performance period).

In accordance with the defined weighting of the financial and non-financial PSP/LTI performance criteria, the payout ratio of the "women in leadership" criterion is incorporated in the weighted overall PSP/LTI target achievement at a calculated share of 10% (weighting of ESG targets: 20%) (ESRS 2 GOV-3 29a, 29b, 29c). »[6]

Weighted overall target achievement for the Performance Share Plan (PSP/LTI)
The PSP/LTI performance-related compensation component granted for the reporting year will be paid out as planned after the level of target achievement for the four-year PSP/LTI assessment period (performance period) has been determined in 2028.

Further information on the development of obligations in connection with performance shares granted under the PSP/LTI in the reporting year can be found in the Notes to the Consolidated Financial Statements in *section 27. Other provisions*.

[5] This disclosure is part of MTU Aero Engines AG's Group Sustainability Statement for fiscal year 2025.

[6] This disclosure is part of MTU Aero Engines AG's Group Sustainability Statement for fiscal year 2025.

Compensation of individual members of the Executive Board

Compensation for the reporting period

The members of the Executive Board were granted the following total target compensation for the reporting year; the performance-related compensation components were based on theoretical target achievement of 100%.

Further information on the development of target compensation can be found in the *section headed Vertical comparison*.

Total target compensation

Members of the Executive Board	**Lars Wagner** [1] Chief Executive Officer until August 31, 2025		**Dr. Johannes Bussmann** [1] Chief Executive Officer since September 1, 2025 Member of the Executive Board since July 15, 2025		**Peter Kameritsch** [1] Chief Financial Officer and Chief Information Officer until June 30, 2025		**Katja Garcia Vila** [1] Chief Financial Officer and Chief Information Officer since July 1, 2025 Member of the Executive Board since April 1, 2025		**Dr. Silke Maurer** Chief Operating Officer		**Michael Schreyögg** Chief Program Officer	
in €	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
Fixed compensation	733,336	1,100,004	463,772		330,000	660,000	495,000		660,000	660,000	660,000	660,000
Pension allowance [2]			153,043				165,000		200,000	200,000		
Fringe benefits	17,312	39,479	5,008		5,033	9,595	9,126		11,944	10,347	33,775	29,911
Total non-performance-related compensation	**750,648**	**1,139,483**	**621,824**		**335,033**	**669,595**	**669,126**		**871,944**	**870,347**	**693,775**	**689,911**
Proportion of non-performance-related compensation in %	**22%**	**24%**	**38%**		**30%**	**28%**	**44%**		**43%**	**36%**	**34%**	**29%**
STI	618,667	928,000	463,768		228,000	456,000	342,000		456,000	456,000	456,000	456,000
LTI (PSP)	928,000	1,392,000	556,522		342,000	684,000	513,000		684,000	684,000	684,000	684,000
Additional ad hoc performance-related compensation in special exceptional cases [3]		800,000				400,000				400,000		400,000
Total performance-related compensation	**1,546,667**	**3,120,000**	**1,020,290**		**570,000**	**1,540,000**	**855,000**		**1,140,000**	**1,540,000**	**1,140,000**	**1,540,000**
Proportion of performance-related compensation in %	**46%**	**64%**	**62%**		**51%**	**64%**	**56%**		**57%**	**64%**	**56%**	**64%**
Pension expenses (IAS 19) [4]	1,056,879	588,570			201,931	200,267					187,851	185,617
Proportion of pension expenses in %	**32%**	**12%**			**18%**	**8%**					**9%**	**8%**
Total target compensation	**3,354,194**	**4,848,053**	**1,642,114**		**1,106,964**	**2,409,862**	**1,524,126**		**2,011,944**	**2,410,347**	**2,021,626**	**2,415,528**

[1] During the period under review, Executive Board members received prorated compensation due to some members joining the Board and some members leaving the Board during the year.

[2] Executive Board members who were appointed to the Executive Board for the first time after January 1, 2021 receive a pension allowance for their own pension provision.

[3] Resolution by the Supervisory Board in 2024 financial year: Waiving the ability to grant this performance-related component from the 2025 financial year onwards.

[4] A defined benefit commitment is granted to Executive Board members who were appointed for the first time before the 2021 financial year.

Compensation granted and owed

The following table contains an individual breakdown of the compensation of each Executive Board member for the reporting year. The non-performance-related compensation is reported as compensation granted and corresponds to the amounts paid in the reporting year. The performance-related compensation is reported as compensation granted and owed, and thus corresponds to the amounts to be received in the following year for the reporting year.

The long-term PSP/LTI performance-related remuneration granted in the reporting year will be reported in the compensation report for fiscal year 2028 due to its four-year assessment period (performance period).

Total compensation granted and owed

Members of the Executive Board	**Lars Wagner** [1] Chief Executive Officer until August 31, 2025		**Dr. Johannes Bussmann** [1] Chief Executive Officer since September 1, 2025 Member of the Executive Board since July 15, 2025		**Peter Kameritsch** [1] Chief Financial Officer and Chief Information Officer until June 30, 2025		**Katja Garcia Vila** [1] Chief Financial Officer and Chief Information Officer since July 1, 2025 Member of the Executive Board since April 1, 2025		**Dr. Silke Maurer** Chief Operating Officer		**Michael Schreyögg** Chief Program Officer		**Total**	
in €	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
Fixed compensation	733,336	1,100,004	463,772		330,000	660,000	495,000		660,000	660,000	660,000	660,000	3,342,108	3,080,004
Pension allowance [2]			153,043				165,000		200,000	200,000			518,043	200,000
Fringe benefits [3]	17,312	39,479	5,008		5,033	9,595	9,126		11,944	10,347	33,775	29,911	82,198	89,333
Total non-performance-related compensation	**750,648**	**1,139,483**	**621,824**		**335,033**	**669,595**	**669,126**		**871,944**	**870,347**	**693,775**	**689,911**	**3,942,350**	**3,369,337**
Proportion of non-performance-related compensation in %	**34%**	**28%**	**36%**		**38%**	**32%**	**45%**		**45%**	**38%**	**39%**	**32%**		
STI [4]	1,471,189	2,133,472	1,102,840		542,184	1,048,344	813,276		1,084,368	1,048,344	1,084,368	1,048,344	6,098,226	5,278,504
LTI (PSP) [5]														
Additional ad hoc performance-related compensation in special exceptional cases [6]		800,000				400,000				400,000		400,000		2,000,000
Total performance-related compensation	**1,471,189**	**2,933,472**	**1,102,840**		**542,184**	**1,448,344**	**813,276**		**1,084,368**	**1,448,344**	**1,084,368**	**1,448,344**	**6,098,226**	**7,278,504**
Proportion of performance-related compensation in %	**66%**	**72%**	**64%**		**62%**	**68%**	**55%**		**55%**	**62%**	**61%**	**68%**		
Total compensation granted and owed	**2,221,838**	**4,072,955**	**1,724,664**		**877,217**	**2,117,939**	**1,482,402**		**1,956,312**	**2,318,691**	**1,778,143**	**2,138,255**	**10,040,575**	**10,647,841**
Pension expenses (IAS 19) [7]	1,056,879	588,570			201,931	200,267					187,851	185,617	1,446,661	974,454
Total compensation including pension expenses	**3,278,717**	**4,661,525**	**1,724,664**		**1,079,148**	**2,318,206**	**1,482,402**		**1,956,312**	**2,318,691**	**1,965,994**	**2,323,872**	**11,487,236**	**11,622,295**

[1] During the period under review, Executive Board members received prorated compensation due to some members joining the Board and some members leaving the Board during the year.

[2] Executive Board members who were appointed to the Executive Board for the first time after January 1, 2021 receive a pension allowance for their own pension provision.

[3] Fringe benefits include charges to taxable income covering benefits in kind amounting to €65,982 (previous year: €55,290) , premiums for insurance policies taken out on behalf of members of the Executive Board amounting to €7,001 (previous year: €6,786) and membership dues amounting to €9,216 (previous year: €27,257).

[4] The payment is made after approval of the consolidated financial statements in the following year.

[5] The LTI from the PSP (tranche 2025) will be reported as compensation granted or owed after the end of the four-year performance period in fiscal year 2028.

[6] Supervisory Board resolution in fiscal year 2024: ability to grant this compensation relinquished from fiscal year 2025 onward.

[7] A defined benefit commitment is granted to Executive Board members who were appointed for the first time before the 2021 fiscal year.

Members of the Executive Board did not receive any compensation for supervisory board and similar appointments at Group companies. The Group did not grant any loans to members of the Executive Board in the reporting period or the previous year.

The compensation of the members of the Executive Board did not have to be adjusted due to a malus or clawback in either the reporting period or the previous year. Moreover, there was no need to temporarily depart from the defined compensation system due to specific exceptional circumstances.

The compensation of the members of the Executive Board did not have to be adjusted due to exceeding the maximum compensation set in either the reporting period or the previous year.

Former Executive Board members who were active during the past ten years received pension payments of €926,515 in the reporting year (Reiner Winkler €613,727; Dr. Rainer Martens €312,788).

Vertical comparison

The following table shows the change in the individual compensation of the Executive Board and Supervisory Board members, the earnings indicators for the company and the Group and the average compensation of the workforce. The following aspects are to be taken into account here:

- Unlike the rest of the workforce, the Executive Board's target direct compensation is so far reviewed and, if necessary, adjusted not on an annual basis but at less frequent intervals and thus has to take into account a multi-year adjustment for inflation.
- The impact of performance-related compensation components varies greatly in the vertical comparison because of the differentiated compensation structures, and no conclusions can be drawn from these about the development of the target direct remuneration.
- The retention of profits within foreign subsidiaries means that MTU Aero Engines AG's net profit after tax calculated in accordance with the German Commercial Code (HGB) is of limited use as an indicator of the MTU Group's performance and therefore as a reference for the development of the performance-related compensation components. Accordingly, the Group's EBIT (adjusted), which is also used as the financial performance target for performance-related remuneration components for the Executive Board and all of the German workforce, is reported here as additional information.
- In all compensation groups evaluated, the calculation of the annual changes in compensation excludes company pension schemes.

Vertical comparison

	2025	Change 2025 vs. 2024 in %	2024	Change 2024 vs. 2023 in %	2023	Change 2023 vs. 2022 in %	2022	Change 2022 vs. 2021 in %	2021
Compensation granted and owed to Executive Board members active as at December 31, 2025									
Dr. Johannes Bussmann [1]	1,724,664	-							
Katja Garcia Vila [2]	1,482,402	-							
Dr. Silke Maurer [3]	1,956,312	–16%	2,318,691	41%	1,638,685	-			
Michael Schreyögg	1,778,143	–17%	2,138,255	34%	1,597,026	–20%	1,991,578	9%	1,830,669
Earning indicators									
Adjusted Group EBIT (IFRS)	1,351	28%	1,053	29%	818	25%	655	40%	468
Net profit of MTU Aero Industries AG (German Commercial Code [HGB])	950	92%	494	294%	–255	–195%	267	35%	198
Average compensation of the worldforce									
Employees in Germany [4]	101,662	2%	99,265	5%	94,380	6%	88,870	2%	87,118

[1] Executive Board member since July 15, 2025.
[2] Executive Board member since April 1, 2025.
[3] Executive Board member since February 1, 2023.
[4] Includes the active workforce in Germany (permanent employees, including employees on parental leave working part-time) standardized to full-time equivalents (FTEs) based on the following compensation elements: non-performance related basic salary and, depending on employment group, collectively agreed one-time payments or performance-related variable compensation (profit-sharing bonus, bonuses I and II, STI and PSP/LTI or RSP/LTI).

Vertical comparison

	Change 2025 vs. 2024 in %	Change 2024 vs. 2023 in %	Change 2023 vs. 2022 in %	Change 2022 vs. 2021 in %
Compensation of former Executive Board members				
Peter Kameritsch	–17%	34% [1]	–20% [1]	9% [1]
Dr. Rainer Martens	1%	1%	1%	34%
Lars Wagner	–18%	34% [1]	53% [1]	9% [1]
Reiner Winkler	1%	1%	- [2]	
Compensation granted and owed to present Supervisory Board members				
Gordon Riske (Chairman of the Supervisory Board, Personnel Committee and Nomination Committee) (since May 5, 2022)	–1%	0%	55%	- [3]
Josef Mailer (Deputy Chairman of the Supervisory Board) (Supervisory Board member since Okctober 15, 2015)	–2%	0%	0%	74%
Ute Wolf (Chair of the Audit Committee and member of the Personnel Committee and Nomination Committee since May 8, 2024) (Supervisory Board member since May 11, 2023)	22%	148%	- [2]	
Dr. Christine Bortenlänger (member of the Audit Committee since April 22, 2021)	0%	–2%	0%	97%
Dr. Johannes Bussmann (Supervisory Board member until May 8, 2025)	–51%	- [4]		
Kai Eisenblätter (Supervisory Board member since May 11, 2023)	3%	46%	- [2]	
Daniele Frijia (Supervisory Board member since August 17, 2022)	0%	2%	152%	- [3]
Dr. Marc Haltrich (Supervisory Board member since May 11, 2023)	3%	46%	- [2]	
Anita Heimerl (Supervisory Board member since July 17, 2018)	3%	–3%	3%	67%
Dr. Detlef Kayser (Supervisory Board member since May 8, 2025)	- [5]			
Dr. Rainer Martens (Supervisory Board member since January 26, 2021)	3%	–3%	3%	77%
Claudia Sowa-Frank (Supervisory Board member since May 11, 2023)	0%	57%	- [2]	
Dr. Peter Weckesser (Supervisory Board member since May 8, 2025)	- [5]			
Univ.-Prof. Dr. Marion A. Weissenberger-Eibl (Supervisory Board member until May 8, 2025)	–66%	–3%	3%	67%

[1] To ensure better comparability, the relative changes in the period from fiscal 2021 to fiscal 2024 relate to the period of active membership on the Executive Board.
[2] First-time payment in fiscal year 2023.
[3] First-time payment in fiscal year 2022.
[4] First-time payment in fiscal year 2024.
[5] First-time payment in reporting period.

Rules when terminating the contracts of members of the Executive Board

Regulations in the event of joining or leaving during the year

If an individual joins or leaves the company during the fiscal year, entitlements to fixed remuneration and STI and PSP/LTI performance-related remuneration components are granted pro rata temporis – unless agreed individually otherwise.

Rules regarding changes within the Executive Board during the reporting period

Lars Wagner left the Executive Board early on August 31, 2025 and Peter Kameritsch also departed early on June 30, 2025. For the period between each members' departure and the end of their contractual term in office on December 31, 2025, they each received prorated target compensation for their earlier work on the Executive Board. For the period following his departure, Lars Wagner received prorated fixed remuneration in the amount of €366,668, fringe benefits of €11,327 and a proportionate STI of €735,595. Lars Wagner also received company pension benefits amounting to €181,320. Lars Wagner left the company early on October 31, 2025; for this reason, the aforementioned amounts comprise half the amount of the remuneration for the period from August 31, 2025 to October 31, 2025 and a severance payment. The respective prorated remuneration components granted to Peter Kameritsch include fixed remuneration of €330,000, fringe benefits of €3,906 and a STI of €542,184. Peter Kameritsch also received company pension benefits amounting to €148,752. In all cases, the granting of variable remuneration components, the calculation of the target achievement rate and the subsequent payouts are based exclusively on the plan conditions originally defined.

Pension arrangements

The active members of the Executive Board in the reporting year who were appointed before fiscal year 2021 earn vested entitlements to company pension benefits in accordance with the "MTU Pension Capital – Pension Provisions for Members of the MTU Aero Engine's AG Executive Board" plan. The benefit target is to provide a pension amounting to 60% of the fixed basic compensation after 15 years of service on the Executive Board.

To replace any MTU pension entitlements earned by individual Executive Board members prior to their appointment to the Executive Board, they are granted an initial transfer amount equal to their individually earned pension capital. Once the initial transfer amount has been determined, a pension account is opened for each eligible member of the Executive Board, to which further capital units are credited annually. The annual capital units are determined on the basis of the individual Executive Board member's contribution and an age-related factor. The age-related factor represents an interest rate of 6% p.a. until the age of 60. As a rule, the contribution period is limited to 15 years of service on the Executive Board and ends when the member reaches the age of 60. From the age of 61, the pension capital earns interest at 4% p.a. until the pension is drawn (= bonus amount) up to the age of 65. The total of the accrued capital units, plus the initial transfer amount and any bonus amounts credited, make up the pension capital available to finance post-employment benefits.

If benefits are payable because a member of the Executive Board becomes disabled or dies before reaching the fixed retirement age of 60, 50% of the benefits earnable up to the fixed age limit are added to the accrued balance on the pension account, taking into account the promised contribution period. The amount credited is based on the contribution paid at the time of exit.

When an insured event occurs, the pension capital is generally granted as a one-time payment. At the request of the Executive Board member and subject to the Group's approval already granted, a lifelong annuity may be granted, with 1% adjustment p.a. Alternatively, at the request of the Executive Board member, the capital may be drawn in 10 installments, with a 4% increase in each case.

Executive Board members appointed for the first time after January 1, 2021 receive a pension allowance in the form of a lump-sum payment for their own pension provision, which is paid out annually in cash, instead of an entitlement to a direct defined benefit commitment. Granting the pension allowance instead of direct commitments relieves MTU of the actuarial opportunities and risks related to defined benefit commitments.

Basic details of the above-mentioned commitments and benefits are shown individually in the following table:

Existing post-employment benefit entitlements

Members of the Executive Board in €	Initial transfer amount [1]	Guaranteed capital [2]	Annual contribution	End of contribution period	Annual pension amount [3]
Lars Wagner	207,344	207,344	362,641	31.08.2025	424,682
Peter Kameritsch	461,573	461,573	148,752	30.06.2025	245,867
Michael Schreyögg	365,627	365,627	378,089	31.12.2025	354,995

[1] Entitlements earned up to the time of the change in the pension plan - Michael Schreyögg: July 1, 2013; Peter Kameritsch and Lars Wagner: January 1, 2018.

[2] Level of benefits to which the insured party would have been entitled under the previous pension plan.

[3] All entitlements to company pension benefits (excluding employee-funded capital account), taking the respective contribution period into account.

The differences in the annual contributions to the pension accounts result from the remaining periods of service until the end of the respective maximum contribution period, the respective age-related factors, and the individual amounts of pensionable compensation.

The following table shows the service cost for the reporting year and the previous year, and the corresponding levels of provisions, recognized in accordance with IFRS for members of the Executive Board:

Allocations to pension provisions and total amounts recognized

Members of the Executive Board in €	Year	Service cost (IFRSs)	Carrying amount of pension provisions as of Dec. 31 (IFRSs) [1]
Lars Wagner	**2025**	**1,056,879** [2]	**5,487,761**
	2024	588,570	4,942,257
Peter Kameritsch	**2025**	**201,931**	**5,024,736**
	2024	200,267	5,846,312
Michael Schreyögg	**2025**	**187,851**	**6,590,764**
	2024	185,617	6,687,857
Total	**2025**	**1,446,661**	**17,103,261**
	2024	**974,454**	**17,476,426**

[1] Where appropriate, the provisions include obligations relating to claims arising from the individual employee-funded capital accounts ("Pension Capital Aufbaukonto") from previous service periods.

[2] Regular allocations to provisions require allocations to be distributed evenly up until the age of 62; the contribution period is shortened to end on December 31, 2025 due to their departure from the company and the present value of the reduced vested entitlements were recorded as of the reporting date.

The defined benefit obligations (DBO) for former members of the Executive Board, measured in accordance with International Financial Reporting Standards (IFRSs), amount to €19,452,318 (previous year: €21,551,775).

Early termination of contracts of service

Severance payment

Members of the Executive Board whose contract of service is terminated early by MTU are entitled to receive a severance payment equivalent to the total of the prorated fixed compensation, prorated short-term incentive (STI) and prorated compensation under the Performance Share Plan (PSP/LTI) for the original remaining term of their contract. The severance payment is capped at twice the departing Executive Board member's total annual compensation ("severance payment cap").

If the contract of service is terminated by MTU for compelling cause, no severance payment is made. In this case, all PSP/LTI tranches expire without compensation.

In the event of a change of control (CoC), Executive Board members have the right to resign from their office as a member of the Executive Board for cause. Under the contracts of service for members of the Executive Board, a change of control is deemed to have occurred if a shareholder, alone or on the basis of voting rights attributable to that shareholder pursuant to Sections 33 et seqq. of the German Securities Trading Act (WpHG), acquires the majority of the voting rights in the company and this results in material disadvantages for the Executive Board. Material disadvantages are, in particular, if the Executive Board member is removed, if the member's responsibilities and duties are significantly altered, or if the Executive Board member is asked to accept a reduction in employment benefits or to agree to premature termination of the respective contract of service. In such case, each member of the Executive Board shall have a special right of termination, which is to be exercised within a period of six months, with a period of notice of three months to the end of a month. If a member of the Executive Board makes use of the special right of termination, or if the Executive Board member's contract of service is terminated by mutual consent within nine months of the change of control, the Executive Board member receives a severance payment corresponding to the benefits still to be awarded up to the end of the contract term originally agreed. For the calculation of the severance payment, 100% target fulfillment is agreed for the variable compensation components. The maximum amount of the severance payment is limited to the severance payment cap.

Incapacity to work and death

In the event of incapacity to work due to illness, accident or another reason for which the Executive Board member is not responsible, the Executive Board member shall continue to receive their fixed compensation for a period of 12 months, but no longer than until the end of the Executive Board contract of service. The short-term incentive will also continue to be granted. If the temporary incapacity to work lasts longer than 12 months, the payment amount determined from the PSP/LTI at the end of the performance period is reduced proportionately. This is calculated from the following ratio: the number of full months of incapacity for work beyond the 12-month period in relation to the total performance period of 48 months.

If the Executive Board member dies during the term of the Executive Board contract of service, the spouse, registered partner or dependent children receive the (pro rata) fixed compensation for the month of death and the three months following the month of death. A pro rata claim up to the end of the month of death arises for STI. In this case, the payout ratio of 100% and the strategic multiplier of 1 are taken into account and multiplied by the individual target amount. With respect to the tranche(s) of the Performance Share Plan (PSP/LTI) prior to the expiration of the performance period, all virtual performance shares will be forfeited, and a compensatory payment will be made for the virtual performance shares. Here, the conditionally allocated number of virtual shares is multiplied by the average MTU share price of the last 60 trading days before the date of death, and the dividends paid within the performance period up to that point are added.

Performance-related compensation in the event of early termination of the contract of service

If the appointment is revoked by MTU for compelling cause, the Executive Board member shall not receive any short-term incentive (STI) for the fiscal year in progress at the time of end of membership of the Executive Board if the contract of service is terminated without notice.

If the Executive Board contract of service ends by termination by MTU without notice for cause in accordance with Section 626 (1) of the German Civil Code (BGB) or by the resignation of the mandate by the Executive Board member without a mutually agreed arrangement, or if the appointment is revoked by the Supervisory Board for cause pursuant to Section 84 (4) of the German Stock Corporation Act (AktG) before the end of the performance period, all performance shares of the PSP/LTI shall be forfeited without compensation ("bad leaver").

If a member of the Executive Board ends their term of office after their contract of service has expired, whether at the instigation of MTU or the Executive Board member, the current PSP/LTI tranches granted during their term of office will be paid out to the respective Executive Board member after the assessment period (performance period) and in accordance with the relevant target achievement pursuant to the PSP/LTI plan conditions described ("good leaver").

Compensation of the Supervisory Board

The rules governing Supervisory Board compensation are laid down in the articles of association of MTU Aero Engines AG. The compensation is relative to the size of the Group and the duties and responsibilities of the Supervisory Board members.

Pursuant to Article 12 of the current articles of association of MTU Aero Engines AG, members of the Supervisory Board receive fixed annual compensation of €80,000, payable after the end of the fiscal year. The chair of the Supervisory Board receives three times and the deputy one-and-a-half times the amount of fixed compensation. In addition to this compensation, members serving on one of the Supervisory Board's committees receive an additional €20,000 for the fiscal year and a further €40,000 for the fiscal year if they chair a committee. Supervisory Board members who are also members of the Nomination Committee receive an additional €10,000, while the chair of this committee receives an additional €20,000. Furthermore, members of the Supervisory Board receive an attendance fee of €3,000 per meeting of the Supervisory Board and its committees, limited to €3,000 per day. Expenses incurred in connection with the exercise of their office are reimbursed, as is any value-added tax payable on compensation. The members of the Supervisory Board do not receive any share-based compensation.

The following table contains an individualized breakdown of the compensation of each Supervisory Board member in the reporting year (figures exclude value-added tax). The fixed annual payment and compensation for committee membership are disclosed as compensation owed and comprise the compensation for the reporting year paid out at the start of the following year.

The attendance fees are disclosed as compensation granted and are the amounts paid to each member in the reporting year.

Compensation granted and owed to the Supervisory Board for 2025

Supervisory Board members	Fixed annual payment		Compensation for membership in committee		Attendance fees		Total compensation	
	in €	in %	in €	in %	in €	in %	in €	in %
Gordon Riske (Chairman of the Supervisory Board, Personnel Committee and Nomination Committee)	240,000	67%	90,000	25%	30,000	8%	360,000	100%
Josef Mailer (Deputy Chairman of the Supervisory Board) [1) 2) 4)]	120,000	61%	40,000	20%	36,000	18%	196,000	100%
Ute Wolf (Chair of the Audit Committee) [1) 3)]	80,000	38%	90,000	43%	39,000	19%	209,000	100%
Dr. Christine Bortenlänger [2)]	80,000	60%	20,000	15%	33,000	25%	133,000	100%
Dr. Johannes Bussmann (until May 8, 2025)	28,444	83%			6,000	17%	34,444	100%
Kai Eisenblätter [4)]	80,000	77%			24,000	23%	104,000	100%
Daniele Frijia [1) 4)]	80,000	63%	20,000	16%	27,000	21%	127,000	100%
Dr. Marc Haltrich	80,000	77%			24,000	23%	104,000	100%
Anita Heimerl [4)]	80,000	77%			24,000	23%	104,000	100%
Dr. Detlef Kayser (since May 8, 2025)	51,778	78%			15,000	22%	66,778	100%
Dr. Rainer Martens	80,000	77%			24,000	23%	104,000	100%
Claudia Sowa-Frank [2) 4)]	80,000	60%	20,000	15%	33,000	25%	133,000	100%
Dr. Peter Weckesser (since May 8, 2025)	51,778	74%			18,000	26%	69,778	100%
Univ.-Prof. Dr. Marion A. Weissenberger-Eibl (until May 8, 2025)	28,444	83%			6,000	17%	34,444	100%
Total	**1,160,444**		**280,000**		**339,000**		**1,779,444**	

1) Member of the Personnel Committee.
2) Member of the Audit Committee.
3) Member of the Nomination Committee.
4) These employee representatives have declared that they will donate their Supervisory Board compensation to the Hans-Böckler-Stiftung, in accordance with the guidelines of the Confederation of German Trade Unions.

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor's Report

To MTU Aero Engines AG, Munich
Report on the audit of the remuneration report

We have audited the attached remuneration report of MTU Aero Engines AG, Munich, for the financial year from January 1 to December 31, 2025, including the related disclosures, prepared to meet the requirements of Section 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibility of the Management Board and the Supervisory Board
The management and the Supervisory Board of MTU Aero Engines AG are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of § 162 AktG. The management and the Supervisory Board are also responsible for such internal control as they have determined necessary to enable the preparation of the remuneration report that is free from material misstatement. whether due to fraud or error.

Auditor's responsibilities
Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, including the related disclosures, in the remuneration report. The procedures selected depend on the auditor's professional judgement. This includes an assessment of the risks of material misstatement, whether due to fraud or error, in the remuneration report, including the related disclosures. In assessing these risks, the auditor considers the internal control system relevant for the preparation of the remuneration report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report, including the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the financial year from January 1 to December 31, 2025, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG.

Other matter – formal examination of the remuneration report
The substantive audit of the remuneration report described in this independent auditor's report includes the formal examination of the remuneration report required by Section 162 (3) AktG, including issuing an assurance report on this examination. As we have issued an unqualified opinion on the substantive audit of the remuneration report, this opinion includes the conclusion that the disclosures pursuant to Section 162 (1) and (2) AktG have been made, in all material respects, in the remuneration report.

Limitation of liability
The terms governing this engagement, which we fulfilled by rendering the aforementioned services to MTU Aero Engines AG, are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on 1 January 2024. By taking note of and using the information as contained in this auditor's report, each recipient confirms to have taken note of the terms and conditions laid down therein (including the limitation of liability of EUR 4 million for negligence under Clause 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Munich, March 17, 2026

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Huber-Straßer
Wirtschaftsprüferin
[German Public Auditor]

Hanshen
Wirtschaftsprüfer
[German Public Auditor]

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Combined management report

The management report of MTU Aero Engines AG and the Group management report for the fiscal year 2025 have been combined in accordance with Section 315 (5) of the German Commercial Code (HGB) in conjunction with Section 298 (2) of the German Commercial Code (HGB). Content of internet sites referred to in the combined management report are not components of the combined management report and are not audited; such references are for information purposes only.

The MTU Group

Business activities and markets

«MTU's portfolio covers the entire lifecycle of commercial and military aircraft engines and aero-derivative industrial gas turbines. The company's activities range from development, manufacturing and sales to maintenance.

MTU has technological expertise in low-pressure turbines, high-pressure compressors and turbine center frames, and in repair techniques and manufacturing processes. Through risk- and revenue-sharing partnerships, it is involved in important national and international technology programs and cooperates with the top names in the industry (GE Aerospace, Pratt & Whitney and Rolls-Royce).

The Group also provides maintenance services for commercial aircraft engines. In the military sector, it has been the leading industrial partner to the German armed forces for decades.

MTU operates in two segments: the OEM business (Original Equipment Manufacturing) and MRO business (Maintenance, Repair and Overhaul). The OEM segment covers new commercial engines, including spare parts, and the whole of the military sector. The MRO segment covers the commercial repair and maintenance business. (ESRS 2 SBM-1 40ai, 40aii)»[1]

Group structure, locations and organization

Through its subsidiaries, joint ventures and equity investments, MTU has a presence in all key markets and regions worldwide. Further information on MTU's shareholdings is provided in the *Notes to the consolidated financial statements in section I. Accounting policies and principles*.

[1] This disclosure is part of MTU Aero Engines AG's Group Sustainability Statement for fiscal year 2025.

MTU Aero Engines worldwide

MTU Maintenance Canada
MTU Aero Engines North America
MTU Maintenance Fort Worth
MTU Maintenance do Brasil

MTU Aero Engines
MTU Maintenance Hannover
MTU Maintenance Berlin-Brandenburg
MTU Maintenance Lease Services
MTU Aero Engines Polska
MTU Maintenance Serbia
EME Aero[1)]
Aerospace Embedded Solutions[1)]
Pratt & Whitney Canada Customer Service Centre Europe[1)]
Ceramic Coating Center[1)]
eMoSys
3D.aero

MTU Maintenance Zhuhai[1)]
MTU Maintenance Australia
Airfoil Services[1)]

[1)] Joint Ventures.

MTU's global workforce

			Change against previous year	
Number of employees	**Dec. 31, 2025**	Dec. 31, 2024	Employees	in %
Locations in Germany	10,682	10,181	501	4.9
Locations outside Germany	2,992	2,711	281	10.4
Total workforce	**13,674**	**12,892**	**782**	**6.1**

Key performance indicators

The implementation of MTU's corporate strategy, which is focused on profitable growth, customer satisfaction and sustainability, is managed through key financial and non-financial performance indicators adopted by the Executive Board. These performance metrics are derived from corporate planning and provide guidance for management of the company in its focus on sustainable and profitable growth of the company. Specific attention is paid to ecological and social aspects. To facilitate decisions that create a suitable environment for implementing the corporate strategy, the manufacturing and support functions are supported by a central risk management, internal control and compliance management system. Based on agreement between the Executive Board and Supervisory Board, the central financial performance indicators, supplemented by focused non-financial performance indicators, are incentivized as part of a value-based compensation system for the Executive Board and senior executives.

Financial performance indicators

Financial performance indicators

in € million	2025	2024	Change against previous year in € million	Change against previous year in %
Revenue	8,763	7,411	1,353	18.3
Adjusted revenue	8,717	7,488	1,229	16.4
Adjusted EBIT	1,351	1,050	300	28.6
Adjusted EBIT margin (in %)	15.5	14.0	1.5	10.5
Adjusted net income	968	764	204	26.6
Adjusted free cash flow	378	183	195	>100

MTU regards the value-driving financial KPIs of adjusted revenue, adjusted EBIT, adjusted net income and adjusted free cash flow as the most important indicators of financial performance. The aforementioned KPIs define the financial balance that MTU has to strike between growth, profitability and liquidity.

Further information about the definition and refinement of the aforementioned financial KPIs is provided under *Reconciliation to adjusted key financial performance figures in the Results of operations section* and under *Financial position*.

Non-financial performance indicators

Furthermore, MTU considers non-financial performance indicators that enhance the requisite thematic breadth of the steering system in terms of sustainability. However, because of their weighting, only the indicators of financial performance outlined above are to be classified as the most significant key performance indicators.

Information regarding the definition and refinement of the aforementioned non-financial KPIs is provided under *Short-Term Incentives (STI) in the chapter Development of performance-related components in the Compensation report*.

Economic report 2025

Macroeconomic conditions

At the macro level, economic debate in 2025 was dominated primarily by global trade conflicts. In April 2025, the United States announced the introduction of significant tariffs against most of its trading partners – a clear break with established trade policy norms. The good news is that the adverse impact on the global economy has been relatively moderate so far. In its January 2026 World Economic Outlook, the International Monetary Fund (IMF) stated that despite increasing protectionism and a shifting global landscape, the global economy showed remarkable resilience in 2025. Companies successfully reorganized their supply chains and front-loaded trade activities in the earlier months of the years, leading to a temporary increase in trade flows.

Global inflation fell to 4.1% in 2025, with industrialized countries stabilizing close to the target of 2.5% – slightly below the 2.6% recorded in 2024. Monetary policy has shifted from strict tightening to a more moderate approach, leaning toward neutrality or gradual easing.

After a strong start to the year, the global economy weakened gradually. Annual global GDP growth remained robust at 3.3%, putting it at a similar level to 2024 (source: IMF World Economic Outlook, January 2026).

Of the world's three largest economic regions, the Eurozone recorded growth of 1.4% in 2025, a moderate improvement from 0.9% in 2024. Among its members, Germany's fiscal expansion played a key role in sustaining economic activity. This helped the German economy to return to positive territory despite modest growth of 0.2%, thus contributing to the Eurozone's overall performance.

In the United States, growth slowed to 2.1% in 2025 from 2.8% in 2024 as the temporary investment boost began to fade, labor markets weakened, and demand became increasingly impacted by price rises linked to tariffs.

In China, the country hardest hit by U.S. tariffs, growth was supported by a weaker real effective exchange rate and a front-loaded surge in exports to Asian and European partners at the beginning of the year. Nevertheless, overall development remained subdued despite fiscal measures. As a result, Chinese GDP growth in 2025 remained at the same level as 2024 at 5.0% (source: IMF World Economic Outlook, January 2026).

Sector-specific conditions within the aviation industry

Despite ongoing geopolitical and economic uncertainty, air traffic proved relatively resilient over the course of the year. According to IATA, global passenger traffic grew by 5.2% in 2025. Asia-Pacific led the growth trend at 8%, bolstered by the region's economic momentum and the expansion of international travel. Europe recorded robust growth of 5%. North America experienced near stagnation at 0.2%, reflecting a reluctance to travel amid uncertainty over tariffs, tighter immigration policies, and restructuring in the federal workforce.

Growth in cargo traffic in 2025 was slower, but remained solid at 3.1%. Despite a general decline in the global goods trade, growth was bolstered by the front-loading of deliveries in the run-up to tariff changes and strong demand for additional key trade routes. For instance, Chinese exporters responded by diverting tariff-impacted deliveries to alternative markets and adjusting their supply chains with interim stops or outsourcing some production to countries with lower tariffs (source: IATA Global Outlook for Air Transport, December 2025).

Underpinned by stable traffic volumes, airline revenue rose by 4.1% to U.S.$1,008 billion in the reporting period, breaking the one-trillion U.S. dollar mark for the first time. This reflects robust demand and improvements in operational efficiency. The average price of jet fuel in 2025 was U.S.$90 per barrel, falling from U.S.$ 99 in 2024. Lower fuel costs, moderate wage increases and high aircraft utilization enabled airlines to increase their net profit, which rose from U.S.$28.3 billion to U.S.$39.5 billion globally.

On the aircraft manufacturer side, Airbus and Boeing delivered a total of 1,393 commercial aircraft in 2025, significantly more than the previous year's 1,114. Despite ongoing supply chain issues affecting many programs, both manufacturers managed to boost their delivery performance. Boeing successfully implemented its delivery schedule and is back on track with 600 aircraft delivered in 2025 – an increase of 72% compared with 2024 (Source: Cirium).

Boeing also received approval from the U.S. Federal Aviation Administration (FAA) to increase production of the 737 MAX to 42 aircraft per month (source: Reuters). Deliveries of the Boeing 787 also rose significantly from 51 in 2024 to 88 in 2025. The company owes some of its ongoing resilience to the planned trade agreement exempting aerospace products from tariffs and a strategic realignment towards core business through the completed sale of Digital Aviation Solutions to Thoma Bravo. In spite of Airbus having to reduce its 2025 delivery goal from 820 to 790 at the end of the year due to problems with the quality of its hull panels, it was able to retain its leadership over Boeing and increase its deliveries from 766 aircraft in 2024 to 793 in 2025. The A320 line therefore became the most delivered commercial aircraft in history, surpassing the 737 family (source: Airbus). At program level, deliveries for the A320neo family – which has been more heavily impacted by supply chain problems than any other aircraft line – rose only slightly from 602 to 607 units. In contrast, A220 deliveries increased significantly from 75 to 93 aircraft (source: Cirium).

Despite improved delivery performance in 2025, the industry still faces a structural imbalance between supply and demand. Strong market demand combined with supply chain production bottlenecks means that despite higher year-on-year production, manufacturers are unable to fully close the gap between deliveries and demand for new aircraft. Older programs continue to benefit from this shortfall, driving demand for aftermarket services for engine models such as the V2500, CFM56 and CF6-80C. While the GTF fleet management plan continues to impact MRO capacity and requires the company's full attention, the ongoing operation of older engines represents a financial advantage for MTU in both the spare parts business (OEM) and the commercial maintenance and repair segment (MRO).

Military aviation sector in 2025

In the military sector, 2025 was marked by strong pressure to modernize, increasing operational requirements, and growing importance within the European security architecture. The war in Ukraine and ongoing instability in the MENA region and Asia have prompted an increase in defense spending outside the United States. (Source: AWIN Military Quarterly Report Q3/2025)

NATO member states have also agreed on a historically high target: in the long term, defense spending is to rise to 5% of GDP – of which around 3.5% for traditional defense spending and up to 1.5% for infrastructure, civil protection, and security-related areas. This marks a significant increase compared to the previous target of two percent of GDP (source: Federal Ministry of Defense).

Consequently, defense budgets in Europe are rising sharply. According to the Council of the European Union, defense spending by EU member states reached around €381 billion in 2025, up 11% compared with 2024. Expenditure on armaments and procurement grew particularly strongly. The increase is publicly justified by the aim of strengthening European and national sovereignty and defense capabilities in the face of increasing geopolitical tensions, particularly with regard to Russian aggression.

In Germany, the revised 2025 draft budget provides for an additional €9.2 billion for the Federal Ministry of Defense, with long-term forecasts indicating that core defense spending will rise to €152.8 billion by 2029. Germany aims to increase defense spending to 3.5% of GDP by 2030. (Source: AWIN Military Quarterly Report Q3/2025)

Rising budgets are also reflected in procurement: the German Armed Forces recently ordered 20 Eurofighter aircraft and 52 new EJ200 engines for the Air Force. This order is in addition to the Eurofighter orders placed by Spain and Italy (59 and 54 engines respectively) (source: EUROJET).

Turkey's most recent order for 20 Eurofighter Typhoons will add an as yet unspecified number of engines to the Eurojet order backlog (source: Eurofighter).

Financial situation

The following explanatory comments and analyses are based on the audited MTU consolidated financial statements for the fiscal year ended December 31, 2025. The consolidated financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), to the extent that these have been adopted by the European Union.

In accordance with IFRS requirements, new and revised standards and interpretations were applied for the first time in the financial statements for 2025. This did not have a material impact on the net assets, financial position and results of operations of the Group. They are described in detail in the *Notes to the consolidated financial statements under Accounting standards, interpretations and amended standards and interpretations applied for the first time in fiscal year 2025*.

The exchange rates used for translating foreign currencies relevant to the MTU Group into the reporting currency "Euro" are the following official rates set by the European Central Bank:

Foreign currency exchange rates

Currency	ISO code	Rate at reporting date		Average rate	
		Dec. 31, 2025 € 1 =	Dec. 31, 2024 € 1 =	**2025 € 1 =**	2024 € 1 =
U.S. dollar	USD	1.1750	1.0389	1.1300	1.0824
Canadian dollar	CAD	1.6088	1.4948	1.5787	1.4821
Chinese renminbi	CNY	8.2262	7.5833	8.1185	7.7875
Polish zloty	PLN	4.2210	4.2750	4.2397	4.3058
Serbian dinar	RSD	117.2820	117.0149	117.2030	117.0851

Results of operations

Group

Consolidated income statement

in € million	2025	2024	Change against previous year in € million	Change against previous year in %
Revenue	**8,763**	**7,411**	**1,353**	**18.3**
Cost of goods sold	–7,075	–6,178	–897	–14.5
Gross profit	**1,688**	**1,233**	**455**	**36.9**
Functional costs	–442	–372	–70	–18.9
Other operating income/expenses	–26	–21	–5	–24.0
Profit/loss of companies accounted for using the equity method and of equity investments	159	115	44	38.5
Earnings before interest and taxes (EBIT)	**1,379**	**955**	**424**	**44.4**
Net financial income/expense	–17	–60	43	71.7
Earnings before income taxes	**1,362**	**895**	**467**	**52.1**
Income taxes	–335	–253	–81	–32.2
Net income	**1,028**	**642**	**385**	**60.0**
Basic earnings per share (in €)	18.90	11.77	7.13	60.6
Diluted earnings per share (in €)	18.49	11.53	6.96	60.3
Earnings before interest and taxes, depreciation and amortization (EBITDA)	**1,794**	**1,433**	**361**	**25.2**

Revenue

Revenue developed very positively in both the commercial engine business (part of the OEM segment) and the commercial maintenance and repair business (MRO segment). It remained at a stable level for the military engine business (part of the OEM segment).

In the commercial and military engine business (OEM), revenue rose by €468 million from €2,454 million to €2,922 million. The operating business continued on an upward trend, driven primarily by the positive development of the new engine business in the GTF™ programs and for the GEnx and also in the spare parts business. Given the fact that billing in U.S. dollars is customary in the aviation sector, revenue development faced a headwind from movements in the U.S. dollar exchange rate, which averaged U.S.$1.13 per euro in 2025 compared with U.S.$1.08 per euro in the previous year. In contrast, the measurement of refund liabilities in connection with stakes in commercial engine programs had a positive effect on revenue due to the movement in the closing exchange rate from U.S.$1.04 per euro on December 31, 2024 to U.S.$1.18 per euro at the reporting date.

Revenue from the commercial maintenance, repair and overhaul business (MRO) also developed favorably, rising by €894 million from €5,066 million in the previous year to €5,960 million (before consolidation). This development was driven particularly by additional maintenance business from the IAE LLC and Pratt & Whitney subcontract as part of the GTF™ fleet management plan, as well as by OEM-independent maintenance and repair business. Revenue from the growing maintenance and repair business for engines in the narrowbody segment, like the V2500, and the widebody segment, like the CF6-80 and GE90, benefited here in particular. The engine leasing and asset management business saw a similar increase in the reporting period.

Cost of goods sold and gross profit

In accordance with the rise in business volume, the cost of goods sold rose by €897 million (14.5%) from the previous year, increasing to €7,075 million, which is disproportionately low compared to revenue. While inflationary effects drove up costs, they were countered by year-on-year price increases along with economies of scale in production and service capacity utilization.

With regard to gross profit, the commercial and military engine business (OEM) benefited on the whole from a more favorable product mix in the new engine business in relation to the previous year and in particular from the growth in spare and lease engine sales. In view of the comparison to the prior-year period, it should be taken into account that gross profit for the previous year was negatively impacted by impairment losses of €21 million recognized on the stake in the T408 program. Another factor was the alignment of the stakes in the PW1500G/PW1900G programs with the effective amount of goods and services, which was agreed in the previous year. A consequence of this alignment was the adjustment of existing assets and liabilities under these programs in the previous year, which led to a contribution to gross profit of U.S.$34 million.

With regard to the commercial maintenance and repair business (MRO), gross profit benefited from the positive developments during the year under review. However, the relative share of the higher-margin, OEM-independent maintenance and repair business fell in comparison to the previous year.

All in all, gross profit rose significantly. The gross margin, defined as the rate of revenue minus cost of goods sold to total revenue, rose from 16.6% in the previous year to 19.3% in the year under review.

Earnings before interest and taxes (EBIT)

The very positive EBIT trend during the reporting period compared with the previous year corresponds to the gross profit trend outlined above and was also further boosted by improved results from companies accounted for using the equity method. Burdens resulted from functional cost developments caused by the course of business and inflation-related factors, the inclusion of MTU Maintenance Fort Worth, Fort Worth (USA) for the first time as part of its full consolidation during the reporting year, the ramp-up of the transformation program – the main goal of which is to strategically develop the global process model and its ERP system integration – and the balance of other operating income and expenses.

Net financial income/expense

The financial result improved in the reporting year. An improvement in other financial income/expense as a result of exchange rate movements in the U.S. dollar more than offset the change in net interest income/expense, which was impacted by extensive refinancing activities in the previous year and developments in investment and funding conditions on the capital markets during the reporting year.

Earnings before taxes (EBT)

The very positive year-on-year development of earnings before tax (EBT) corresponds to the very positive EBIT trend.

Income taxes

In line with the positive earnings before taxes, tax expenses amounted to €335 million in the reporting year (previous year: €253 million). The effective Group tax rate, calculated on the basis of earnings before taxes, was 24.6% (previous year 28.3%) and benefited in particular from the adjustments to business taxation in Germany during the year under review. Information on the reconciliation of the expected tax expense to the effective tax expense is provided in *Note 10. Income taxes* in the Notes to the consolidated financial statements.

Net income

In relation to the previous year, net income rose significantly to €1,028 million (previous year: €642 million) in accordance with the development of EBIT and EBT.

Consolidated statement of comprehensive income

In the consolidated statement of comprehensive income, net income is reconciled with the total comprehensive income for the period of €1,070 million (previous year: €617 million).

Taking deferred taxes into account, the effects directly recognized in other comprehensive income in the reporting period mainly relate to the increase of €132 million in the fair value of hedging instruments (previous year: decrease in fair value of €79 million), and actuarial gains from pension obligations and plan assets amounting to €18 million (previous year: €7 million), partially offset by exchange rate losses of €108 million on the translation of foreign operations (previous year: exchange rate gains of €48 million).

Earnings per share

In line with the very positive net income trend for the reporting period in comparison with the previous year, basic earnings per share amounted to €18.90 (previous year: €11.77).

Diluted earnings per share amounted to €18.49 (previous year: €11.53) due to the inclusion of the diluting effect of the shares that could potentially be issued through the convertible bond 2019.

Order backlog

MTU's order backlog consists of firm customer orders that commit the Group to delivering products or providing services. As of December 31, 2025, the order backlog (after consolidation) amounted to €29.5 billion (previous year: €28.7 billion). Compared with the previous year, the order backlog increased in both the MRO segment and the OEM segment. In addition, reducing effects arose from the year end exchange rate development to US$1.18/€ at the reporting date compared with US$1.04/€ in the previous year.

Reconciliation to adjusted key financial figures – results of operations

This reconciliation of the consolidated income statement is used to eliminate special items, in particular material and above all aperiodic contributions to earnings from the key financial figures of the Group and its business segments. The aim is to measure the success of managing operating activities in the reporting period and, at the same time, to provide financial information for efficient comparison with different periods and companies. The adjusted figures are not defined in the International Financial Reporting Standards (IFRSs) and should be regarded as alternative performance measures (APM) in addition to the key financial indicators reported in accordance with IFRS.

To describe financial performance, MTU reports the following adjusted key figures:

- adjusted revenue (revenue, adjusted)
- adjusted earnings before interest and taxes (EBIT, adjusted), the adjusted EBIT margin (EBIT margin, adjusted)
- adjusted net income (net income, adjusted)

References to adjusted key figures within the approved compensation system for the Executive Board are always made on the basis of consent by the Supervisory Board to the calculation methods described below.

Adjusted revenue

Revenue determined in accordance with IFRS standards is adjusted for the following special items in order to calculate adjusted revenue for the reasons of providing adjusted key figures described above:

- "Effects from the increase in the stake in IAE-V2500": MTU's acquisition of the increased stake in the IAE-V2500 program from Pratt & Whitney in 2012 was accounted for as the addition of a program asset. Since then, this asset has been amortized over the expected remaining useful life of the program, thereby reducing revenue, and the corresponding earnings impact is eliminated as a special item in the reconciliation to adjusted revenue.
- "Effects from the GTF™ fleet management plan": In 2023, significant compensation for PW1100G JM program customers was approved as part of the GTF™ fleet management plan. Based on its stake in the PW1100G JM program consortium, MTU has obligations to the OEM Pratt & Whitney and accrued refund liabilities for this purpose, thereby reducing revenue. Impacts on profit and loss related to the initial recognition and any subsequent measurement of these refund liabilities are eliminated as a special item in the reconciliation to adjusted revenue.
- "Material aperiodic earnings impacts": Taking into account the materiality criterion defined for the reporting period (threshold: €45 million, same as previous year), material non-period effects on revenue are eliminated for the reconciliation to adjusted revenue. In principle, this guidance is applied where the effect on revenue is significant, especially in connection with stakes in consortia for engine programs, due to impairment losses, the risk of legal action and lawsuits and changes in the consolidated group.

Adjusted EBIT and adjusted EBIT margin

The earnings indicator EBIT determined in accordance with IFRS standards is adjusted for the following special items in order to calculate adjusted EBIT for the reasons of providing adjusted key figures described above:

- "Effects from the purchase price allocation": As at January 1, 2004, MTU passed into the ownership of Kohlberg Kravis Roberts & Co. Ltd. (KKR), following the latter's purchase of 100% of the MTU shares from the then DaimlerChrysler AG. In the context of the acquisition, assets, liabilities and contingent liabilities were identified in accordance with IFRS 3 and measured at fair value. Since then, the identified intangible assets, in particular, have resulted in substantial amortization. The resulting earnings impacts are eliminated as special items in the reconciliation to adjusted EBIT.
- "Effects from the increase in the stake in IAE-V2500": MTU's acquisition of the increased stake in the IAE-V2500 program from Pratt & Whitney in 2012 was accounted for as the addition of a program asset. Since then, this asset has been amortized through profit or loss over the expected remaining useful life of the program, thereby reducing revenue, and the corresponding earnings impact is eliminated as a special item in the reconciliation to adjusted EBIT.

- "Effects from the Geared Turbofan fleet management plan": In 2023, significant compensation for PW1100G JM program customers was approved as part of the GTF™ fleet management plan. Based on its stake in the PW1100G JM program consortium, MTU has obligations to the OEM Pratt & Whitney and accrued refund liabilities for this purpose, thereby reducing revenue. Impacts on profit or loss in connection with the initial recognition and any subsequent measurement of those refund liabilities are eliminated as a special item in the reconciliation to adjusted EBIT.
- "Material aperiodic earnings impacts": Taking into account the materiality criterion (threshold: €45 million, same as previous year) defined for the reporting period, material non-period effects on earnings are eliminated for the reconciliation to adjusted EBIT. In principle, this guidance is applied where the earnings impact is significant due to impairment losses, the risk of legal action and lawsuits, restructuring programs and changes in the consolidated group.

The adjusted EBIT margin is determined as the ratio of adjusted EBIT to adjusted revenue, expressed as a percentage.

Adjusted net income

The earnings indicator EBIT determined in accordance with IFRS standards is adjusted for the following special items in order to calculate adjusted earnings before income taxes for the reasons of providing adjusted key figures described above:

- "Effects from the purchase price allocation": As at January 1, 2004, MTU passed into the ownership of Kohlberg Kravis Roberts & Co. Ltd. (KKR), following the latter's purchase of 100% of the MTU shares from the then DaimlerChrysler AG. In the context of the acquisition, assets, liabilities and contingent liabilities were identified in accordance with IFRS 3 and measured at fair value. Since then, the identified intangible assets, in particular, have resulted in substantial amortization. The resulting earnings impacts are eliminated as special items in the reconciliation to adjusted EBIT.
- "Effects from the increase in the stake in IAE-V2500": MTU's acquisition of the increased stake in the IAE-V2500 program from Pratt & Whitney in 2012 was accounted for as the addition of a program asset. Since then, this asset has been amortized through profit or loss over the expected remaining useful life of the program, thereby reducing revenue, and the corresponding earnings impact is eliminated as a special item in the reconciliation to adjusted EBIT.
- "Effects from the Geared Turbofan fleet management plan": In 2023, significant compensation for PW1100G JM program customers was approved as part of the GTF™ fleet management plan. Based on its stake in the PW1100G JM program consortium, MTU has obligations to the OEM Pratt & Whitney and accrued refund liabilities for this purpose, thereby reducing revenue. Impacts on profit or loss in connection with the initial recognition and any subsequent measurement of those refund liabilities are eliminated as a special item in the reconciliation to adjusted EBIT.
- "Material aperiodic earnings impacts": Taking into account the materiality criterion defined for the reporting period (threshold: €45 million, same as previous year), material non-period effects on earnings are eliminated for the reconciliation to adjusted EBIT. In principle, this guidance is applied where the earnings impact is significant due to impairment losses, the risk of legal action and lawsuits, restructuring programs and changes in the consolidated group.

Subsequently, net interest income/expense and the interest shares in other financial income/expense, which are mainly connected with provisions for pensions and liabilities from pensions, are added to adjusted EBIT. None of the other components of financial income/expense, especially those that are influenced by foreign currency effects, such as the effects of exchange-rate hedging, are taken into account. Finally, the "normalized" taxes on income are deducted from the earnings before tax calculated in this way in order to produce adjusted earnings before tax. "Normalized taxes" are determined using a normalized Group tax rate of 27% derived on the basis of the Group's operational planning across multiple years; the after-tax profit/loss of companies accounted for using the equity method included in adjusted earnings before tax does not form part of the tax base.

Reconciliation of the consolidated income statement

in € million	2025 As reported	2025 Special item	2025 Adjusted figures	2024 As reported	2024 Special item	2024 Adjusted figures
Revenue	**8,763**	**–47**	**8,717**	**7,411**	**77**	**7,488**
thereof: special item "effects from GTF™ fleet management plan" (OEM segment)		–73	–73		52	52
thereof: special item "effects from increase in the stake in IAE/V2500" (OEM segment)		26	26		25	25
Cost of goods sold	–7,075	19	–7,057	–6,178	19	–6,159
thereof: special item "effects of purchase price allocation" (OEM segment)		19	19		19	19
Gross profit	**1,688**	**–28**	**1,660**	**1,233**	**95**	**1,329**
Research and development expenses	–111		–111	–106		–106
Selling expenses	–157		–157	–138		–138
General administrative expenses	–175		–175	–128		–128
Other operating income and expenses	–26		–26	–21		–21
Profit/loss of companies accounted for using the equity method and of equity investments	159		159	115		115
Earnings before interest and taxes (EBIT)	**1,379**	**–28**	**1,351**	**955**	**95**	**1,050**
Net interest income/expense	–56		–56	–22		–22
Other financial income – interest included in the measurement of pensions	–27		–27	–27		–27
Other financial income/expense – miscellaneous (e.g. measurement of foreign currency holdings)	66	–66	0	–11	11	0
Earnings before income taxes	**1,362**	**–94**	**1,268**	**895**	**106**	**1,002**
Income taxes	–335		–335	–253		–253
Adjustment based on normalized income taxes		35	35		16	16
Net income	**1,028**	**–60**	**968**	**642**	**122**	**764**

The adjusted net income attributable to shareholders of MTU Aero Engines AG amounted to €957 million (previous year: €755 million).

Based on these parameters, adjusted earnings per share amounted to €17.79 (previous year: €14.04).

Reconciliation of EBIT to EBIT adjusted for special items

in € million	2025	2024
Earnings before interest and taxes (EBIT)	**1,379**	**955**
thereof: special item "effects of purchase price allocation" (OEM segment)	19	19
thereof: special item "effects from increase in the stake in IAE-V2500" (OEM segment)	26	25
thereof: special item "GTF™ fleet management plan" (OEM segment)	–73	52
Adjusted earnings before interest and taxes (adjusted EBIT)	**1,351**	**1,050**

Based on the adjusted revenue and adjusted EBIT outlined above, the adjusted EBIT margin is 15.5% (previous year: 14.0%).

OEM segment

Revenue

In the commercial and military engine business (OEM), revenue (before consolidation) rose by €468 million from €2,454 million to €2,922 million. The operating business continued on an upward trend, driven in particular by the positive development of the new engine business in the GTF™ programs and for the GEnx and also in the spare parts business. Spare parts revenue growth was bolstered in particular by geared turbofans and established widebody engines. Given the fact that billing in U.S. dollars is customary in the aviation sector, revenue development faced a headwind from movements in the U.S. dollar exchange rate, which averaged U.S.$1.13 per euro in 2025 compared with U.S.$1.08 per euro in the previous year. In contrast, the measurement of refund liabilities in connection with stakes in commercial engine programs had a positive effect on revenue due to the movement in the closing exchange rate from U.S.$1.04 per euro on December 31, 2024 to U.S.$1.18 per euro at the reporting date. As such, currency-related remeasurement of provisions for the GTF™ fleet management plan had a positive effect of €73 million on revenue (previous year: negative effect of €52 million). Adjusted revenue was €2,875 million (previous year: €2,531 million).

Revenue in the commercial engine business increased year-on-year by €465 million (25.2%) to €2,307 million. Adjusted revenue in the commercial engines business likewise developed positively. In all, it increased to €2,260 million (previous year: €1,919 million). Development of the (adjusted) revenue in the commercial engine business was driven by the stakes in the PW1100G-JM, GEnx and PW1900G programs.

Revenue in the military engine business was €614 million, a slight increase of €3 million (0.4%) from the previous year's level of €612 million. The main sources of revenue in the reporting period were the Eurofighter EJ200 engine, the RB199 engine for the Panavia Tornado and the TP400-D6 engine for the Airbus A400M. During the reporting year, the increase in the national defense budget, which is relevant to MTU, did not result in any short-term growth; this can be attributed, in particular, to the approval and procurement processes, which remain protracted.

Adjusted revenue and adjusted EBIT – OEM

			Change against previous year	
in € million	2025	2024	in € million	in %
Revenue	**2,922**	**2,454**	**468**	**19.1**
Cost of goods sold	–1,758	–1,708	–49	–2.9
Gross profit	**1,164**	**745**	**418**	**56.1**
Gross margin (in %)	39.8	30.4		
Adjusted revenue[1)]	**2,875**	**2,531**	**344**	**13.6**
EBIT	**902**	**517**	**385**	**74.5**
./. Adjusted special items (see reconciliation of adjusted key performance figures - Result of operations)	–28	95	–124	<-100
Adjusted EBIT	**873**	**612**	**261**	**42.7**
Adjusted EBIT margin (in %)	30.4	24.2		

[1)] For the adjustments please refer to the table "reconciliation of the consolidated income statement".

Earnings before interest and taxes

The year-on-year increase in EBIT benefited in particular from a more favorable product mix in the new engine business compared to the previous year, affected especially by participation in the growth in spare and lease engine sales linked to stakes in commercial engine programs. The development of the U.S. dollar also had a positive impact on revenue-relevant fair value measurement in the reporting period, particularly with respect to refund liabilities for invoice corrections relating to stakes in commercial engine programs (risk and revenue sharing). In a year-on-year comparison, the aforementioned effects support a disproportionately high increase in revenue in relation to the rise in the cost of goods sold. The trend for adjusted EBIT is more moderate as the positive effects (previous year: negative effects) from the revenue-relevant remeasurement – conducted primarily for exchange-rate-related reasons – of provisions from the GTF™ fleet management plan were eliminated in the reporting period.

Capital expenditure

Capital expenditure on intangible assets amounted to €85 million (previous year: €83 million) and essentially related to the capitalization of internally generated development work for the Pratt & Whitney GTF™ engine family and for internally developed software. Capital expenditure on property, plant and equipment amounted to €193 million (previous year: €263 million) and mainly related to assets under construction as part of the expansion of production capacity and the construction of the development center, other equipment, operational and office equipment, technical equipment and machinery. At €38 million (previous year: €53 million), capital expenditure on acquired program assets and acquired development work and other assets mainly related to the Pratt & Whitney GTF™ engine family. Information about investments in financial assets is provided under *Financial position*.

Employees

The average number of employees in the OEM segment increased by 378 to 8,079 (previous year: 7,701).

MRO segment

Revenue

In the commercial maintenance and repair business, revenue (before consolidation) increased by €894 million year-on-year to €5,960 million (previous year: €5,066 million). There was a significant increase in both revenue from the OEM-independent core MRO business and revenue from orders placed by OEMs, in particular for the PW1100G-JM program. The ratio was roughly 60% to 40% during the reporting period. The main revenue drivers in the MRO segment's core business were the V2500 for the A320ceo family and the GE90, CF6-80 and GEnx widebody engines. This segment also benefited from growth in engine leasing and asset management business.

Revenue and adjusted EBIT – MRO

			Change against previous year	
in € million	**2025**	2024	in € million	in %
Revenue	**5,960**	**5,066**	**894**	**17.6**
Cost of goods sold	–5,435	–4,581	–855	–18.7
Gross profit	**525**	**485**	**39**	**8.1**
Gross margin (in %)	8.8	9.6		
Adjusted revenue	**5,960**	**5,066**	**894**	**17.6**
EBIT	**477**	**438**	**39**	**8.9**
./. Adjusted special items (see reconciliation of adjusted key performance figures - Result of operations)	0	0	–0	0.0
Adjusted EBIT	**478**	**438**	**39**	**8.9**
Adjusted EBIT margin (in %)	8.0	8.7		

Adjusted earnings before interest and taxes (adjusted EBIT)

The greater increase in the cost of goods sold compared to (adjusted) revenue led to the gross margin falling from 9.6% in the previous year to 8.8% in the reporting period. Both EBIT and adjusted EBIT improved compared with the previous year. The main factor driving the development of earnings and margins was the growth in business and the product mix, which is relevant in this regard and features a higher proportion of OEM orders compared to the previous year. Furthermore, earnings from companies accounted for using the equity method improved compared with the previous year. However, the relative share of the higher-margin, OEM-independent maintenance and repair business fell in comparison to the previous year. Furthermore, costs were incurred in relation to the expansion of the site in Fort Worth, which was prepared for repair and maintenance of the LEAP and GEnx engine programs during the reporting year.

Capital expenditure

Capital expenditure on intangible assets and property, plant and equipment rose by €146 million to €586 million (previous year: €440 million). This increase was caused primarily by capital expenditure on maintenance licenses by the site in Fort Worth, which will not affect cash flows for several years, and investment in the growing field of engine leasing and asset management business. Furthermore, MTU also invested in the expansion and replacement of production capacity, particularly at it sites in Germany and for the ramp-up of the Fort Worth site. Information about investments in financial assets is provided under *Financial position*.

Employees

The average number of employees in the MRO segment increased by 459 to 5,266 (previous year: 4,807).

Financial position

Principles and objectives of financial management

The main objectives of financial management are efficiently ensuring that the Group has adequate liquidity or financing to avoid financial risks and safeguard financial flexibility. The central Corporate Funding & Treasury department of MTU Aero Engines AG issues the group-wide policies governing the management of interest rate, currency and counterparty risks, as well as the Group's financing activities, the investment of surplus liquidity, and the selection of appropriate banking partners.

As a rule, the cash flow from operating activities in the business segments represents the Group's main source of liquidity. Liquidity forecasts are based on the Group's operational and strategic planning, flanked by a monthly rolling (short-term) liquidity forecast. Unless regulatory or tax requirements dictate otherwise, MTU Aero Engines AG provides the necessary financing for the subsidiaries and/or subsidiaries invest their surplus liquidity with MTU Aero Engines AG. A central cash pooling system is in place for the German Group companies. This reduces the need for external borrowing and thus cash outflows for interest payments.

The limits set for counterparties are based on their long-term credit rating, their probability of default derived from this, and the size of the company. The limits set also support risk-based diversification of the credit default risk in connection with the investment of funds and the use of derivatives. The minimum requirement for treasury counterparties is an investment-grade rating. Funds are invested primarily in euro-denominated sight and time deposits, money market funds and commercial paper. Foreign currency investments are only permitted up to the level of the surplus liquidity in the respective currency; speculative investment to improve the interest yield is not permitted. The term of investments is determined by liquidity planning. The investment policy is geared to preserving value and the liquidity of the investments. The risk of changes in interest rates is negligible due to the very short nature of such investments.

MTU's financing strategy basically aims to ensure an appropriate balance sheet structure in order to maintain the investment-grade credit rating with rating agencies.

To achieve this target, MTU uses a variety of internal and external financing instruments, including occupational pension plans, bonds, credit facilities and leasing models. For information on the Group's capacity to raise funds through authorized and contingent capital, please refer to *Note 24. Equity* in the notes to the consolidated financial statements.

The *Risk report* and *Note 35. Financial risk in the Notes to the consolidated financial statements* provide information on MTU's approach to the financial risks inherent in financing and measurement, the methods used to hedge interest rate and currency risks, and price, default and liquidity risks.

Financing instruments

Material external financing sources

Type of financing	Maturity date	Currency	Interest rate
Registered bond	June 12, 2028	€	Fixed interest rate
Corporate bond	September 18, 2031	€	Fixed interest rate
Convertible bond 2019	March 18, 2027	€	Fixed interest rate
Promissory note	April 23, 2027	€	Fixed interest rate
Promissory note	April 23, 2029	€	Fixed interest rate
Revolving credit facility	June 29, 2029	€	Euribor rate for relevant period + margin
Global credit agreement for the expansion of the MTU Maintenance site in Berlin-Brandenburg	December 31, 2029	€	Euribor rate for relevant period + margin
Procurement leasing	Various	€ / US-$	Fixed interest rate

In 2022, a €500 million revolving credit facility was concluded with nine banks. This had an original term of five years, ending on June 29, 2027, and has now been extended to June 29, 2029 on the basis of the available options. The credit facility had not been drawn down as at the reporting date (December 31, 2024: €0 million). Additionally, a global credit agreement in the amount of €50 million was concluded in 2025 for the expansion of the MTU Maintenance site in Berlin-Brandenburg. As at the reporting date, €6 million had been drawn from this line. As in previous years, there were no off-balance sheet financing transactions in the reporting period, such as the sale of receivables in the context of asset-backed securities, or contingent liabilities to special purpose entities.

Net financial debt

Net financial debt serves as an indicator of the MTU Group's financial situation and is defined as the difference between gross financial debt and current, interest-bearing financial assets. In comparison to December 31, 2024, net financial debt increased, which was driven particularly by the increased dividend payment, the addition of liabilities related to acquisitions of program shares in the form of MRO license rights by MTU Maintenance Fort Worth, Fort Worth (USA), and the growth in the leasing business.

Net financial debt

			Change against previous year	
in € million	Dec. 31, 2025	Dec. 31, 2024	in € million	in %
Bonds and notes	853	1,358	–506	–37.2
Convertible bonds	496	492	4	0.7
Promissory note	308	308	0	0.1
Other financial liabilities to banks	11	7	4	47.4
Financial liabilities to related companies	1	2	–1	–49.4
Lease liabilities	326	261	65	25.0
Program liabilities considered to be financing transactions	433	405	28	6.9
thereof: arising from acquisition of stakes in engine programs	185	55	130	>100
thereof: from imbalance payments due to program participations	248	350	–102	–29.1
Gross financial debt	**2,428**	**2,833**	**–406**	**–14.3**
less:				
Cash and cash equivalents	1,256	1,747	–491	–28.1
Loans to third parties	36	26	10	37.1
Financial assets	**1,291**	**1,773**	**–481**	**–27.2**
Net financial debt	**1,136**	**1,061**	**75**	**7.1**

Bonds and notes

Corporate bond
The corporate bond issued on July 1, 2020 with a nominal value of €500 million and a maturity of five years was redeemed ahead of schedule on April 1, 2025.

Program liabilities considered to be financing transactions

Financial liabilities arising from acquisition of stakes in engine programs
The purchase price agreement signed by MTU in fiscal year 2012 in order to increase its stake in the V2500 engine program by 5 percentage points to 16% made it necessary, among other things, to recognize a financial liability contingent upon the number of flight hours performed over the next 15 years by the fleet of V2500 engines in service at the time of the stake increase.

The liability matures in 2027 and, as of the closing date, reflects a nominal amount of U.S.$23 million (previous year: U.S.$56 million). Translated at the closing rate, that was €20 million (previous year: €54 million). The carrying amount of the purchase price liability was €19 million as at December 31, 2025 (previous year: €52 million).

Imbalance payments within the scope of stakes in programs
In previous years, it was possible to reach an agreement with an OEM to extend payment targets for imbalance payment obligations related to stakes in commercial engine programs.

The agreements concluded in relation to this set out a 6-year payment plan of fixed installments for an imbalance payment obligation with a nominal value of U.S.$ 507 million and supplementary one-off payments of U.S.$42 million in 2025 and U.S.$100 million each in 2029 and 2030. In accordance with the contractual payment plan, a total of U.S.$86 million (previous year: U.S.$89 million) was repaid in the year under review.

Contingent liabilities and other financial obligations

As of the reporting date, contingent liabilities amounted to €380 million (previous year: €414 million), in particular respect of participation in legal and litigation cost risks relating to stakes in commercial engine programs, as well as guarantees and warranties assumed. In addition, as of the reporting date, there were unutilized financing commitments for equity investments in the form of committed capital contributions or shareholder loans totaling €121 million (previous year: €150 million) and further commitments to program customers relating to shares in sales financing commitments by the respective consortium leader in respect of commercial engine programs. As of the reporting date, the unutilized nominal amount of such financing commitments was €689 million (previous year: €889 million). As part of its ordinary activities, the Group furthermore incurred other financial liabilities comprising purchase commitments additional to the liabilities reported in the consolidated balance sheet at the end of the reporting period. As such, they relate to contractual obligations to acquire intangible assets and property, plant and equipment.

Please refer to *Note 37. Contingent liabilities and other financial obligations in the Notes to the consolidated financial statements* for detailed information on contingent liabilities and other financial obligations.

Liquidity analysis

Cash flow from operating activities

The year-on-year increase in cash flow from operating activities was mainly due to cash-generating business growth, supported by a lower increase in working capital compared to the previous year. This was countered by the cash flow arising from the contribution to compensation payments to PW1100G-JM program customers under the GTF™ fleet management plan.

Cash flow from investing activities

Cash outflows for capital expenditure on intangible assets amounted to €86 million (previous year: €181 million) and mainly comprised capital expenditure on development work for the Pratt & Whitney GTF™ engine family and internally developed software. Capital expenditure on property, plant and equipment, reduced by the proceeds from asset disposals, amounted to €344 million, compared with €401 million in the previous year. The capital expenditure related to the expansion of MTU's production capacity, particularly at the locations in Germany, the construction of the development center, the ramp-up of operations at the Fort Worth site (USA), and the purchase of replacements for existing plant and machinery along with new operational and office equipment. Investments were also made in capacity for the engine leasing and asset management business at the site in Amsterdam (Netherlands).

The net result of cash inflows and outflows relating to financial assets is mainly attributable to net cash outflows from consortia stakes in interest-bearing sales financing for aircraft and engine financing, and from loans to finance the expansion of the Ceramic Coating Center S.A.S. joint venture with Safran Aero Engines in Châtellerault (France).

The rise in capital expenditure on acquired program assets, development work and other assets compared to the previous year was caused by stakes in the Pratt & Whitney GTF™ engine family.

Cash flow from financing activities

Cash outflow in the reporting period was mainly attributable to the €500 million redemption of the corporate bond maturing in 2025 (previous year: cash inflow from issuing a corporate bond of €742 million and promissory note loans of €299 million), the increase in dividend payments for fiscal year 2024 compared with the previous year, amounting to €118 million (fiscal year 2023: €108 million), repayments of lease obligations amounting to €95 million (previous year: €69 million), and contractually deferred imbalance payments of €82 million (previous year: €82 million) over several years in connection with program stakes.

Change to cash and cash equivalents

The decrease in cash and cash equivalents is affected primarily by the redemption of the corporate bond, which matured in the reporting year. In addition, cash inflows from operating activities slightly exceeded the cash outflows for investment activities and other outflows for financing activities.

Reconciliation to adjusted key financial performance figures – Financial position

This reconciliation of the cash flow statement is used to eliminate special items, in particular material and above all aperiodic non-recurring cash flows from the key financial figures of the Group and its business segments. The aim is firstly to measure the success of the management of operating activities in the reporting period and secondly to provide financial information for an efficient comparison between periods and companies.

The adjusted key liquidity figures are not defined in the International Financial Reporting Standards (IFRSs) and should be regarded as alternative performance measures (APM) in addition to the key financial indicators reported in accordance with IFRS.

MTU reports the adjusted financial key performance indicator "free cash flow (adjusted)" for the purpose of analyzing liquidity.

Free cash flow (adjusted)

MTU determines free cash flow (adjusted) on the basis of the total cash flows from operating and investing activities as defined in the IFRS regulations. In line with the aforementioned reasons for providing adjusted key figures, the following non-recurring cash flows are eliminated from this total:

- "Effects from liquidity management": Cash flows related to interest-bearing, non-speculative financial investments as part of liquidity management.
- "Effects from sales financing": Cash flows related to participation in interest-bearing sales financing arrangements.
- "Material aperiodic cash flows": Taking into account the materiality criterion (threshold: €45 million, same as previous year) defined for the reporting period, material non-period cash flows are eliminated in the calculation of adjusted free cash flow. This was primarily applied to cash flows related to changes in the consolidated group (M&A activities), stakes in OEM engine programs (new entry, stake increases, sale), and changes to stakes in MRO programs (new entry, stake increases, sale).

Reconciliation of the cash flow statement

	2025			2024		
in € million	**As reported**	**Non-recurring items**	**Adjusted figures**	As reported	Non-recurring items	Adjusted figures
Cash flow from operating activities	**848**		**848**	**714**		**714**
Cash flow from investing activities	**–485**	**14**	**–470**	**–603**	**73**	**–531**
thereof: "effects from sales financing"		14	14		–24	–24
thereof: "significant non-period cash flows" (Prepayments for MRO program shares [new entry])					96	96
Free cash flow	**364**	**14**	**378**	**110**	**73**	**183**

Net assets

Changes in balance sheet items

Consolidated balance sheet of the MTU Group

	Dec. 31, 2025		Dec. 31, 2024		Change against previous year	
in € million	in € million	in %	in € million	in %	in € million	in %
Assets						
Non-current assets						
Intangible assets & goodwill	1,490	11.7	1,313	10.5	177	13.5
Property, plant and equipment	1,978	15.5	1,767	14.2	211	11.9
Financial assets	827	6.5	830	6.6	–3	–0.4
Acquired program assets, development work and other assets	712	5.6	722	5.8	–10	–1.4
Deferred tax assets	133	1.0	333	2.7	–200	–60.1
Total non-current assets	**5,139**	**40.4**	**4,965**	**39.8**	**174**	**3.5**
Current assets						
Inventories	2,018	15.9	1,753	14.0	265	15.1
Receivables/other assets	2,807	22.1	2,695	21.6	112	4.2
Contract assets	1,501	11.8	1,325	10.6	176	13.3
Cash and cash equivalents	1,256	9.9	1,747	14.0	–491	–28.1
Total current assets	**7,582**	**59.6**	**7,519**	**60.2**	**62**	**0.8**
Total assets	**12,721**	**100.0**	**12,484**	**100.0**	**237**	**1.9**
Equity and liabilities						
Equity	**4,375**	**34.4**	**3,438**	**27.5**	**937**	**27.3**
Non-current liabilities						
Provisions	711	5.6	726	5.8	–14	–1.9
Liabilities	2,379	18.7	2,272	18.2	107	4.7
Total non-current liabilities	**3,090**	**24.3**	**2,997**	**24.0**	**93**	**3.1**
Current liabilities						
Provisions/income tax liabilities	190	1.5	225	1.8	–35	–15.5
Refund liabilities	3,103	24.4	3,305	26.5	–202	–6.1
Contract liabilities [1]	394	3.1	386	3.1	8	2.2
Liabilities [1]	1,568	12.3	2,133	17.1	–565	–26.5
Total current liabilities	**5,255**	**41.3**	**6,049**	**48.5**	**–793**	**–13.1**
Total equity and liabilities	**12,721**	**100.0**	**12,484**	**100.0**	**237**	**1.9**

[1] Prior-year figures restated.

Investment in research and development

Research and development

in € million	2025	2024	Change against previous year in € million	Change against previous year in %
Commercial engine business (OEM)	256	249	7	2.7
Military engine business (OEM)	115	88	27	31.0
Commercial maintenance business (MRO)	5	5	1	10.6
Total research and development expenses	**377**	**342**	**35**	**10.1**
Refund of research and development expenses	–138	–112	–26	–23.3
Research and development expenses – own contribution	**239**	**231**	**9**	**3.7**
Expenditure meeting recognition criteria for intangible assets				
Commercial and military engine business (OEM)	–93	–93	–0	0.0
Amortization of previously capitalized development expenses	36	90	–54	–60.3
Research and development expenses – effect on profit or loss	**183**	**228**	**–46**	**–20.1**
thereof: in gross profit	71	122	–51	–41.7
thereof: in functional costs – research and development	111	106	5	4.8

Refund of research and development expenses principally comprises public grants for research and development for quieter and more fuel-efficient aircraft engines.

The Group funds its own contribution of the research and development expenses. If the criteria for capitalization are met, the development expenses are recognized as internally generated intangible assets or as other assets if consideration is paid to the consortium leader (OEM) (acquired development work), and subsequently amortized through revenue or the cost of goods sold. *Note 14. Intangible assets and goodwill in the Notes to the consolidated financial statements* contains further information on capitalized research and development expenses for internally generated developments and *Note 17. Acquired program assets, development work and other assets* provides further information on acquired development work.

Investment in intangible assets in the OEM segment (commercial and military engine business) which meets the capitalization criteria relates principally to the capitalization of internally generated development work for the Pratt & Whitney GTF™ engine family and for internally developed software.

The amortization of capitalized development costs recognized through revenue or the cost of goods sold relates in particular to the Pratt & Whitney GTF™ engine family. No impairment losses were recognized in the reporting period for capitalized internally generated or acquired development work.

In the previous year, program shares in the PW1500G/PW1900G were aligned with the corresponding MTU scope of services and supplies. As a result, previously paid program entry fees and acquired development were compensated on a pro-rata basis in the comparative period. Furthermore, the high amortization in the previous year was related to impairment losses of €21 million recognized for capitalized development work for the T408 military engine program for the Sikorsky CH-53K heavy-duty cargo helicopter. Further information on the special items in the intangible assets can be found in *Note 12. Additional disclosures relating to the income statement*.

Capital expenditure

Capital expenditure by class of asset

in € million	2025	2024	Change against previous year in € million	Change against previous year in %
Intangible assets	246	183	63	34.2
Property, plant and equipment	619	608	11	1.9
Financial assets[1)]	26	23	3	15.0
Acquired program assets, development work and other assets	38	53	–15	–28.0
Total capital expenditure	**929**	**866**	**63**	**7.2**

[1)] Previous year's figure adjusted. Positive at equity result is no longer included.

More information can be found in *Note 39. Consolidated segment report in the Notes to the consolidated financial statements*.

Capital expenditure on intangible assets

From total capital expenditure on intangible assets, €158 million (previous year: €96 million) relate to the acquisition of maintenance licenses for the LEAP and GEnx engine programs by the Fort Worth site and €81 million (previous year: €61 million) relate to internally generated developments in the scope of participation in engine programs, particularly Pratt & Whitney GTF™ engine family programs and the capitalization of internally developed software. Detailed information on capital expenditure on intangible assets is provided in *Note 14. Intangible assets in the Notes to the consolidated financial statements*.

Capital expenditure on property, plant and equipment

Additions in the fiscal year 2025 mainly comprised advance payments and construction in progress totaling €195 million (previous year: €183 million), land, leasehold rights and buildings in the amount of €35 million (previous year: €49 million), technical equipment, plant and machinery totaling €31 million (previous year: €50 million), and other equipment, operational and office equipment totaling €359 million (previous year: €326 million). Capital expenditure is linked principally to MTU's large investments in the growing area of the engine leasing and asset management business, its expansion and replacement investments, particularly at its German sites, the construction of its development center, and the ramp-up of operations at its Fort Worth site (USA). Additions to this item include the recognition of right-of-use assets relating to leases. For further information on capital expenditure on property, plant and equipment and leases, please refer to *Note 15. Property, plant and equipment* and *Note 36. Leases in the Notes to the consolidated financial statements*.

Investment in financial assets

Loans in the amount of €3 million were granted during the reporting year to finance the expansion of Ceramic Coating Center SAS (France), a joint venture with Safran Aero Engines. Lastly, other cash outflows took place in relation to interest-bearing sales financing arrangements for aircraft and engines. Additional information on financial assets is included in *Note 16. Financial assets in the Notes to the consolidated financial statements*.

Capital expenditure on acquired program assets, development work and other assets

Capital expenditure on other assets based on acquired program assets or development work mainly related to the Pratt & Whitney GTF™ engine family. Additional information on financial assets is included in *Note 17. Acquired program assets, development work and other assets*.

Assets

The development of intangible assets, goodwill and property, plant and equipment was in line with the investment activities described above, which exceeded depreciation (mainly based on useful life), amortization and disposals during the reporting year.

The development of financial assets also corresponded to the aforementioned investment activity with the growth in financial assets by €156 million (previous year: €132 million) resulting from the income effects of subsequent measurement of investments in companies accounted for using the equity method. In addition, the positive fair value of derivative financial instruments increased as a result of the closing rate for the U.S. dollar. The translation of foreign operations had a negative effect due to the fall of the U.S. dollar against the euro, and the high dividend payments at companies accounted for using the equity method also had an adverse influence.

Acquired program assets, development work and other assets developed in accordance with the investment activities described for the reporting year; these activities were overcompensated by depreciation and amortization during the year under review.

The reporting period saw a business-driven increase in inventories, with work in progress up by €210 million to €931 million (previous year, adjusted: €721 million), raw materials and supplies up by €56 million to €716 million (previous year, adjusted: €660 million) and advance payments up by €6 million to €29 million (previous year: €23 million). Finished goods fell slightly by €7 million to €341 million (previous year, adjusted: €348 million).

Trade receivables fell by €181 million year-on-year to €1,484 million (previous year: €1,665 million), also driven mainly by exchange rate effects resulting from the weakening of the U.S. dollar. Contract assets, net of the associated contract liabilities, increased by €176 million compared to December 31, 2024 to €1,501 million (previous year: €1,325 million). There were also receivables from tax authorities in respect of tax refunds amounting to €47 million (previous year: €63 million).

Cash and cash equivalents decreased to €1,256 million from €1,747 million in the previous year, primarily due to the redemption of the corporate bond maturing in 2025 as well as the dividend payment. Cash and cash equivalents accounted for 9.9% (previous year: 14.0%) of total assets at the reporting date. For information on the cash flow statement, please refer to the section titled *Financial position – Liquidity analysis*.

Equity

Changes in equity

in € million	2025	2024
As of Jan. 1	**3,438**	**2,933**
Other comprehensive income		
Financial instruments designated as cash flow hedges	132	–79
Actuarial gains/losses on pension obligations and plan assets	18	7
Translation differences arising from the financial statements of foreign entities	–108	48
Net income	1,028	642
Dividend payment to shareholders of MTU Aero Engines AG/dividend payment to non-controlling interests	–131	–117
Sale of treasury shares under the Restricted Stock Plan (RSP)	–0	1
Changes in equity due to portfolio transactions [1]	–2	4
Total change in Group equity	**937**	**505**
As of Dec. 31	**4,375**	**3,438**

[1] MTU subsumes here purchases and sales of participations or capital measures.

Positive changes in equity

Positive changes in equity in 2025 were mainly due to the sharp rise of €1,028 million in net income for the fiscal year (previous year: €642 million). There was a further positive change in equity due to the increase of €132 million in the fair value of hedging instruments (previous year: decrease of €79 million) and actuarial gains of €18 million (previous year: €7 million).

Negative changes in equity

Negative changes in equity were mainly due to the dividend payment to the shareholders of MTU Aero Engines AG for fiscal year 2024, amounting to €118 million (fiscal year 2023: €108 million) and negative effects of €108 million from the translation of foreign operations caused by the fall of the U.S. dollar against the euro (previous year: positive effects of €48 million).

Liabilities

In non-current liabilities, non-current pension provisions fell by €52 million, from €692 million in the previous year to €640 million. This is due to actuarial gains resulting from a higher discount rate and a surplus of pension payments over pension expenses.

The main items in non-current liabilities are gross financial debt of €2,267 million (previous year: €2,112 million) and other provisions of €72 million (previous year: €33 million). In addition, the negative fair value of derivative financial instruments decreased as a result of the closing rate for the U.S. dollar. Non-current liabilities accounted for 24.3% of total assets as of December 31, 2025 and were therefore slightly above the previous year.

The total of equity and non-current liabilities increased by €1,030 million to €7,465 million in the reporting period (previous year: €6,435 million). Furthermore, 145.3% (previous year: 129.6%) of non-current assets are financed by long-term funding resources.

The current provisions recognized under current liabilities are pension provisions, which at €31 million were roughly at the previous year's level (previous year: €32 million), income tax liabilities, which decreased from €35 million to €17 million, and other provisions, which decreased by €16 million to €142 million. Refund liabilities in the amount of €3,103 million (previous year: €3,305 million) are also recognized under current liabilities. These refund liabilities include residual obligations amounting to €231 million arising from the stake in the approved compensation payments to PW1100G-JM program customers under the GTF™ fleet management plan during the reporting period and the previous year. Refund liabilities fell by €202 million compared to December 31, 2024.

A key driver here was compensation payments granted in connection with the GTF™ fleet management plan during the reporting period. This was only partially offset by the increase related to business performance. Developments continued to be affected by movements in the U.S. dollar exchange rate.

Furthermore, current liabilities also include trade payables amounting to €588 million (previous year: €504 million), contract liabilities totaling €394 million (previous year, adjusted: €386 million), current financial liabilities of €854 million (previous year, adjusted: €1,511 million) and a number of other individual obligations. The decline in current financial liabilities is mainly attributable to the redemption of the €500 million corporate bond maturing in 2025 and the decrease in the negative fair value of derivative financial instruments as a result of the closing rate for the U.S. dollar.

For further information on the GTF™ fleet management plan see *section I. Accounting principles and policies – GTF™ fleet management plan in the Notes to the consolidated financial statements*.

The equity ratio was 6.9 percentage points higher than in the previous year at 34.4% (previous year: 27.5%).

Financial performance indicators

In a Capital Market Update in November 2024, the MTU Group provided an initial outlook on its expected business development in the reporting year. This was detailed on February 19, 2025, in connection with the announcement of the preliminary results for 2024 and the creation of the 2024 Annual Report and then substantiated in the subsequent interim reports published throughout the year.

Forecast and actual results

in € million	**Actual 2025**	Change 2025 - 2024 in %	Forecast for 2025 as of Oct. 23, 2025	Forecast for 2025 as of June 17, 2025	Forecast for 2025 as of April 28, 2025	Forecast for 2025 as of Feb. 19, 2025	Actual 2024
Adjusted revenue	8.717	16.4	between 8,600 and 8,800	between 8,600 and 8,800	between 8,300 and 8,500	between 8,700 and 8,900	7,488
Adjusted EBIT	1,351	28.6	Increase in the mid-twenties percentage range	Increase in the low to mid-twenties percentage range	Increase in the mid-teens percentage range	Increase in the mid-teens percentage range	1,050
Adjusted EBIT margin	15.5%	10.5	between 14,5% and 15.5%	between 14% and 15.5%	between 14% and 15%	between 13% and 14%	14.0%
Adjusted net income	968	26.6	Growth in line with adjusted EBIT	Growth in line with adjusted EBIT	Growth in line with adjusted EBIT	Growth in line with adjusted EBIT	764
Adjusted Free cash flow	378	106.7	between 350 and 400 € million	between 300 and 350 € million	low triple-digit € million range	Between 200 and 300	183

Revenue forecast

On February 19, 2025, MTU issued an adjusted revenue forecast in the range of between €8,700 million and €8,900 million in 2025 (adjusted revenue 2024: €7,488 million). In an ad hoc announcement on April 28, 2025, MTU revised its guidance for adjusted revenue in euros to between €8,300 million and €8,500 million due to the U.S. dollar exchange rate trend and confirmed this when the first-quarter figures were published on May 6, 2025. On June 17, 2025, MTU raised its guidance for adjusted revenue to a range between €8,600 million and €8,800 million and confirmed this when its half-year financial report was published on July 24, 2025. The guidance for adjusted revenue was confirmed when the third-quarter figures were published on October 23, 2025. At the end of the year under review, adjusted revenue was recorded at €8,717 million, putting it within range of the original forecast between €8,700 million and €8,900 million.

Earnings forecast

Adjusted EBIT / adjusted EBIT margin
On February 19, 2025, MTU forecast a mid-teens percentage increase in adjusted EBIT for 2025. Based on this, the guidance for the adjusted EBIT margin was between 13% and 14%. The guidance on the increase in adjusted EBIT was confirmed in the ad hoc announcement on April 28, 2025 and the publication of the first-quarter figures on May 6, 2025. Due to the revised guidance for adjusted revenue, the resulting guidance for the adjusted EBIT margin rose to a range of between 14% and 15%. On June 17, 2025, MTU raised its guidance for the percentage increase in adjusted EBIT to the low to mid-twenties and, based on this, to an adjusted EBIT margin of between 14% and 15.5%, which was confirmed when the half-year financial report was published on July 24, 2025. The third-quarter figures published on October 23, 2025 provided more precise guidance on adjusted EBIT, predicting a percentage increase in the mid-twenties which put the EBIT margin at between 14.5% and 15.5%. At the end of the year under review, adjusted EBIT was recorded as €1,351 million (previous year: €1,050 million) and the adjusted EBIT margin as 15.5% (previous year: 14.0%). The original earnings forecast was therefore significantly exceeded.

Adjusted net income
On February 19, 2025, MTU forecast that the adjusted net income would rise in 2025 in accordance with adjusted EBIT. This forecast was confirmed in the interim reports published during the course of the year. At the end of the year under review, growth of adjusted net income was recorded as 26.6%, which means it was largely in line with the growth of adjusted EBIT (28.6%) and met the corresponding earnings forecasts.

Adjusted earnings per share
On February 19, 2025, MTU forecast that the adjusted income per share would rise in 2025 in accordance with adjusted EBIT. At the end of the year under review, growth of adjusted income per share was recorded as 26.7%, which means it was largely in line with the growth of adjusted EBIT (28.6%) and met the corresponding earnings forecasts.

Free cash flow

In light of the GTF™ fleet management plan and the growth-related investments in production capacity, MTU forecast on February 19, 2025, that free cash flow for 2025 according to the management report would reach a figure between €200 and 300 million. This forecast was confirmed in the ad hoc announcement on April 28, 2025 and the publication of the first-quarter figures on May 6, 2025. On June 17, 2025, MTU specified its guidance for free cash flow in more detail in a range between €300 million and €350 million and confirmed this when its half-year report was published on July 24, 2025. In the third-quarter figures published on October 23, 2025, the guidance for free cash flow was raised to a range of €350 million to €400 million. At the end of the fiscal year, free cash flow amounted to €378 million (previous year: €183 million). The original forecast was therefore significantly exceeded. In 2025, the forecast was also influenced by the volatile effects of the GTF™ fleet management plan, especially in relation to compensation payments, which were communicated in this regard.

Overall assessment of business performance in 2025

In 2025, MTU's business performance was hampered by effects arising from the GTF™ fleet management plan, by U.S. customs policy and by a challenging market environment in view of geopolitical developments and the war between Russia and Ukraine. Nevertheless, MTU's business operations remain a success story and, as a result of positive development in all of its business divisions, the company was able to reach record

heights. Reported revenue increased by 18.3% to €8,763 million (previous year: €7,411 million). The OEM segment recorded growth of 19.1% before intersegment consolidation. The MRO segment, which grew by 17.6%, contributed to higher revenue in the reporting period. Adjusted revenue for the Group amounted to €8,717 million, increasing by 16.4% compared to the previous year. As the most significant non-recurring factor, revenue-increasing currency-related effects linked to refund liabilities for the GTF™ fleet management plan were eliminated in this regard.

In 2025, MTU increased adjusted EBIT in both the OEM and the MRO segment. Adjusted EBIT was €1,351 million (previous year: €1,050 million). The adjusted EBIT margin was 15.5% (previous year: 14.0%).

MTU continued to grow and invest in 2025. The year under review was shaped by investments in engine development work for all commercial thrust classes, investments in the expansion of production capacity at domestic and foreign sites, and investments in intangible assets in the form of licensing rights for stakes in MRO programs with the aim of expanding the maintenance and repair business.

In comparison to the previous year, the (adjusted) free cash flow increased to €378 million (previous year: €183 million) as a result of good business development. Burdens resulted from business-development-related cash outflows for working capital, the expenses of compensation payments under the GTF™ fleet management plan, cash-effective capital expenditure for the expansion of the engine leasing business, and the increase to global production capacities in the OEM and MRO segment. The GTF™ fleet management plan and the additional investments in the expansion of international production capacities will continue to have a significant adverse effect on the (adjusted) free cash flow in fiscal year 2026.

In MTU's view, the forecasts published at the beginning of the year and specified in more detail during the year were essentially met and in some cases exceeded as a result of the good operating performance in particular.

MTU AG (disclosures in accordance with the German Commercial Code [HGB])

The management report of MTU Aero Engines AG (MTU AG) and the Group management report for the fiscal year 2025 have been combined in accordance with Section 315 (5) of the German Commercial Code (HGB) in conjunction with Section 298 (2) of the German Commercial Code (HGB). The annual financial statements of MTU AG were prepared in accordance with the provisions of the German Commercial Code (HGB) and are published together with the combined management report in the Unternehmensregister [German Company Register].

The business environment of MTU AG corresponds for the most part with that of the MTU AG Group as described earlier under *Economic report*.

Business activities

MTU AG develops and manufactures components for commercial and military aircraft engines and aero-derivative industrial gas turbines. The company also carries out maintenance of military and commercial engines. MTU has technological expertise, in particular, in low-pressure turbines, high-pressure compressors and turbine center frames, and in repair techniques and manufacturing processes. It is involved in important national and international technology programs and cooperates with the top names in the engine industry (known as OEMs) – GE Aerospace, Pratt & Whitney and Rolls-Royce.

Disclosures relating to results of operations

Income statement of MTU Aero Engines AG (German Commercial Code [HGB])

			Change against previous year (adjusted)	
in € million	2025	2024	in € million	in %
Revenue	**5,256**	**4,424**	**832**	**18.8**
Cost of goods sold	–4,417	–3,904	–513	–13.1
Gross profit	**839**	**520**	**319**	**61.3**
Selling expenses	–116	–99	–17	–17.2
General administrative expenses	–79	–63	–16	–25.4
Other operating profit	154	19	135	>100
Net financial income/expense	474	313	161	51.4
Earnings before tax	**1,272**	**690**	**582**	**84.3**
Tax expense	–317	–196	–121	–61.8
Net profit for the year	**955**	**494**	**461**	**93.3**
Allocation to other retained earnings	–477	–247	–230	–92.9
Net profit available for distribution	**477**	**247**	**230**	**93.3**

Revenue

Revenue for the reporting year 2025 increased by €832 million from €4,424 million to €5,256 million. The operating business continued on an upward trend, which can be attributed principally to the development of business in the commercial GTF™ programs and the GEnx program in the new engine and spare parts business. Revenue for the military engine business remained stable at the previous year's level.

Cost of goods sold and gross profit

As a result in the rise in business volume and the development of the inherent product mix, the cost of goods sold was disproportionately low compared to revenue.

Gross profit for the reporting year was €839 million (previous year: €520 million).

Selling expenses and general administrative expenses

In 2025, selling expenses and general administrative expenses rose by €17 million and €16 million respectively. This rise stems primarily from the underlying growth in business on the one hand, and, on the other hand, from the expenses incurred by MTU Aero Engines AG, as the entire Group's parent company, in relation to the streamlining of cross-site value creation processes and their integration into the ERP system (transformation project).

Other operating profit

In the year under review, other operating profit was affected by net exchange rate income caused by the development in the €/U.S.$ year-end exchange rate from U.S$1.04 per euro to U.S.$1.18 per euro, as well as being influenced by income arising from measurement of foreign currency holdings and hedging transactions amounting to €87 million (previous year: €101 million in expenses). Furthermore, income from the reversal of provisions totaling €47 million (previous year: €92 million) supported other operating profit, particularly in relation to invoice correction risks and retrospective expenses in the scope of shares in commercial and military engine programs.

Net financial income/expense

Net financial income/expense for the reporting period contains investment income of €494 million (previous year: €323 million). Of this amount, €243 million (previous year: €210 million) comprises profit transfers from MTU Maintenance Hannover GmbH,

Langenhagen, Germany, MTU Maintenance Berlin-Brandenburg GmbH, Ludwigsfelde, Germany, and MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH, Munich, Germany.

Furthermore, income from investments contains dividend payments of €251 million (previous year: €113 million) from foreign investments, especially MTU Aero Engines North America Inc., Rocky Hill, USA, MTU Aero Engines Polska sp. z. o.o., Rzeszów, Poland, and MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China.

Tax expense

Expenses for income tax for the fiscal year amounted to €315 million (previous year: €195 million). The share of current tax expense amounted to €174 million (previous year: €178 million), including tax income of €15 million (previous year: tax expense of €24 million) relating to prior periods.

The share of net deferred tax expense amounted to €141 million (previous year: €17 million), including deferred tax expenses of €11 million (previous year: €24 million in tax income) relating to prior periods.

With the federal government's immediate tax-based investment program to boost Germany as a place to do business, it has passed legislation to gradually reduce the corporation tax rate from the current 15% to 10% between 2028 and 2032. Taking the effect of the corporation tax rate reduction on recognized deferred tax assets into account on an accrual basis resulted in income of €18 million, which reduces the level of deferred tax expenses.

Net profit for the year and net profit available for distribution

Subject to the approval of the Supervisory Board, the net profit available for distribution to shareholders of MTU Aero Engines AG for the reporting year takes account of the allocation of parts of the net profit for the year 2025 amounting to €477 million is allocated to retained earnings in accordance with Section 58 (2) of the German Stock Corporation Act [AktG] (previous year: €247 million).

Determination of the net profit available for distribution considers amounts excluded from distribution of €329 million (previous year: €293 million) from the capitalization of internally generated intangible assets (Section 248 (2) of the German Commercial Code [HGB]), taking into account the related deferred taxes, and also considers deferred tax assets of €338 million. These were matched in full by free retained earnings pursuant to Section 268 (8) of the German Commercial Code (HGB) and Section 253 (6) of the German Commercial Code (HGB) as of the reporting date.

Subject to the approval of the Supervisory Board, a proposal will be put to the Annual General Meeting that part of the net profit available for distribution will be used to pay a dividend of €3.60 per share (previous year: €2.20 per share), which corresponds to a dividend total of €194 million (previous year: €118 million) and that the remaining amount will be transferred to other retained earnings. Subject to the approval of the Annual General Meeting the dividend for fiscal year 2025 will be paid out on May 12, 2026, the third business day following the resolution passed at the Annual General Meeting, in accordance with Section 58 (4) (2) of the German Stock Corporation Act (AktG).

Disclosures relating to net assets and financial position

Balance sheet of MTU Aero Engines AG (German Commercial Code [HGB])

	Dec. 31, 2025		Dec. 31, 2024		Change against previous year	
in € million	in € million	in %	in € million	in %	in € million	in %
Assets						
Intangible assets and property, plant and equipment	2,013	19.3	1,917	18.3	96	5.0
Financial assets	1,531	14.7	1,489	14.2	42	2.8
Non-current assets	**3,544**	**34.0**	**3,406**	**32.5**	**138**	**4.1**
Inventories	883	8.5	742	7.1	141	19.0
Receivables and other assets	4,525	43.4	4,180	39.9	345	8.3
Securities	843	8.1	1,224	11.7	–381	–31.1
Cash and cash equivalents	264	2.5	394	3.8	–130	–33.0
Current assets	**6,515**	**62.5**	**6,540**	**62.5**	**–25**	**–0.4**
Prepaid expenses	**25**	**0.2**	**26**	**0.2**	**–1**	**–3.8**
Deferred tax assets	**345**	**3.3**	**502**	**4.8**	**–157**	**–31.3**
Total assets	**10,430**	**100.0**	**10,474**	**100.0**	**–44**	**–0.4**
Capital						
Subscribed capital	54	0.5	54	0.5		
Capital reserves	713	6.8	713	6.8		
Retained earnings	1,940	18.6	1,334	12.7	606	45.4
Net profit available for distribution	477	4.6	247	2.4	230	93.1
Equity	**3,184**	**30.5**	**2,348**	**22.4**	**836**	**35.6**
Pension provisions	693	6.6	728	7.0	–35	–4.8
Other provisions	3,358	32.2	3,591	34.3	–233	–6.5
Provisions	**4,051**	**38.8**	**4,319**	**41.3**	**–268**	**–6.2**
Bonds	1,361	13.0	1,868	17.8	–507	–27.1
Liabilities to banks	314	3.0	316	3.0	–2	–0.6
Advance payments received	507	4.9	437	4.2	70	16.0
Trade payables and other liabilities	854	8.2	1,014	9.7	–160	–15.8
Liabilities	**3,036**	**29.0**	**3,635**	**34.7**	**–599**	**–16.5**
Prepaid expenses	**3**				**3**	
Deferred tax liabilities	**156**	**1.5**	**173**	**1.6**	**–16**	**–9.3**
Total equity and liabilities	**10,430**	**100.0**	**10,474**	**100.0**	**–44**	**–0.4**

In fiscal year 2025, intangible assets in the amount of €114 million were capitalized (previous year: €108 million). €73 million (previous year: €54 million) was invested in internally generated development assets and €37 million (previous year: €34 million) was invested in acquired development work, in particular for the GTF™ engine family, and in the acquisition of software.

Additions to property, plant and equipment amounted to €163 million owing primarily to the expansion and upgrading of production capacities at the Munich site. This work related in particular to construction measures to upgrade and modify existing production halls and the procurement of new and replacement machinery, tools and fixtures.

Capital expenditure on intangible assets and property, plant and equipment in the reporting year exceeded the reducing effect of scheduled depreciation and amortization.

Financial assets increased by €42 million to €1,531 million (previous year: €1,489 million). This was caused mainly by capital contributions of €58 million to the affiliated company MTU Maintenance Fort Worth Inc., Forth Worth, USA and €11 million to the affiliated company MTU Maintenance Serbia d. o. o., Nova Pazova, Serbia. This was countered by a capital repayment totaling €31 million from MTU Aero Engines North America Inc., Rocky Hill, USA and the full repayment of a €10 million intragroup loan granted to MTU Maintenance Fort Worth Inc., Forth Worth, USA.

Inventories grew by €141 million year-on-year as a result of operational growth, particularly in the commercial engine business.

Receivables and other assets rose by €345 million from €4,180 million in the previous year to €4,525 million in the year under review, which was driven by business growth and, in particular, by the consortium-based stake in pre-financed maintenance and repair services under the GTF™ engine programs. In contrast, trade receivables decreased to €826 million (previous year: €971 million), which is principally attributable to the development of the €/U.S. dollar year-end exchange rate from U.S.$1.04 to U.S.$1.18. Given the fact that billing in U.S. dollars is customary in the aviation sector, this contributed to a decrease in trade receivables in the year-on-year comparison.

The development of receivables from affiliated companies from €1,110 million to €1,241 million relates, in particular, to increases to claims under profit and loss transfer agreements resulting from the course of business development and the financing of subsidiaries.

The receivables from investments increased from €1,126 million to €1,251 million, which is in line with the positive development of business.

The €234 million increase in other assets to €1,207 million (previous year: €973 million) can be attributed in particular to the participation in pre-financed maintenance and repair services under the GTF™ engine programs and also the implementation of the GTF™ fleet management plan.

The change to bank deposits stems principally from the redemption of the corporate bond with a nominal value of €500 million, which matured in 2025.

The change to deferred tax assets was caused in particular by temporary differences linked to the provisions recognized for the GTF™ fleet management plan, which are gradually reducing as the plan continues to be executed.

Equity comprises the capital stock less the nominal amount of treasury shares, capital reserves, retained earnings, and the net profit available for distribution. The main changes result from the use of the net profit available for distribution in 2024 to pay a dividend and the net profit for 2025.

The change in provisions for pension obligations was significantly influenced by the increase in the discount rate governed by the German Commercial Code (HGB).

The main causes for the decline in other provisions were the increase in the U.S. dollar year-end exchange rate from U.S.$1.04 to U.S.$1.18 per euro for the reporting period and the contribution to compensation payments for PW1100G-JM program customers under the GTF™ fleet management plan. This was countered by the growth in operating revenue in 2025, accompanied by an increase in accruals for invoice corrections in connection with stakes in commercial engine programs.

The decrease in liabilities by €599 million to €3,036 million in the year under review (previous year: €3,635 million) stems primarily from the redemption of a corporate bond with a nominal value of €500 million, which matured in 2025. In this context, the effects of the development of the €/U.S.$ year-end exchange rate from U.S$1.04 per euro to U.S.$1.18 per euro on liabilities linked to procurement transactions billed in U.S. dollars and invoice corrections must be taken into account for the year under review.

Furthermore, liabilities to affiliated companies fell by €138 million, related mainly to Group financing operations and dividend payments from foreign investments. In contrast to this, advance payments for orders increased by €70 million and liabilities to companies in which participatory interests are held also rose moderately by €14 million.

The liabilities include personnel-related obligations of €198 million (previous year: €179 million) and include obligations from performance-related compensation granted.

Financial position

In the reporting period and ahead of schedule on April 1, 2025, MTU redeemed the corporate bond with a nominal value of €500 million that was due to mature on July 1, 2025. For the purpose of early refinancing, MTU took out two promissory notes in the previous year totaling €300 million and also issued one corporate bond with a total nominal value of €750 million.

Principles and objectives of financial management

The principles and objectives of financial management MTU AG correspond for the most part with that of the MTU AG Group as described earlier under *Economic report*.

Securities and bank balances

The fall in securities and cash (or credit) balance at banks is linked directly to the redemption of the corporate bond maturing in 2025 and the dividend distribution by MTU AG during the reporting year. This development was offset by net cash inflows from operating activities, including inflows from operating business and dividend distributions and profit transfers from associates, and also by investment activity.

Further details of the cash flow can be found in the *section Financial position* of the management report.

Other disclosures

The opportunities, risks and future development of MTU AG essentially correspond to the opportunities, risks and future development of the MTU AG Group as described below in the *sections Forecast and Risk and opportunity report*.

As the Group's parent company, MTU AG is integrated in the Group-wide risk management system that is described in detail in the *section Risk and opportunity report*. The description of the internal control system of MTU AG required under Section 289 (4) of the German Commercial Code (HGB) can be found in the *section Internal control and risk management system* for the (Group) accounting process.

For further information on the use of financial instruments, please refer to the *Notes to the consolidated financial statements* and to the explanations in the *section Risk and opportunity report*.

Due to the allocation of business within the Group, the outlook for MTU AG corresponds closely with the outlook for the commercial and military engine business (OEM) and, in view of the profit and loss transfer agreements with the German subsidiaries and the distribution policies of its foreign associates and affiliated companies, with the outlook for the commercial and military engine business (OEM) and the commercial maintenance (MRO) business, which are presented in the *section Forecast*.

Based on corporate planning, the anticipated allocation of business to Group companies within these plans and the companies' dividend plans, MTU AG expects a single-digit percentage increase in revenue and earnings before tax compared with the previous year.

Forecast 2026

Macroeconomic conditions

In its updated outlook from January 2026, the International Monetary Fund (IMF) is forecasting a further drop in inflation in 2026. Global consumer price inflation is expected to fall to 3.8% in 2026, with a forecast of 2.2% for industrialized countries. Monetary policy may take a different trajectory, with central banks adjusting their interest rates differently depending on domestic inflation pressure and economic conditions. The IMF is estimating that global GDP growth in 2026 will remain stable at 3.3%, identical to 2025 (Source: IMF World Economic Outlook Update, January 2026).

GDP growth in the USA is predicted to rise to 2.4%, slightly above the 2025 level, due to tax reductions and the easing of interest rates.

Weak growth of 1.3% is expected for the Eurozone, with increased uncertainty on several levels and higher tariffs being the key factors in slowing growth. For Germany, the IMF is forecasting improved growth for 2026, but still at a low rate of 1.1%; this growth will be bolstered by the recovery of private consumption resulting from higher actual earnings and fiscal easing. China's economy may remain weak over the year ahead with an ongoing slump in the real estate sector, restrictions on industrial subsidies and the risk of a debt/deflation spiral hampering growth and overall productivity. Chinese GDP growth might fall to 4.5% in 2026 (Source: IMF World Economic Outlook Update, January 2026).

The outlook for 2026 is cautiously stable despite some residual risks according to the IMF. Political uncertainty, possible disruptions to trade and occasional price peaks for commodities could have an adverse effect on growth, while demographic and labor-market-related challenges could obstruct productivity gains in certain economies. Financial vulnerabilities and changes in the measurement of technology-related assets also require special attention.

U.S. political developments under President Trump, including tensions in cases like Iran, Greenland or Venezuela, indicate an increased risk of abrupt geopolitical and market-based volatility (Source: IMF World Economic Outlook Update, January 2026).

On the positive side, the OECD believes that breakthroughs in trade negotiations or the reduction of trade restrictions could reduce uncertainty and encourage investment. The expedited introduction of AI technology combined with structural reforms to promote the mobility of labor, labor market participation and digitalization could boost productivity and growth over the medium term. Upholding credible fiscal measures and monetary

policy, safeguarding the independence of central banks, and strengthening institutions will be essential to protecting the trust in and resilience and potential benefits of technological progress and renewed global cooperation.

Sector-specific conditions within the aviation industry

In December 2025, the IATA forecast growth of 4.9% for the aviation sector in 2026. Cargo volumes are expected to drop to a growth rate of 2.6%. According to the IATA's estimates, global revenue in the aviation industry is set to once again exceed the U.S.$1 trillion mark in 2026, reaching U.S.$1,053 billion, while net profit is expected to rise to U.S.$41 billion. These forecasts are based on global GDP growth of 3.1% in 2026 and an average kerosene price of U.S$88 per barrel.

Airbus and Boeing are starting 2026 with an unprecedented order backlog of around 15,370 commercial aircraft, which corresponds to 12 years of full capacity utilization at current production rates. This reflects airlines' demand for the latest generation of fuel-efficient aircraft and ongoing delivery delays. Both manufacturers plan to increase their deliveries again in 2026. Airbus continues to endeavor to increase the production rate of its A320neo family to 75 per month by 2027, while the A220 is expected to reach a monthly production rate of 14 by 2026 (source: Airbus). Boeing is planning to increase its production rate for 787 aircraft to 10 per month over the course of 2026. The deployment of the Boeing 777-9 with GE9X engines, has been postponed to 2027 due to certification problems.

Despite the solid growth forecasts for demand in the aviation industry, the sector will remain confronted by significant challenges in 2026, particularly owing to the increased pressure on supply chains, quality processes and certification deadlines resulting from geopolitical and economic uncertainty. Unresolved trade conflicts and the increased fragmentation of global regulatory standards could make production planning more difficult and cause critical investment decisions to be delayed. Airlines are expected to respond to these combined pressures by extending the service life of their older aircraft until the manufacturers reach their target production rates. This will require maintenance capacities to be expanded to support the ongoing operation of aging fleets and could also result in additional business in the aftermarket and spare parts sector.

Outlook for the military segment

Driven by geopolitical tensions – such as ongoing uncertainty surrounding the war in Ukraine, increased tensions with Russia and potential new crises in the Indo-Pacific – the trend towards higher defense spending is likely to persist. Global military spending is expected to increase by around 2% a year in the next ten years, driven mainly by Asia, Europe and the MENA region. The obligation to provide 5% of GDP for defense will give NATO member states the political backing to increase their budgets further (Source: AWIN Military Quarterly Report Q3/2025).

Germany is planning to further upgrade and modernize its current Eurofighter Typhoon fleet with its most recent purchase, while at the same time preparing for a future transition to next-generation systems such as FCAS – although the continuation of the program is uncertain at present due to differences of perspectives among the partners. Europe will increasingly aim to strengthen its sovereignty and focus on interoperable air defense networks, as hybrid threats, drone swarms and missile defense are gaining in importance. Overall, the sector is moving toward greater automation, stronger inter-system networking and faster operational readiness.

Future performance of MTU

The forward-looking performance indicators published for the forecast financial indicators are based on data generated in the planning process. The method used to calculate the forecast key financial indicators is consistent with the accounting policies applied and the calculation logic for the alternative performance indicators outlined in *Note 12. Additional disclosures relating to the income statement*.

In view of the general economic situation and the geopolitical developments, especially in connection with Russia's invasion of Ukraine, there could be problems or delays affecting development work, supply chain and demand-induced changes or postponements in series production and maintenance of engines on the aftermarket, which could affect the forecast for the principal financial KPIs.

Expenditure on new products and services

The aviation industry remains on its recovery trajectory and global flights increased significantly in 2025. Continued strong growth is assumed for 2026. This positive trend is hampered by the ongoing flight restrictions resulting from the war between Russia and Ukraine. However, the aviation industry remains on a constant growth trajectory on the whole. Production rates for new engines are likely to increase even further in 2026.

Similarly, there should be corresponding growth in market demand for spare parts and the MRO business.

Growth in the area of development work may continue in 2026, driven mainly by greater technology development.

For the ongoing ramp-up of engine production rates and to secure its long-term competitiveness, MTU is continuing to invest a substantial amount to expand the highly productive manufacturing and logistics capacity at its headquarters in Munich, Germany.

Moreover, expansion of capacity will continue, especially in China and the USA.

Outlook for 2026

Target

MTU's targets for the fiscal year 2026 are as follows:

Outlook for 2026

in € million	Forecast for 2026	Actual 2025
Adjusted revenue	Between 9.200 and 9.700	8.717
Adjusted EBIT margin	Moderately below the previous year's level	15.5%
Adjusted EBIT	~1,350 – 1,450	1.351
Adjusted net income	Growth in line with adjusted EBIT	968
Adjusted earnings per share (in €)	Growth in line with adjusted EBIT	17.79
Rate of adjusted free cash flow to adjusted net income	Cash conversion rate between 45% and 55% of adjusted net income	39%

Adjusted revenue by operating segment

Within the OEM business, MTU assumes that organic revenue growth on a U.S. dollar basis in the commercial series business (part of the OEM segment) will be in the mid- to high-teens percentage range in 2026. In the commercial spare parts business (part of the OEM segment), organic revenue growth on a U.S. dollar basis is expected to be in the low- to mid-teens percentage range.

Revenue growth in the military business (part of the OEM segment) is expected to be in the mid-teen percentage range in 2026. This is driven primarily by revenue for Eurofighter engines and engines for the CH-53K transport helicopter.

For the commercial maintenance business (MRO segment) in 2026, MTU forecasts organic growth in the low- to mid-teens percentage range on a U.S. dollar basis. In this business, the proportion of revenue from the PW1100G-JM is expected to increase. Its share of MRO revenue should be between 40 and 45%. Execution of the GTF™ fleet management plan will continue to play a significant role in this.

In view of this, the adjusted total revenue of the MTU Group in euros is expected to be between €9.2 and €9.7 billion.

This estimate is based on an average exchange rate of the U.S.$1.20 to the euro.

Operating profit

MTU anticipates adjusted EBIT to reach between €1,350 and 1,450 million in 2026. With the anticipated growth of adjusted revenue this results in an expected margin of adjusted EBIT to revenue that is down moderately on the prior-year figure.

Adjusted net income is expected to develop essentially in line with adjusted EBIT.

Adjusted free cash flow

The year 2026 will continue to be shaped by high levels of volatility linked to comprehensive investments for expanding the business and tactical additional stockpiling for safeguarding delivery capability. Nevertheless, MTU plans to offset the aforementioned charges through its operating business growth. When viewed as a whole, the cash conversion rate is expected to improve to between 45% and 55% of the adjusted net income, even in view of the pressure on expenditure caused by the GTF™ fleet management plan, which will continue into 2026. This would correspond to a free cash flow between around €430 to 580 million.

Adjusted earnings per share

Adjusted earnings per share are expected to develop essentially in line with adjusted EBIT in 2026.

Future dividend

MTU's general dividend policy envisages the payment of an attractive dividend. Despite the persistent effects of the GTF™ fleet management plan, the Company is in a position to propose a significantly increased dividend for fiscal year 2025.

MTU's ambition remains unchanged: to achieve a payout ratio of around 40% of the adjusted net income over the medium term, provided that the cash conversion rate is sufficient. In view of the payout ratio targeted for 2026, the planned finalization of the GTF™ fleet management plan and investment in international business growth must be taken into account. As anticipated, both factors limit the opportunities for achieving a payout ratio at the targeted level of 40% for 2026. Regardless of this, MTU is expecting to be able to significantly increase its 2026 payout ratio compared to 2025 and, as such, demonstrates its fundamental commitment to the attractive mid-term target level.

Overall forecast of future business performance in 2026

The Executive Board expects business to continue to develop favorably: (adjusted) revenue is likely to continue to grow significantly and MTU is expected to continue to achieve a strong adjusted EBIT. The further intensification of development activities and capital expenditure in 2026 pave the way for the long-term and sustained positive business development of MTU. In this context, the operational challenges resulting from the GTF fleet management plan will continue to be a focus of activity.

MTU is monitoring the possible impact of the general economic situation and the global crises on its current business performance and will provide more specific details on its forecast in the course of the year and adjust it if necessary.

Risk and opportunity report

Risk report

Risks are an inherent part of any entrepreneurial activity. To enable it to take best advantage of market opportunities and to identify and manage the risks involved, MTU has an integrated opportunity and risk management system. This is linked to the Group's value-oriented performance indicators and its organizational structure and ensures lasting business success. The system is based on the internationally recognized COSO II Enterprise Risk Management Framework. In order to implement risk management within the MTU Group, the central Risk Management department has been established; tasked with policy responsibility, this department coordinates reporting via the Risk Officers named in company departments and on behalf of senior management. To this end, the central department provides binding instructions and supporting materials. These include the MTU risk guidelines and extensive checklists, which provide guidance and operational support in the risk management process, the aim being to identify risks at an early stage, assess their impacts and, where necessary, devise management measures to mitigate the risks and/or create opportunities from them.

Strategy and risk management system

Control environment

MTU regards a suitable control environment as being essential for a functioning risk management system. The main elements of this are:

- management style and philosophy,
- integrity and ethical values,
- no-blame culture,
- staff training and development.

The MTU Principles require a constructive approach to mistakes, and the company's leadership values include a commitment to actively driving change, creating an atmosphere of trust, and ensuring continuous improvement. This is supported by lean management in all areas of the company, which also aims to create a culture that ensures a functioning risk management system.

Risk management objectives and risk strategy

The objectives of MTU's risk management system are to create transparency with regard to all risks and opportunities, to ward off risks to MTU's status as a going concern and to safeguard the company's future business success.

The company does not limit itself to ensuring compliance with statutory requirements. Rather, it seeks to integrate its opportunity and risk management system into all processes in the company, from financial planning, control and reporting processes, including and in particular monthly reporting to the Executive Board and the Supervisory Board. Risk management also takes place in other areas of the company; for instance, it is a key component of project management.

Identification, analysis and management of risks

MTU regards risk management as a continuous process that ensures responsible behavior when dealing with specific risks to organizational units and general risks affecting several units or the entire Group.

The Group's risk inventory, which encompasses all organizational units and all risk factors to which MTU is exposed, forms the basis for identifying risks. In the interests of a more detailed assessment of risks, MTU has divided this framework into 10 risk categories covering all organizational units. The following risk categories have been identified as being particularly significant for the MTU business model:

- Environment
- Financial
- IT
- Legal & Compliance & Governance
- Manufacturing & Maintenance
- Programs & Projects
- Research & Development
- Social & Human Resources
- Strategic
- Supply Chain

Operational risk management takes place at the level of the organizationally separate units and in the respective subsidiaries. These are responsible for identifying, assessing, controlling and monitoring the risks in their specific areas, and documenting them in a centrally available risk management tool. To this end, the organizational units use a centrally provided risk checklist derived from the risk inventory.

The mandatory threshold for reporting quantitative risks to the central risk management function is €10 million for EBIT and liquidity (cash) over the defined five-year assessment period, taken separately for each year of the planning period. Risks are reported quarterly, corresponding to the frequency of corporate planning and/or forecasts. Both the time period and also the reporting thresholds and subsequent impact classes used for risk management were reconciled during fiscal year 2025 as part of MTU's decision to shift its operational planning horizon from three to five years; the risks and opportunities set out below relate to the year 2026. Business units report risks to the central risk management function in the form of risk maps. Any particularly significant risks identified outside the quarterly risk reports are reported immediately to the central Risk Management department and/or the Executive Board, partly to allow the Supervisory Board to be notified in good time.

The quantitative risks reported in the risk maps are assessed and shown as a possible deviation in the Group performance indicators EBIT and liquidity (cash) from current operational planning figures and using four defined levels for financial implications:

- Very high: ≥ €120 million
- High: €80–120 million
- Medium: €40–80 million
- Low: < €40 million

and four defined levels for likelihood of occurrence:

- Almost certain (80% – 100%)
- Likely (50% – 80%)
- Possible (20% – 50%)
- Unlikely (0% – 20%)

In addition to these quantitative, financial risks, risk management explicitly includes non-financial risks that cannot be evaluated as of the balance sheet date, making them qualitative. The four levels of probability of occurrence are the same for these qualitative risks. Qualitative risks are assessed using four impact classes:

- Very high: risk could affect the ability of MTU Aero Engines AG (Group) to continue as a going concern
- High: risk could have a material strategic impact on MTU Aero Engines AG (Group)
- Medium: risk could have an impact of relevance for how MTU Aero Engines AG (Group) is managed
- Low: risk has no material or management-related impact on MTU Aero Engines AG (Group)

The central risk management function aggregates and consolidates the reported risks. It also provides assistance with the risk management process, prescribes uniform methods and tools, and evaluates the Group's overall risk position. Furthermore, it supports the work of the Risk Management Board, set up by senior management on a cross-organizational basis, which performs central control and monitoring functions for the Group. At its quarterly meetings, the Risk Management Board particularly examines interactions between individual risks and the completeness of the measures initiated to offset the reported risks; on this basis, it issues recommendations on the Group's opportunity and risk position to the uppermost governing body.

Risk reporting and risk communication

MTU's Executive Board is informed quarterly of the Group's current risk situation. The report to the Executive Board is agreed with the Risk Management Board and is structured on the basis of the segments. This report presents the company's Top Risk Map, which covers all risks and opportunities exceeding €35 million EBIT or liquidity (cash) over a five-year period. Separate presentations are made for the current year of the planning period and for the five-year assessment period. A risk assessment is then performed in this context, taking account of the amount of damage, the probability of occurrence and the identification of compensatory countermeasures.

The Supervisory Board's Audit Committee is also given a quarterly report on the MTU Group's current opportunity and risk position. The most important issues from the previous risk review or updates particularly relevant to its recipients are also presented in quarterly reports to the Executive Board and the Supervisory Board.

Monitoring the risk management process

Monitoring the risk management process is crucial to ensure its proper functioning and ongoing development.

The system used for the early recognition of risks is audited by the MTU auditor. In addition to this, the risk management system is monitored and verified by other functions and Group bodies:

- peer-group comparisons and benchmarking,
- process reviews by the Risk Management Board in the form of self-assessments,
- regular process and effectiveness audits by Internal Audit and/or independent experts,
- process reviews by the Supervisory Board's Audit Committee.

Risk category "Environment"

Environmental risks

Plants and installations at MTU's sites are subject to local environmental and occupational safety laws and regulations. To prevent or minimize pollution, official operating permits or licenses have to be obtained. In this context, operating concepts are required. Investments and operating expenditures are designed to ensure compliance with the laws and regulations and oversight of their appropriateness and effectiveness is systematically supported by establishing corresponding risk management and internal control systems. Nevertheless, MTU cannot completely preclude individual breaches of the applicable laws and regulations and failure to comply with their at times dynamic development and interpretation. Consequently, there is a risk that considerable fines or penalties could be imposed, including criminal sanctions. In addition, permits or licenses might be revoked or not extended in the future. Some MTU facilities have a long history of industrial operations. In individual cases, newly discovered potential contamination of sites could result in a risk that MTU could be exposed to claims in excess of the known obligations.

Further information on occupational safety and environmental protection can be found in the *Sustainability statement section*.

Climate Change

When setting its own targets, MTU is guided by the EU Green Deal, which is derived from the 1.5°C target of the Paris Agreement and aims for climate neutrality by 2050. The main areas of activity are the transition to climate-neutral aviation and the shift to climate-neutral provision of the products and services. Alongside the relevant societal risks, there is a specific threat to MTU's business due to the loss of market access and growth opportunities, a deterioration in earnings as a result of legally-induced sanction mechanisms, a loss of attractiveness as an employer for present and future generations, and greater difficulty accessing funding, up to including legal requirements to halt production of parts or the entire business operation.

Goals and opportunities geared to sustainable commercial propulsion concepts as part of the transition to emission-free flying are defined in MTU's Clean Air Engine Technology Agenda Claire. This is being implemented as part of MTU's Leading Technology Roadmap, which focuses on two areas: First, the evolutionary development of gas turbines based on the GTF, combined with revolutionary propulsion concepts that greatly improve the cyclic process and significantly reduce all emissions. Second, complete electrification of the powerchain to maximize emission-free flying. Out of all the concepts considered, from MTU's current standpoint the conversion of hydrogen into power with the aid of a fuel cell is becoming most relevant. MTU calls this the Flying Fuel Cell. Alongside these topics, MTU is actively supporting developments to increase the use of sustainable aviation fuel (SAF). Information on alternative propulsion technologies for aircraft is presented in the *sections headed Substitution risks arising from disruptive technologies in the risk report, Research and development, under the "Strategic" risk category, and in the Sustainability statement*.

The measures designed to achieve climate-neutral provision of MTU's products and services are set out in the ecoRoadmap, an operational climate strategy that MTU has rolled out to all production sites. MTU continuously monitors greenhouse gas emissions in the production and maintenance of engines and modules at its sites using the internationally recognized Greenhouse Gas (GHG) Protocol.

Risk category "Financial"

Non-payment risk

Airlines, which are affected by the geopolitical and macroeconomic situation, are major direct and indirect customers of MTU. These companies may find themselves facing financial difficulties that affect the receivables of MTU and its partners.

The consortium leaders in the commercial OEM business have intensive receivables management systems in place. Despite the crises, the credit default risks in the commercial OEM business are still considered to be manageable due to the structures established by the programs and long-standing experience. In the MRO business, the responsible account managers use established and proven concepts to proactively monitor and manage credit risks in short cycles. A risk assessment is carried out before any relevant contract is signed, and systematic compensatory precautions are taken as needed. These include compensatory payment terms or the issuing of guarantees/sureties. On a case-by-case basis, commercial credit insurance or export credit guarantees (Hermes coverage) are taken out.

Foreign currency risks

The majority of MTU's revenue is generated in U.S. dollars. It is currently expected that over 75% of this currency risk of the receipts generated in this currency will be naturally hedged by costs settled in U.S. dollars. Most other expenses are incurred in euros and, to a lesser extent, in Polish zloty, pounds sterling, Serbian dinar and Canadian dollars. In line with the corporate policy of generating profit solely on the basis of operating activities and not through currency speculation, MTU makes use of hedging instruments exclusively for the purpose of controlling and minimizing the effect of U.S. dollar exchange rate volatility on the Group's financial position and results of operations.

The forward foreign exchange contracts concluded by MTU cover a large part of its net exposure to short- and mid-term currency risks. The hedging horizon is up to five years and uses a model where the authorized hedging ratios decline the further in the future the expected net currency exposure is. Thus, only a small portion of the expected net U.S. dollar exposure in the present and following year is exposed to currency risks relative to the Group's reporting currency (the euro).

Detailed information on the financial instruments used to hedge future cash flows is provided in *section IV, Note 35. Financial risk in the Notes to the consolidated financial statements*.

For a detailed description of MTU's financial management system, please refer to the *Principles and objectives of financial management section under Financial situation*.

Tax risks

As a multinational industrial company, MTU identifies differentiated tax risks that could influence business operations and the financing strategy. These risks arise from the complex and ever-changing tax legislation in the various countries in which the company operates. The following risks are currently assessed as being relevant for MTU:

- Changes to tax legislation: the underlying tax law framework is subject to frequent changes, which could occur at both national and international level. Changes to corporation tax or other taxes could have a significant impact on the company's tax burden. In particular, MTU is considering the current regulatory developments in the USA.
- International tax structuring: the Group operates in many jurisdictions, necessitating effective international tax planning. Insufficient or incorrect tax planning could result in an increase in tax liabilities or double taxation, particularly in respect of transfer pricing between associates.
- Tax inspections and disputes: the probability of tax inspections by national tax authorities is high, particularly in a regulated sector such as aviation. Such inspections could lead to additional tax claims, penalties or back payments. Protracted disputes with tax authorities could also tie up resources and tarnish the company's reputation.
- Compliance risks: compliance with myriad tax regulations and reporting is of considerable importance to the company. Errors in tax reporting or in relation to compliance could lead to financial disadvantages and legal consequences.

In order to proactively counter these tax risks, the Group pursues a comprehensive tax strategy that encompasses regular reviews, close cooperation with tax advisors and legal experts and the upholding of ongoing compliance with international standards. Nevertheless, the company remains alert to the potential impacts of these risks on future business performance and the Group's financial stability.

Other financial risks

The aviation industry is highly capital-intensive, and many of MTU's direct and indirect business partners, especially airlines, leasing companies and service providers, are reliant on external sources of financing to make purchases and safeguard business operations. Changes in the access to financing, whether due to market conditions or lending policies, could impair the financial position of MTU's business partners and therefore lead to deferrals and defaults on receivables. In addition, delays to the financing of programs could also impair the liquidity position of MTU, as MTU may be required to make up-front payments.

A high dependency on a handful of strategic suppliers also increases the risk that disruptions to their financing adversely effect the production and therefore the business operations of MTU. MTU uses financial measures to counteract the risks examined here; further information on this topic is provided under *Principles and objectives of financial management in the Economic report 2025*.

Risk category "IT"

MTU constantly monitors its risk situation in the area of data processing. Identified risks in this field are system crashes due to technical faults and cyberattacks, resulting in the non-availability of systems, unauthorized disclosure of information, or permanent loss of data. In view of the advanced digitalization of all material business processes at MTU, high availability and integrity of IT systems are crucial for smooth business operation. MTU generates, stores and processes extensive data with special confidentiality requirements – not only, but in particular, in the military business.

MTU constantly invests considerable sums in technical and organizational measures to guarantee the availability, confidentiality and integrity of the IT systems used or operated by the company. Nevertheless, it cannot be ruled out that MTU will be confronted with system failures, unauthorized access to confidential information or the loss of data. Every data theft, unauthorized data manipulation or data loss could negatively affect MTU's relationship to present or potential customers. Incidents like this could expose MTU to liability claims by third parties.

MTU has taken out a cybersecurity insurance policy with international insurance companies (minimum rating A– / Standard & Poor's or A.M. / Best's). The policy covers both claims arising from a breach of information security and business disruptions caused by the non-availability of IT systems due to the aforementioned risks.

On the whole, this type of insurance policy covers liability risks – always in accordance with the respective value and content limits of such coverage.

Risk category "Legal & Compliance & Governance"

Compliance and legal risks

Compliance risks arise when managers or employees of the company fail to comply with laws and regulations or fail to observe internal guidelines. These risks can arise in all areas of the company.

MTU has implemented a number of measures with regard to its organizational structures and processes to minimize these risks and to safeguard compliance. In particular, central functions with managerial authority have been set up to monitor and enforce compliance with laws and regulations in the individual divisions (for instance, the Quality division is responsible for compliance with aviation authority regulations, while the Environmental Protection/Occupational Health and Safety division ensures that environmental protection regulations are adhered to).

In addition, measures to minimize company-related compliance risks were implemented at company level:

- binding rules of conduct valid throughout the Group,
- establishment of a central contact for reports of misconduct,
- establishment of an internet-based whistleblower system
- establishment of central compliance functions (Compliance Officer and Compliance Board),
- continuous security checks on employees,
- regular training.

Criminal intent can never completely be ruled out. All in all, MTU considers the compliance risks to be manageable, especially given the measures taken to control them and the management's oversight and regular assessment of their appropriateness and effectiveness.

Complex, frequently changing and in some cases conflicting international foreign trade and tax regulations, especially with regard to cross-border trade in goods and services in the industrial and defense sectors, mean that MTU is particularly exposed to violation of legal provisions. To compensate for relevant legal risks, processes that reinforce control are monitored and driven forward by central functions with technical and managerial authority. Identifiable risks arising from pending tax audits, customs audits, export controls and legal proceedings are managed by the central departments with the support of independent external consultants. The focus lies in particular on targeting process weaknesses and compensating for them.

Liability risks

Liability claims, including those arising from defects in products produced by cooperation partners, and insurance costs could adversely affect MTU's financial position.

MTU operates in markets where its products and services could expose it to liability for personal injury, death or property damage. Liability could arise, in particular, due to failure of an engine or engine component designed, developed, manufactured, supplied or installed by MTU or one of its RRSP partners, in both the new engines business and the spare parts and aftermarket business.

MTU is party to consortium and risk- and revenue-sharing (RRSP) contracts in the commercial OEM business. In most of these relationships, liability for third-party claims is borne by the consortium or the partners on the basis of their respective contribution to the consortium or RRSP, irrespective of the fault of the individual partner. In these RRSP programs, the consortium lead generally has the right to settle third-party claims unilaterally on behalf of all program participants. Consequently, MTU may be exposed to substantive liability for defects unrelated to the performance of its products. Furthermore, MTU's ability to negotiate compensation in individual cases may be limited or non-existent. At the same time, the joint liability of engine program consortia constitutes effective transfer of the risk of defects that are attributable to MTU.

In the military engine business, MTU is largely exempt from product risk liability.

Most of the RRSP contracts require MTU to take out insurance to cover potential product liability. Conversely, MTU makes participation in such programs contingent on such agreements. To cover the above risks, MTU has aviation product liability insurance with international aviation insurers (minimum rating of A– from Standard & Poor's or A.M. / Best). Overall, such insurance covers the product liability risks discussed here within the value and content limits of such coverage. It is possible that these limits could be exceeded within the RRSP contracts.

Significant risks that should be mentioned in connection with consortial liability relating to stakes in consortia for commercial engine programs include consortial and claims risks, for example, as a result of arbitration proceedings.

Risk category "Manufacturing & Maintenance"

Highly sophisticated components and new materials are needed to meet the requirements of OEMs and other consortium partners with respect to engine weight, fuel consumption and noise emissions. In order to efficiently produce and process such components, MTU develops – and gains official approval for – innovative new manufacturing techniques. This can lead to delays in the start of production, a temporary increase in unit costs or a temporary reduction in delivery volumes compared to the agreed level. A further risk is that customers might impose penalties in the event that deliveries are delayed. It could also happen that the new manufacturing processes are not yet sufficiently mature to fully meet requirements when volume production is due to start. MTU counters this risk in technology projects by providing systematic support for the development and implementation process.

Risk category "Programs & Projects"

Market and program risks

The production of engine modules and components for aircraft is characterized by intensive competition between market participants. MTU is exposed to this competition in all aspects of its two operating segments: the commercial and military engine business (OEM) and the commercial maintenance business (MRO).

In its OEM segment, MTU participates in programs to develop and build new engines, which its OEM partners offer to manufacturers of commercial and military aircraft, airlines and governments. Some of these programs compete with other engine programs for installation in the same aircraft type. For this reason, the success of MTU depends partially on the ability of its OEM partners to secure orders from manufacturers, airlines and governments for the engine programs that MTU is involved in. In addition, through its stakes in engine programs, MTU also competes with other producers of engine modules and components (some of which are highly specialized and may offer directly competing technology) as well as with the OEMs, which may possibly decide to source development work, components and parts internally rather than from MTU.

As well as competition in the new engines business, MTU's competitive situation in the OEM segment includes the sale of engine parts and components and the maintenance of engines in the aftermarket business. The aftermarket business is highly significant for MTU because the success of its participation in engine programs over the entire lifecycle depends to a large extent on this business. MTU's commercial business is cyclical and sensitive to demand for air transport as well as to the financial situation of the commercial aviation industry.

MTU's customers in the military engine business are national and international agencies. Therefore, political changes have an almost immediate effect on MTU. Given the tight national budgets that can be observed at present, especially in Europe, there is always the risk that countries may postpone or cancel orders. Due to the budget situation, it may be necessary to renegotiate the scope of contractually agreed deliveries. In the military engine business, MTU is firmly embedded in international cooperative ventures. This tends to limit risks because the partners work together to protect their common interests. Furthermore, the terms of existing contracts in the military sector are generally defined to cover a prolonged period of time, thus largely ruling out price risks.

Even though the company assumes that defense budgets are likely to rise in the future, MTU's military business is principally dependent on the sustained commitment of the German and other European governments and the U.S. administration to their military procurement programs.

MTU is also exposed to competition in its MRO segment, which comprises commercial maintenance, repairs and overhauls. In addition to its stakes in after-market engine programs, MTU is an independent provider of MRO services and therefore competes with airlines' internal MRO service providers, which have links to many of its potential customers. MTU's other major competitors are OEMs' maintenance operations. OEMs can link their service contracts with airlines to the sale of engines, which initially gives them a competitive advantage over MTU in this field. Worldwide, there are also many independent engine maintenance shops that, like MTU, are endeavoring to expand their market position.

Conditions are tough in some areas of the commercial MRO market in which MTU operates. The market conditions may remain challenging in the future as a result of factors that the company is unable to influence. The following factors could prove detrimental to the success of MTU's MRO business:

- Demand for MRO services depends on the capacity utilization of aircraft and could decline significantly if there is a reduction in passenger traffic
- The client base in the MRO segment is characterized by a number of large individual customers, so losing one of these customers could have a negative impact on revenue from this business.
- Some of the engine programs in the MRO business are at an advanced stage in their lifecycle, so the MRO product portfolio could be too strongly focused on aging products and technologies.
- OEMs strive, and could continue to strive, to negotiate agreements where a large proportion of maintenance work is performed by internal units, especially because some of these units have links to their potential customers. A considerable shift towards such in-house units would reduce the competitive opportunities for third-party suppliers such as MTU.

MTU is a contracting party in "fly by the hour" and "power by the hour" agreements which obligate it to perform maintenance work on engines at flat-rate, usage-based prices. Under these agreements, MTU therefore effectively assumes the risk of higher maintenance and overhaul costs. MTU may incur losses in connection with these agreements because the underlying price models require a complex analysis of the performance conditions (including assumptions on future engine use and shop visit rates) when submitting offers for long-term agreements. If the assumptions made by MTU prove incorrect, its margins could be negatively affected.

Dependence on cooperation

MTU has long-term cooperation and collaboration agreements with various OEMs and other market participants. These can be terminated at short notice in certain circumstances, e.g., if there is a change in the company's shareholder structure. All these scenarios are beyond the company's influence. The loss of a major customer could have a severely negative impact on MTU's business activities, financial position or results of operations. For information on customer cluster risks, please refer to the *section V, Note 39. Segment report in the Notes to the consolidated financial statements*.

In its commercial business, MTU is involved in a number of RRSP contracts with OEMs, which relate to the development, production, sale and, in some cases, maintenance of commercial aircraft engines. The OEMs with which MTU has RRSP contracts include Pratt & Whitney, GE Aerospace, IAE LLC and IAE AG. Through RRSP contracts, MTU participates in the development, production and maintenance of new engine programs. In return, MTU is entitled to a share of the revenues from the sale of engines, components and spare parts.

RRSP contracts are an important business base for MTU. They enable it to build up long-term relationships with OEMs and to participate in the major engine manufacturers' sector-leading engine programs. Furthermore, MTU's RRSP contracts entail considerable risks, including a lack of control over the activities covered and losses arising from pricing of program activities or upfront financing of design and development costs, cost overruns, guarantees, warranties and penalties. The following overview highlights these risks:

- The respective OEM controls the end-customer relationship throughout the entire term of the program, including setting the price of engines and spare parts, granting concessions (including financing of engine and aircraft sales in a manner that could ultimately include recourse to MTU through the RRSP contract), granting guarantees, and defining and amending guarantee and other service guidelines for the aftermarket business.
- The RRSPs give MTU only limited inspection rights. As a result, it is not in a position to fully monitor whether the OEMs fully meet their obligations or exercise their rights fairly.
- OEMs can perform repair processes on MTU components or work with second-hand spare parts, which would have a negative effect on MTU's sales of spare parts.
- MTU has to undertake considerable advance work for the design and development of the engine components, for which it has been allocated design and development responsibility. The level of future returns in connection with the engine program is subject to a degree of uncertainty due to market developments.
- Similarly, MTU may be required to make advance payments ("entry fees") to OEMs to enable it to participate in programs, as compensation for development or other work already undertaken by the OEMs.
- Aircraft manufacturers may require OEMs to make advance payments for participation in new aircraft programs and to cover a percentage of the manufacturer's R&D expenses. The OEMs generally pass some of the costs for such payments on to their RRSP partners.

The value of MTU's contribution to RRSPs (in the form of work on the design, development and production of engine modules and components) is generally set on the basis of cost assumptions made when the contract is signed (with limited adjustments for changes in design or extraordinary changes in raw material costs). In the event of cost overruns in the development and production of parts for which MTU is responsible, MTU may therefore not be able to recoup such costs from its share of the program. As a result, its profits from the engine program could be reduced.

In the event of engine fleet measures in connection with its program consortia, MTU may be obligated to share some of the operational and financial burden. In this way, burdens and risks arise for MTU from the current AOG situation of so-called GTF engines and the associated compensation pledged to airlines by the responsible OEM.

In the commercial maintenance business, MTU's interests in the Asian market include a 50:50 joint venture, MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China. In jointly controlled entities, where decisions have to be made collectively, there is always a risk of differences of opinion. Similarly, participation in international joint ventures often reveals cultural and political differences (for instance payment morale). Moreover, changes in the geopolitical situation can adversely affect cooperation in joint ventures.

From today's standpoint, MTU believes its collaborative business model stands it in good stead to effectively manage market and program risks, in particular in respect of the challenges associated with the development, production and market introduction of new engine programs and architectures.

Risk category "Research & Development"

Research and development risk

MTU's success depends, among other things, on its research and development activities (R&D), which are performed both in the OEM segment and in the MRO segment. MTU finances its R&D spending from its own funds, state funding and, to a limited extent, through external orders. There is a risk that R&D activities might not meet customers' or market requirements cost-effectively or on schedule or might not meet the targets set. Therefore, the company cannot give any assurance that the capital used for these R&D activities will lead to opportunities for commercialization or result in productivity improvements commensurate with the resources invested. Furthermore, MTU is developing specific technologies and capabilities for its programs with a focus on reducing emissions and thus the climate impact of engines. If one of these programs should be halted or only be continued with a considerable delay, there is a possibility that MTU might not recoup the R&D costs and related investment expenditures incurred in the expectation of such programs or will only recoup these amounts at a relatively late stage.

Some of MTU's development activities are carried out within the scope of cooperative ventures. Each stake in such ventures and in RRSPs spreads the R&D-related risks beyond the company and therefore reduces its control over them. If one of MTU's cooperation partners has development and production risks, these could have a significant negative economic effect on MTU. In connection with RRSP and similar agreements, MTU's potential inability to deliver the necessary technology or design contribution could result in additional costs in order to fulfill its obligations, or MTU could be forced to make considerable imbalance payments under the RRSP agreement instead of the technology or design contribution. In addition, MTU may be required to make penalty payments to its RRSP partners if it fails to meet delivery schedules or certain development targets.

The risks are reduced by systematic, professional project management and risk diversification among the various development partners. On this basis, MTU regards its research and development risks as hedged.

Substitution risks arising from disruptive technologies

New aircraft and propulsion systems are currently being investigated in order to make a contribution to meeting the ambitious climate targets. In 2021, Airbus presented three aircraft concepts that could facilitate emission-free commercial flights, with an increased focus on hydrogen as a fuel. This can be combusted directly in a modified gas turbine, which would hardly change MTU's current business model. By contrast, electrical propulsion systems based on a flying hydrogen-powered fuel cell are, in principle, a substitution risk for conventional engine technologies. Airbus envisions an initial application for such a concept in the aircraft class of 100 seats and 1,000 nm range, which would be below the current single-aisle segment. Airbus does not anticipate a launch date before 2040. Together with its research partners, MTU is conducting studies to examine all the conceivable concepts in order to factually assess the opportunities arising from alternative engine concepts and make use of them as appropriate. Among the key results from these studies are:

- Propulsion systems based on electric batteries are suitable today, and in the foreseeable future, only for applications requiring low performance and short duration of use, such as general aviation and urban air mobility. At the moment, there are no known battery concepts with sufficient capacity for short- and medium-haul aircraft, let alone for long-haul aircraft, which together represent an important market for MTU at present.
- Hybrid propulsion systems combine various power generation and fuel systems, for example, a kerosene-fired gas turbine and a battery-powered electric engine. Such a concept is currently being investigated alongside other technologies in the SWITCH clean aviation program in conjunction with the MTU industry partners Pratt & Whitney, Airbus, Collins and GKN as well as other partners from academia. Potential benefits are additional freedom in the design of aircraft and propulsion systems and synergy effects between the cells and engines. The focus is generally on reducing energy consumption and less on the climate impact. To identify the potential of further hybrid architectures as early as possible, MTU is involved in studies to evaluate such concepts. Mild hybrid designs where only a small proportion of the total energy comes from the battery make sense for short-, medium- and long-haul aircraft. The basic design of MTU's components remain unchanged here, meaning that there is no substitution risk.
- Considerable progress has been made in the development of fuel cells in recent years. In conjunction with liquid hydrogen fuel, they have far greater potential for use in aviation than batteries. For this reason, MTU is also working on a fuel cell propulsion system optimized for aviation: the Flying Fuel Cell (FFC). A positive decision was received on a coordinated application for funding under the EU Clean Aviation program submitted by a consortium of international partners led by MTU; work is underway on the corresponding HEROPS project. The aim is to develop and assemble a demonstration unit for ground testing that covers the entire propulsion system from the hydrogen fuel system to the gears. During the 2025 Paris Airshow, a letter of intent was signed with Airbus with the aim of stepping up cooperation on the development of technology for the Flying Fuel Cell.
- CO_2 is used as the starting product for the production of synthetic fuels. This significantly improves CO_2 performance by 80% or more, depending on the production process. The big advantage of sustainable aviation fuel (SAF) is that it is a "drop-in" fuel – and already achieves this status in admixtures up to 50%. This means that no technical modifications to the aircraft, engine or airport infrastructure are necessary. In initial trials, SAF has also shown considerable potential to reduce condensation trails and their climate impact. SAF is therefore the technology that could bring a direct improvement in the climate impact of the present fleet. MTU Aero Engines is involved in research into SAF and is promoting its ramp-up in the market through its membership in aireg – Aviation Initiative for Renewable Energy in Germany e. V., which is based in Berlin. This not-for-profit initiative is promoting the availability and use of renewable energies in aviation.

MTU's current business fields are not acutely impacted by effective substitution risks. Nevertheless, MTU will continue to keep a close eye on developments in conventional and alternative propulsion concepts, particularly in relation to China, so it can react and, above all, participate in a timely fashion. This applies in particular to the FFC, for which the entry barriers facing non-engine manufacturers are significantly lower than for gas turbines. In parallel, MTU is permanently working to improve the efficiency of conventional engines, thus continuously raising the ecological and economic access barriers for any substitute products.

In addition to the substitution risks, risks could arise from climate-related regulations in the future.

Pricing for non-CO_2 effects resulting from NOx emissions and condensation trails is currently under discussion in the context of European emissions trading, though concrete decisions have yet to be made. As part of a monitoring, reporting and verification scheme (MRV) launched in 2025, data relating to this topic has been recorded for every flight within the EU for the first time.

MTU is carefully evaluating developments in this field and will examine any emerging regulatory activities to identify potential strategic risks. Alternative propulsion concepts, like the Flying Fuel Cell being advanced by MTU, are particularly appealing in scenarios like this as they have no harmful emissions other than water.

Furthermore, the development and introduction of the next generation of gas turbines for aircraft, in particular the second generation GTF, has been postponed until the end of the next decade, which means development will not begin before the start of the next decade. Due to the extended time frame between now and then, aviation companies – both aircraft and engine manufacturers – face a particular challenge in maintaining their skills and capabilities. MTU addresses this challenge through corresponding technological preparation programs, e.g., rig and demonstrator programs.

Risk category "Social & Human Resources"

Personnel risks

The quality of MTU's products and services depends to a large extent on the personnel it can recruit and retain, especially engineers and other specialists. MTU seeks to access both young talent and experienced specialists through company training programs, dual-study programs (which combine practical and academic work), attractive working conditions and marketing activities. However, for many key positions within the MTU Group there only a few sources of new staff with the necessary qualifications. The competition for such employees has increased in recent years and could intensify further in the future. Moreover, it is expected that demographic change will greatly exacerbate the shortage of skilled workers and adversely affect the ability to maintain or increase the personnel capacity required for business operations. Without strategic personnel and succession planning with a long-term outlook, there is a risk of MTU becoming restricted in its ability to respond quickly and flexibly to unexpected changes to the market or economy. In particular, the company may find it difficult to attract qualified specialists and retain them over the long term.

MTU is aware that some of its employees have technological know-how that makes them attractive to competitors and other employers. The company's success is critically dependent on its ability to not only recruit technically skilled employees, but also actively promote their continuing professional and personal development while also providing them with motivation.

Should MTU fail in its efforts to attract, retain and advance qualified employees through needs-based, forward-looking personnel and succession planning, it could put the success of its planned business development at risk.

Risk category "Strategic"

Macroeconomic risks

Within the aviation industry, MTU is exposed to competition in the development, production and maintenance of engines, engine modules and engine components. This business is cyclical and reacts sensitively to demand for passenger and cargo traffic. It is influenced by the general macroeconomic situation (GDP and trading volumes, exchange rates and raw material prices).

The company's ability to make appropriate predictions and plans for its business is still hampered by the complex interaction of geopolitics, the climate crisis and economic development, with tariff policies and trade conflicts playing a particularly big role this year. MTU is closely tracking the latest developments in tariff legislation and has taken a number of measures, such as utilizing U.S. customs privileges and adapting goods flows, to keep monetary effects at a minimum level. Although MTU consults with government agencies, industry associations and external aviation analysts at national and international level, there is a certain amount of uncertainty affecting its ability to adequately forecast the impact of these risk factors on its business. Incorrect projections could have a significant negative impact on MTU's business activities, cash flows, results of operations and financial position.

One of the longest-standing risks is the difficulty in predicting disruptions to supply chains that could affect MTU over the medium term – despite supply chains now showing more of a tendency toward stabilization compared to previous years.

For instance, in 2025, there were some signs of improvement to the aviation industry's problems with quality and certification. This began with Airbus reaching its targets for monthly aircraft delivery rates and extended to the FAA increasing its limit on monthly rates for the 737 MAX family from 38 to 42. At the same time, however, there were still delays in the certification process for the Boeing 777X and 737 MAX-10, for instance. There is a risk of further delays, resulting, for example, from new technical findings or staff shortages at the certification authorities. The six-week budget shutdown in the USA and the flight safety and certification bottlenecks that emerged as a result are one example of this issue. Some MTU suppliers are also experiencing a shortage of skilled workers, which may impact the achievement of product delivery plans. This uncertainty may be further exacerbated by unforeseen events, such as extended periods of strike action. Therefore, MTU could be exposed to risks in respect of costs that are necessary to meet its contractual commitments as well as risks to its product supply schedules.

As a mid- to long-term effect of these risk factors, MTU could face more rapid changes in usage patterns or aviation regulations with an adverse effect on its business model. There is already a public debate about the social, economic and ecological implications of air travel and air cargo driven by the ongoing global climate debate. However, policy in this area has recently made a more pronounced shift back toward increasing the competitiveness of the European and German aviation industry at a global level. For instance, in November 2025, the German Federal Government approved a reduction in aviation tax. Meanwhile, the debate over the feasibility of sustainability targets for the aviation industry is still ongoing.

In particular, the pricing of CO_2 and non-CO_2 emissions in aviation as well as the current high costs for the production of sustainable fuels (SAFs) can have a huge impact on the price of airline tickets, depending on the regulatory requirements in each region. The 2% SAF quotas, which came into force in the EU in 2025, put airlines at a clear competitive disadvantage compared to non-European providers given the poor availability of SAF and the resulting high costs.

In particular, purely economic aspects will play their customary central role for air traffic alongside the consequences of the global debate on climate policy. While tariff policies only impacted certain flight routes and a small number of countries in 2025, the spread of trade conflicts cannot be ruled out, which could lead to slowing demand for air travel caused by stagnating economic growth. However, a drop in oil prices would be anticipated as a result of this, which in turn would have a positive effect on airline ticket prices and eventually lead to increased demand for air travel.

Protectionist measures taken in some countries even before the pandemic are a further risk factor, one which increased significantly this year. A key example here is the removal of the "de-minimis" clause, which enabled goods with a value less than U.S.$800 to be imported into the USA free of customs tariffs and taxes. Protectionist measures hold back the volume of trade and countries' economic output and therefore reduce cargo and passenger traffic.

Political crises and restrictions on air traffic as a result of wars, terrorist attacks or natural disaster are a also constant risk to air traffic and to MTU's engines business.

The situation with the war in Ukraine remained volatile. Further escalation of the conflict would very quickly result in a significant drop in air traffic and demand for commercial engine products in the countries and regions affected, which could adversely affect MTU's future business performance.

The situation in another area of conflict, Gaza, has settled down following the current ceasefire. It is hoped that relations in the region will continue to ease. If this is the case, there is a long-term chance that the region surrounding Israel will regain its popularity with tourists, enabling airlines to begin offering their suspended or reduced flights to the region again.

Furthermore, the USA and Israel began military operations in Iran following the end of the fiscal year. Effects on global energy markets and supply chains are becoming apparent as a result of these developments. For the aviation industry, the fact that large fleets of aircraft are currently grounded in the United Arab Emirates and Qatar is also of significance. MTU is monitoring possible impacts from the intense combat, in particular in relation to demand, supply chains and capacity, and is working closely with its business partners to take countermeasures. At the present point in time, MTU estimates that it will be possible to broadly offset the identified impacts on MTU's forecast business development given that military operations are expected to be limited geographically to the Middle East and are not anticipated to be protracted.

Risks arising from corporate strategy

The main forms of strategy risk are misjudgments when taking decisions about investment in engine programs, the establishment of new sites and possible M&A activities. During the decision-making phase of a program, highly qualified specialists perform cost-benefit analyses based on set procedures that include the obligation to carry out a risk analysis on the basis of different scenarios. MTU's business model is based on long-term processes, particularly in the OEM segment. Many years of development, preproduction and volume production may lie between the decision to invest in a new commercial engine and the breakeven point. The risk is that the original economic and technological parameters might change over time, hence the need for frequent reassessments that take into account the most recent economic and technological developments. A decisive factor in this regard is, in particular, the success of the aircraft platforms on which the engines are deployed. MTU counters such strategy risks through a broad portfolio. This means that the company limits the impact of an individual program or aircraft platform by holding an interest in a wide range of products across all thrust classes.

Furthermore, the engine industry is dominated by high investment both as development imbalance payments to the engine OEMs and as development work by MTU at the start of a new engine program. The long product lifecycles of both aircraft and engine programs have to be taken into account when assessing the return on these investments. Empirical observation indicates that the lifecycle of successful engine programs for commercial aircraft is well over 30 years from the initial purchase until the end of the program. In view of the long product lifecycle, the estimation requirements outlined above relate to long-term developments. Therefore, updated assumptions (for example, changes in the competitive situation, or expectations of growth in air traffic and the aircraft industry, or a deterioration in the number of aircraft sold, which could affect the creditworthiness of the Group's customers) have a considerable impact on MTU's systematic estimates and thus on its key financial indicators.

In the longer term, a further identifiable risk, in addition to that arising from MTU's strategic decisions, is the arrival on the market of new competitors, e.g., from China. However, given the high financial and technological barriers to market entry, this risk is currently not regarded as critical. Although Chinese aircraft manufacturer COMAC entered the narrowbody segment with its C919 in 2023, annual production rates will only be in the double-digit range for the foreseeable future, with a global market share in the single-digit percentage range. This is partly due to the aircraft not being certified in the USA and Europe, which limits C919 orders almost exclusively to Chinese airlines and lessors. The importance of the Chinese market for global aviation and Chinese providers' ability to produce engines and aircrafts are in no way underestimated and are analyzed with the greatest possible degree of precision.

At the same time, with many countries announcing increases to their defense budgets, MTU has a wealth of opportunities to grow within this market – both in terms of new orders for the Eurofighter, for example, and in terms of partnerships and expansion into business areas related to military missiles and their propulsion systems.

Continuation of the existing FCAS program for developing a new military fighter jet is still a matter of important discussion between the partner countries' most senior politicians. However, there is uncertainty over the timing and the decision to continue with the next phases, which has already led to delays in the program's progress.

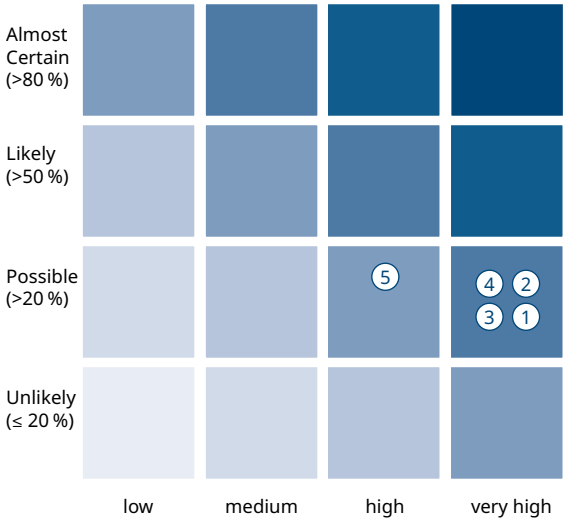
Risk category "Supply Chain"

MTU sources individual parts and components, finished products, auxiliary supplies, specific services and raw materials from suppliers and third-party vendors. MTU is exposed to a risk of inadequate availability of such products. Disruption can be caused by factors such as cross-border supply chain problems caused by the geopolitical situation, for example, the Russia-Ukraine conflict and the Israel-Gaza conflict, trade restrictions such as tariffs and sanctions, and technical problems or bottlenecks in production capacity. Moreover, crisis-driven price hikes (inflationary impact) could result in higher procurement costs. Given the structure of the RRSP agreements with its partners, MTU is only able to pass unexpected cost increases on to partners and customers to a limited extent in individual cases. Therefore, MTU takes the extensive measures outlined below to minimize the risks insofar as possible. MTU plans production requirements at regular intervals in close consultation with the supply chain and with long forecast horizons to avoid unexpected procurement bottlenecks. Wherever it makes sense, products are validated and sourced from several suppliers. To limit inflation insofar as possible, there are multi-year supply contracts for many products. Supply bottlenecks are absorbed by buffer stocks over the short term. Regular supplier risk assessments, established purchasing and procurement processes, financial hedging for raw materials and close relationships with suppliers also help to minimize purchasing and procurement risks.

Overall assessment of MTU's risk exposure

Risks in each of the key areas of exposure described above are monitored and continuously evaluated through a risk assessment for the coming fiscal year on the basis of their probability of occurrence and quantified as a deviation relative to the currently applicable operational planning figures. In MTU's risk management process, risks are assigned to one of four probability levels. Based on quantifiable risks (>€10 million) evaluated in the risk management process, for the fiscal year 2026, MTU derives risk-based earnings exposure based on experience of around €192 million (previous year: €161 million). The OEM segment accounts for around €159 million of this, particularly in the "Programs & Projects" category, and the MRO segment for the remainder. In addition to the earnings impact, the liquidity impact of the risks is identified, monitored and addressed through the risk management process. In 2026, the identified risk factors could reduce liquidity by approximately €255 million (previous year: €237 million). However, this would be covered by available cash and cash equivalents and by credit lines that have not been drawn down. The OEM segment accounts for €180 million of the liquidity risks, particularly in the "Programs & Projects" category, and the MRO segment accounts for the remainder.

At the end of the reporting period, the quantified material liquidity risks for the five-year assessment period used for the regular reporting process were as follows:



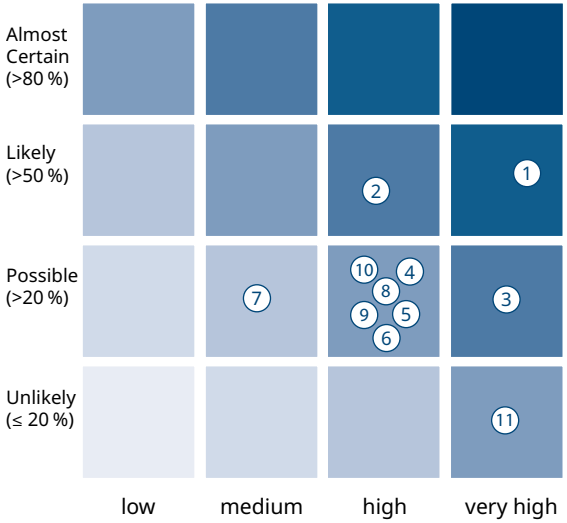
ID	Risk category	Title
1	Programs & Projects	Higher financial impact from AOG due to reduced MRO output and higher removals
2	Programs & Projects	Financial impact on return flows from engine program participations due to changes in tax legislation abroad
3	Legal & Compliance & Governance	Risk from claims for damages and legal costs
4	Programs & Projects	Lower than planned throughput rate for engine reconditioning work and repair parts as a result of material availability levels and operating issues
5	Programs & Projects	Risks arising from aftermarket contracts

In the "Program & Project Risks" category in the OEM segment, particularly significant financial risks arise from the operational and financial involvement of MTU in the GTF fleet management plan initiated in 2023. Here, the risk driver is the capability of the PW1100G-JM program to increase production and maintenance/repair capacities in line with requirements. In this regard, the compensation payments pledged to program customers as part of the GTF™ fleet management plan serve to increase the financial burdens and therefore the risk item. The financial burdens, especially the liquidity effect, will continue to materialize in subsequent years and are included in accordance with the best-possible estimate in current corporate planning and MTU's published forecast information. Potential additional burdens in connection with the GTF fleet management plan would further impair the net assets, financial position and results of operations.

In the MRO segment, the effects of additional demand resulting from the forecast recovery in the engine maintenance business, the outcome of negotiations regarding customer payment targets and the knock-on effects of the sanctions in the Russia-Ukraine conflict must essentially be taken into account as risk drivers.

All in all, taking into account the compensatory measures, at present MTU has not identified any risks that could jeopardize its status as a going concern. Despite the tough risk situation, especially driven by the extended GTF™ fleet management plan, MTU considers the risk situation to be manageable, especially given the measures taken in this respect and the management system that is in place.

At the end of the reporting year, the qualitative material risks reported via the regular reporting process were as follows:



ID	Risk category	Title
1	Strategic	Escalation of political conflicts / trade wars between the USA, Europe and China
2	Strategic	Further escalation of the Ukraine–Russia war, the war in Gaza and the Iran war
3	Social & Human Resources	Fluctuation of specialist staff
4	Strategic	Labor shortage in the aviation industry due to working restrictions
5	Strategic	Impacts of financial crises and global recessions on MTU business activities
6	Strategic	Impacts on the aviation industry due to increasing oil prices
7	Manufacturing & Maintenance	Business interruption due to major losses or attacks on the IT infrastructure
8	Programs & Projects	Impacts of a possible trade embargo against Israel
9	Strategic	Entry of new direct competitors onto the market
10	Legal & Compliance & Governance	Impact of punitive tariffs on MTU's trade activities
11	Manufacturing & Maintenance	Risks from significant aviation safety incidents that lead to claims for damages or AOG

Probability of occurrence and possible extent of damage caused by risks

Risk category	Probability of occurrence	Extent of damage (forecast)*	Extent of damage (planned)*
Environment	Possible	Low	High
Financial	Possible	Medium	Low
IT	Possible	High	Low
Legal & Compliance & Governance	Possible	High	High
Manufacturing & Maintenance	Possible	Medium	Medium
Programs & Projects	Possible	Very High	Very High
Research & Development **	–	–	–
Social & Human Resources	Possible	Low	Low
Strategic	Possible	High	High
Supply Chain	Possible	Low	Low

* Forecast period = one year, planning period = five years

** Risks from the Research & Development category are reported via the Programs & Projects category

Opportunity report

The integrated opportunity and risk management system is embedded in the value-oriented management of the Group and its organizational structures and is based on the leading international standard, the COSO II Enterprise Risk Management Framework.

Opportunity category "Programs & Projects"

Basic research and ongoing development of engine technologies, followed by their deployment in end products, have made MTU one of the world's leading manufacturers of engine components. MTU's new products lead the field in terms of efficiency because they save fuel and reduce emissions, noise and costs. The A320neo, Airbus A220 and Embraer E190-E2 with GTF engines are already being used successfully in scheduled service. Since 2018, the PW800 engine family, developed in cooperation with Pratt & Whitney Canada, which is based on the same core engine as the GTF, has powered, for example, premium manufacturer Gulfstream's new generation of business jets. In order to balance out its engine portfolio in the long-haul segment, MTU has participated in the development of the GE9X, which will be the sole engine for the Boeing 777X. Thanks to this balanced portfolio, MTU expects to benefit in the decades ahead from the predicted growth in all present market segments: the regional jet, narrowbody and widebody segments. The expected growth relates to both commercial series and new components business and the spare parts and aftermarket business, which should benefit, in particular, from the business performance of the V2500 engine program and successively from the GTF program family. Significant opportunities continue to arise for MTU in connection with its commercial engine programs, i.e., in relation to potential efficiencies and in the new engine and aftermarket business, particularly arising from improvements achieved through technical upgrades for the GTF engine family, and the GTF Advantage variant of the PW1100G-JM engine in particular.

Among its customers in the military sector, MTU has established a reputation as a highly qualified partner with comprehensive system know-how in product development, manufacturing and maintenance. In particular by driving forward its military-engine maintenance services with the German air force, MTU sees chances to strengthen its ties with Germany's armed forces.

Moreover, additional new components and aftermarket business – especially for the EJ200 engine for the Eurofighter and the TP400-D6 for the A400M military transporter – open up further business opportunities with national and international customers. These will doubtless receive a further boost from the increase in international defense budgets

resulting from the geopolitical developments in the reporting period. Driven in particular by the T408 engine, the military-program partnership with GE Aerospace could generate further opportunities to participate in transatlantic programs in the future.

The development of the maintenance business in the aviation industry, in which maintenance and repair services are increasingly being offered together with the sale of the new engine (MRO integration), gives MTU the opportunity, as a consortium partner in commercial engine programs, to safeguard order volumes in the commercial maintenance segment, consolidate substitution risks for the aftermarket and spare parts business and thus soften the impact of risks associated with the spare parts market. This integrated approach to MRO enables program partners to become members of an MRO network, giving them access to the entire volume of MRO work associated with an engine series, in accordance with their share in the program. There is a variety of models for participating. For instance, partners in the MRO network might only perform repairs on their own components, or be allocated a quota of complete shop visits corresponding to their program share. Membership in an MRO network offers more moderate margins than operating as an independent maintenance and repair (MRO) provider.

The independent MRO market for engines such as the GE90 and V2500 continues to offer long-term prospects for MRO providers to participate in this steadily growing market. In particular, the increase in the number of aircraft no longer tied to the OEMs offers independent MRO providers like MTU the opportunity to gain new customers and to assume responsibility for managing the maintenance of large fleets. In this regard, MTU strives to achieve balanced growth in its maintenance and repair business by investing in further MRO programs – on the basis of independent MRO and commercial engine programs via MRO integration. In light of this, advance payments were made in the reporting year for the acquisition of further MRO program investments.

Thanks to ongoing investment in automation and focused expansion of capacity, the high demand in the OEM and MRO segments can be met cost-efficiently in the long term.

Through MTU Maintenance Lease Services B. V., Amsterdam, Netherlands, MS Engine Leasing LLC, Rocky Hill, CT, USA, and the partner companies in the PW1100G-JM MRO network, MTU aims to extend its activities in the lucrative leasing business and increase the scope of services provided in the aftermarket.

Opportunity category "Research & Development"

The risk report describes the risks associated with research and development and manufacturing, but MTU's ongoing technology and development activities also open up new business opportunities. For example, ongoing development of products and the related manufacturing technologies and, in particular, intensive involvement in developing innovative propulsion concepts in collaboration with industrial, public-sector and scientific partners, pave the way for MTU to secure a position as a strategic partner in future engine programs. This could help ensure a balanced portfolio of engines and new propulsion concepts at different life cycle phases both in the series and new components business and in the spare parts and aftermarket business. Attention should be drawn to MTU's participation in the FCAS program (NGFE), as this can also be regarded as an important driver of the ongoing development MTU's technological expertise for commercial aviation applications as well. Moreover, mention should be made of the ongoing work as part of the European Clean Aviation funding program that makes it possible to systematically pursue the technology needed for both next-generation gas turbines and for the Flying Fuel Cell, thus creating the technological basis for emission-free flying in the future.

The risk report refers to the challenges involved in the continued ramp-up of new or relatively new programs; here too, the challenges can be transformed into opportunities. Production processes and systems can be optimized, for example through the use of virtual engine capabilities (target and actual twins [digital twins]), predictive simulation (ICM2E), end-to-end process data management and the forecasts derived from this, and new, cutting-edge manufacturing technologies and processes can be introduced to reduce product and maintenance costs in accordance with the Design-to-x concept. The risk analyses undertaken to secure the ramp-up of production, backed up by the manufacturing readiness level (MRL) process and error analyses, result in timely identification of potential problems and the related lasting process improvements. The effects of these improvements are not only felt in new programs; they can also be transposed to existing ones. That leads, for example, to further cost reductions and enhanced delivery reliability.

Through continuous improvements towards operational excellence, methods, processes and leadership behavior are constantly being developed as part of Lean Management@MTU. This results in increased transparency, a focus on value creation, support in achieving ambitious targets, and faster and more sustainable problem-solving and approaches to improvement based on integrated product development (IP4E). Improved preventive

approaches, a faster response to deviations from plan and sustainable and structured solutions to problems enable the company to put in place stable processes and optimize resource deployment. For further information, please refer to the *section headed Research and development*.

Opportunity category "Financial"

As a large part of the company's revenue comes from contracts invoiced in U.S. dollars, especially in the commercial new engines and series business (OEM) and the commercial spare parts and aftermarket business (OEM, MRO), a strengthening of the U.S. dollar against the euro would improve MTU's earnings. If there is a stabilization or short-term drop in inflation, this would have a positive effect on MTU's cost structure and hence on its business results.

See the *Risk report* for information on how the opportunities identified can be exploited and the associated risks avoided.

Overall assessment of opportunities

MTU has taken all the organizational measures necessary to recognize potential opportunities in good time and respond to them adequately. MTU applies the same methods in its assessment of specific opportunities as it does when evaluating risks. As a conservative approach is taken to the identification of opportunities, the opportunities are necessarily low compared with the risks.

Based on the opportunities identified, MTU anticipates that the earnings opportunities in 2026 are around €33 million (prior year: €10 million), with the OEM segment, especially the "Programs & Projects" category, accounting for €27 million of this. The liquidity-related opportunities amount to €45 million (previous year: €73 million), with €27 million of this attributable to the OEM segment, especially the "Programs & Projects" category. Opportunities to extend MTU's range of products and services may initially lead to a financial burden. In view of the long cycles involved in the business model, these will only generate positive earnings in subsequent fiscal years. MTU does not currently foresee any fundamental changes in its opportunities.

Main features of the internal control and risk management system

Internal control and risk management system

MTU understands an Internal Control System (ICS) to be the principles, procedures and measures introduced at the company by its management that are aimed at the organizational implementation of management decisions. The risk management system (RMS) is a continuous and systematic process that has to be applied uniformly throughout the Group to ensure early identification, evaluation, management, monitoring and reporting of risks. The overriding objectives are to safeguard the existence of the company and its future success.

The ICS and RMS are based on the globally recognized and established framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO I) and the applicable requirements and basic elements of the audit standards issued by the German Institute of Public Auditors (IDW PS 981 and 982).

The Executive Board of MTU bears overall responsibility for establishing the ICS and RMS. They are aligned to the business model and specific requirements of the MTU Group and are an important element in its comprehensive approach to corporate governance. This comprises a framework for creating sustainable value for shareholders, customers, employees and society.

All MTU entities are included in the ICS and RMS. The local management of each entity is responsible for realizing an appropriate and effective ICS and RMS, based on the Group-wide requirements, and is supported in this by the central Risk Management and Internal Control functions.

The Risk Management Board, which is comprised of MTU's highest risk manager and selected heads of various functional areas, is an overarching decision-making body that examines aspects of risk management, discusses and takes decisions on reported risks or those that have to be reported to the Executive Board, and oversees the functioning of the risk management system.

The central Internal Control function at MTU, which comprises the Group ICS Coordinator and the Local ICS Coordinators appointed at each MTU site, coordinates and monitors, on behalf of the Executive Board, the maintenance and ongoing development of the ICS by the specialist departments at the sites concerned. The central Internal Control function also organizes the regular and ad hoc tests of the appropriateness and effectiveness of the ICS and reports in this regard to the uppermost governing body and/or the Supervisory Board's Audit Committee.

MTU's internal audit function, which is process-independent, plays an important role in checking the effectiveness of, and improving, the ICS and RMS. It regularly assesses, and on this basis helps to enhance, the controlling and monitoring systems. It is also considered to have an advisory function, contributing to improving business processes and, ultimately, the effectiveness of the ICS. The Group Audit is based on the standards of the German Institute for Internal Audits (DIIR) and the binding elements of the Global Internal Audit Standards (GIAS) of the Institute of Internal Auditors (IIA) in their respective current versions.

As part of its supervisory role, the Audit Committee of the Supervisory Board discusses the risk management in place and the audits by the internal audit function. In accordance with Section 107 (3) of the German Stock Corporation Act (AktG), as amended by the German Accounting Law Modernization Act (BilMoG), it is responsible for monitoring the appropriateness and effectiveness of the RMS, the ICS, the internal auditing systems, the financial reporting process and the audit of the financial statements.

Compliance Management System

The RMS and ICS are complemented by a compliance management system (CMS), which is aligned to the company's risk situation.

MTU's compliance management system is based on the requirements of the IDW AsS 980 assurance standard published by the Institute of Public Auditors in Germany and on the guidance issued by the Organisation for Economic Co-operation and Development (OECD).

As the highest decision-making authority, the CEO bears the responsibility for the company's business ethics and anti-corruption policy. The central functions responsible for ensuring compliance are a Group-wide Compliance Officer and the Compliance Board.

MTU has implemented a number of measures with regard to its organizational structures and processes to minimize these risks and to safeguard compliance. In particular, central functions with managerial authority have been set up to monitor and enforce compliance with laws and regulations in the individual divisions (for instance, the Quality division is responsible for compliance with aviation authority regulations, while the Environmental Protection/Occupational Health and Safety division ensures that environmental protection regulations are adhered to). Above and beyond that, measures have been put in place at the company level to minimize the risks associated with compliance issues.

The corporate culture at MTU is characterized by trust and mutual respect. The observance of legal and ethical rules plays a central role in this respect. They are set out in a Code of Conduct, which has been implemented. This Code of Conduct embodies MTU's corporate culture and reflects its resolve to comply strictly with the relevant laws and internal regulations. It provides all employees with guidance on how to practise business with integrity.

The Compliance Officer submits quarterly reports to the Executive Board and the Supervisory Board's Audit Committee, which in turn reports to the plenary meetings of the Supervisory Board. The Supervisory Board's Audit Committee oversees the Executive Board's compliance activities. The company has established a global whistleblower system that allows employees and external stakeholders to report suspected cases of misconduct confidentially to the Compliance Officer.

MTU strives to continuously develop its compliance system. That includes raising employees' awareness of compliance-related matters.

Description of the principal features of the accounting-related ICS and RMS

The current recommendations of German Accounting Standard (GAS) 20 have been applied in this section of the combined management report concerning the main features of the accounting-related internal control and risk management system.

Objectives and components

MTU's Executive Board and Supervisory Board, particularly the latter's Audit Committee, attach the greatest importance to ensuring the regularity, accuracy and reliability of MTU's financial reporting. The accounting-related internal control and risk management system applicable for the MTU Group's financial statements helps ensure systematic compliance with these internal and external accounting requirements.

- The accounting-related risk management system (RMS) is an integral part of the Group's company-wide risk management system. It forms the basis for the uniform and appropriate handling of risks and for communicating them within the Group and thus supports proper financial reporting at Group level. It forms the basis for the regularity and reliability of Group accounting and therefore for compliance with the statutory regulations relevant to MTU as a capital market-oriented company.
- The accounting-related ICS is an integral part of the Group's company-wide ICS. The design of the accounting-related ICS meets the requirements of the German Accounting Law Modernization Act (BilMoG), the definition provided by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer e.V. – IDW), the internationally recognized and established framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO I), the German Corporate Governance Code (GCGC) and the features specific to MTU. It forms the basis for the regularity and reliability of Group accounting and therefore for compliance with the statutory regulations relevant to MTU as a capital market-oriented company.
- The setting up and maintenance of an accounting-related RMS and ICS observe the cost-effectiveness aspect to protect assets.

Main features

- MTU has a clearly defined management and corporate structure. Key cross-functional accounting functions, including the accounting-related RMS and ICS, are coordinated by the Group Accounting function, which has the authority to issue instructions within its area of competence. At the same time, the subsidiaries have sufficient independence and take responsibility for financial reporting.
- Appropriate guidelines and materials (e.g., accounting policies / financial reporting guidelines / training materials) have been introduced and/or are provided centrally and are regularly updated. The Group Accounting function, comprising the Group Financial Reporting function and Accounting Policies department, is available for questions on accounting and financial reporting.
- The Group Financial Reporting team, which is part of the Group Accounting function, coordinates and leads the preparation of the consolidated financial reports (accounting), on the basis of a centrally defined reporting data from MTU Group companies. The Group Financial Reporting team helps the Group companies implement their reporting system by providing a uniform chart of accounts for the Group, along with reporting forms that reference the chart of accounts and other supporting materials (e.g., quality assurance tools).

- The preparation and quality assurance of the data reported by the MTU Group companies to prepare consolidated Group reporting is carried out in accordance with Group accounting regulations (IFRS), supplemented by the central guidelines and supported by decentralized tools in the finance departments of MTU Group companies.
- As a supplementary control measure, (plausibility) and quality control checks on the data reported by MTU Group companies are carried out by the Group Financial Reporting department and during the aggregation/consolidation process for the consolidated financial statements.
- The employees whose functions are responsible for performing proper accounting are obligated to follow the Group-wide Code of Conduct and the statutory and supplementary regulations (e.g., accounting and financial reporting guidelines).
- The functions involved in the accounting process are suitably equipped, both in quantitative and qualitative terms. In this context, the structure and workflows are reviewed at regular intervals with the support of external consultants where necessary and through discussions with peer group companies.
- The (specialist) qualifications of the employees in the accounting-related functions represent a key driver for the regularity and accuracy of Group accounting. Against this background, the appropriate training and professional development of officers is supported by means of internal and external training measures, specialist information is provided as required, and the effectiveness and appropriateness of the training measures are systematically monitored and improved on a targeted basis.
- Accounting is supported by the enterprise resource planning (ERP) system through structured interfaces between the ERP accounting systems of the Group companies and the central consolidation and Group reporting system. The systems are protected against unauthorized access and tampering by means of appropriate mechanisms. As far as possible, standard software is for financial reporting. The accounting-related IT systems and processes (e.g., IT general controls) undergo regular internal and external reviews based on an extensive concept.
- Risk-mitigating controls are in place for accounting-related processes. Examples are standardized reporting formats, IT and process controls, further compensatory management controls and a rigorous level-of-authority approval concept for integrated quality assurance of book-keeping and financial reporting information. The appropriateness and effectiveness of the established accounting-related ICS are regularly evaluated and improved where necessary by the defined ICS officials. On this basis, the appropriateness and effectiveness of the established ICS are evaluated by the uppermost governing body.
- The accounting process, the consolidated financial statements and the consolidated management report, as well as all material financial reporting information included herein, are subject to the Group auditor's annual audit. The same auditor also reviews the condensed consolidated financial statements and interim Group management report in the half-year financial report. As a supplementary measure, an external audit or review of the data reported and/or separate financial reporting information is carried out at the level of accounting-relevant MTU Group companies.
- The preparation and review of non-financial and/or sustainability reporting, in the form of a sustainability statement in the consolidated management report, are performed in accordance with the statutory reporting regulations relevant in this regard, supplemented and operationalized in a decentralized manner by guidelines in the responsible departments of MTU Group companies and coordinated by the Group Sustainability Management & Reporting function. This Group function aggregates/consolidates the reporting data compiled in a decentralized manner and carries out compensatory (plausibility) checks for the purpose of quality assurance measures. The non-financial reporting processes, including the corresponding RMS and ICS, are coordinated and supported by the Group function and, on behalf of the Executive Board, are monitored and advised by an interdisciplinary Corporate Sustainability Board.
- Regulated non-financial reporting (NFRD: Non-Financial Reporting Directive and CSRD: Corporate Sustainability Reporting Directive) as well as all material financial statement information included are subject to review by the auditor of the consolidated financial statements in accordance with the respective audit engagement.

Accounting

MTU prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRSs). The Executive Board is responsible for the financial statements and reports. Financial reporting comprises, in particular, the consolidated financial statements and the Group management report (including the Sustainability Statement). In addition, the financial reporting and the audit include sustainability reporting, together with the audit thereof. The annual financial statements of MTU Aero Engines AG are compiled in accordance with the provisions of the German Commercial Code (HGB). An internal control system, coupled with the application of uniform accounting policies, should ensure that the results of operations, financial position, net assets and cash flows of all Group companies are accurately presented. In addition, MTU has a differentiated system in place to identify and monitor business and financial risks.

Risk management and control system

The aim of the Executive Board is to ensure that the company has an appropriate and effective risk management and control system. To this end, the Group's risk and opportunity situation and how it is determined are evaluated at an Executive Board meeting at least once a quarter; moreover, every six months, the status of the internal control system is discussed and an overall assessment of its appropriateness and effectiveness is made. Based on this, the Executive Board has not found any indication that either the overall entire risk management system or the overall internal control system might not be appropriate or effective.[1] MTU takes findings and suggestions for optimization resulting from audits by the Internal Group Audit function and external audits as an opportunity to make continuous improvements to the risk management system and internal control system. The systems are described in the section headed Internal control and risk management system.

[1] The statement regarding appropriateness and effectiveness in accordance with recommendation A5 of the German Corporate Governance Code has not been audited.

Group Sustainability Statement[1]

General information (ESRS 2)

Basis for preparation (BP)

General basis (BP-1)

This combined sustainability statement has been prepared on a consolidated basis for the MTU Group ("MTU") in full compliance with the European Sustainability Reporting Standards (ESRS). It also fulfills the requirements of the nonfinancial reporting obligations pursuant to Sections 289b et seq. and 315b to 315c of the German Commercial Code (HGB) (combined nonfinancial statement). For information on the implementation of the requirements for the parent company's nonfinancial reporting obligations pursuant to commercial law, see *Disclosures stemming from other legislation or generally accepted sustainability reporting pronouncements*.

MTU's sustainability statement for fiscal year 2025 covers the period from January 1, 2025, to December 31, 2025. The consolidated group is identical to the consolidated group in the consolidated financial statements and thus includes the companies listed below. For further information on the consolidated group, please refer to *Consolidated group in chapter I. Accounting principles and policies in MTU's consolidated financial statements*.

- MTU Aero Engines AG incl. MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH
- MTU Aero Engines (Shanghai) Ltd.
- MTU Aero Engines North America Inc. incl. MS Engine Leasing LLC.
- MTU Aero Engines Polska sp. z o.o.
- MTU Investment Holding GmbH (in formation) incl. 3D.aero GmbH und eMoSys GmbH
- MTU Maintenance Berlin-Brandenburg GmbH
- MTU Maintenance Canada Ltd.
- MTU Maintenance Fort Worth Inc.
- MTU Maintenance do Brasil Ltda.
- MTU Maintenance Hannover GmbH
- MTU Maintenance Lease Services B.V. incl. MTU Aero Engines Finance Netherlands B.V.
- MTU Maintenance Serbia d.o.o.
- MTU Maintenance Australia Pty. Ltd.
- MTU Maintenance Service Center Ayutthaya Ltd.
- MTU Maintenance Singapore Pte. Ltd.

[1] The Group Sustainability Statement section was not audited as part of the audit, but it was the subject of a separate limited assurance engagement. A separate auditor's report was issued in relation to its audit.

In the reporting period, no subsidiary undertakings included in the consolidation are exempt from individual or consolidated sustainability reporting under Articles 19a(9) or 29a(8) of Directive 2013/34/EU.

This sustainability statement covers not only MTU's own operations but also its upstream and downstream value chain. The double materiality assessment (DMA) of impacts, risks, and opportunities has been carried out for the entire upstream and downstream value chain. The policies, actions, and targets relating to material impacts, risks, and opportunities cover the entire value chain, unless otherwise stated in the topic-specific sections of the report. Where estimation methods are used for metrics due to incomplete data on the upstream and/or downstream value chain, these are explained in the following section *Specific circumstances (BP-2)*. MTU also made use of the transitional provisions in accordance with ESRS 1 Section 10.2 paragraphs 132 and 133. In preparing its reporting in accordance with ESRS, MTU faces the challenge of collecting comprehensive data on its upstream and downstream value chains, even though not all the necessary information is currently available. The main reasons for this are the complexity of global value chains, the differing degrees of data availability among MTU's partners, and technical challenges in integrating data systems. These factors made it difficult to collect all the information for the entire upstream and downstream value chain for the reporting year. The steps MTU took in the reporting year to deal with these challenges included making changes to its sustainability management in order to improve the interdisciplinary exchange of information between divisions as well as to make the collection and analysis of sustainability data more effective. In addition, agreements with service providers were continued to identify existing data gaps and to develop strategies for closing them.

More detailed information on MTU's value chain can be found under *Strategy, business model and value chain (SBM-1)*.

In *Product quality and flight safety* and *Foreign trade,* MTU utilized the option under ESRS 1 Section 7.7 to omit information on targets for reasons of confidentiality. Information on substantial operating expenditure (OpEx) and capital expenditure (CapEx) in relation to individual actions was also omitted for reasons of confidentiality. The option of exemption from disclosure of impending developments or matters in the course of negotiation, as provided for in articles 19a(3) and 29a(3) of Directive 2013/34/EU, and the option to omit detrimental information (Section 289e HGB) have not been used.

Specific circumstances (BP-2)

Time horizons

MTU deviates from the time horizons specified by ESRS and has defined the following short-, medium-, and long-term time horizons in accordance with the existing MTU-specific periods of operational and strategic planning:

- forecast: short-term / below 1 year,
- operational planning: medium-term / from 1 to 3 years, and
- strategic planning: long-term / from 4 to 15 years.

The time horizons for operational and strategic planning were adjusted in the 2025 fiscal year (see *Risk and opportunity report in the combined management report*). At the time of the double materiality assessment for the fiscal year, the previously defined time horizons mentioned above were still used.

Value chain estimation

For metrics related to data points from other EU legislation, consideration of value chain information is mandatory, despite the ESRS transitional provision. For the calculation of the Scope 3 greenhouse gas (GHG) emission metric, value chain estimations have been used. More information on the estimation approach and the respective level of accuracy can be found in the table below and in the respective topic section. MTU is endeavoring to improve value chain data quality in the future. However, no detailed action plan in this regard can be published at this time.

ESRS		Metric	Description
E1	E1-6 44(c) E1-6 51 E1-6 AR 46(g), 46(j)	Scope 3 GHG emissions	To calculate Scope 3 GHG emissions, value chain estimations were made using indirect sources. Where possible, MTU uses activity data and industry average estimations from emission factor databases in its GHG accounting. Further information on the estimation of GHG emissions can be found in the respective minimum disclosure requirements for the use of estimations and outcome uncertainties (see *Gross Scope 1, 2, 3 and Total GHG emissions (E1-6)*).

Outcome uncertainty and external validation

Forward-looking data and information contained in this sustainability statement are generally subject to a certain degree of uncertainty. In addition, the metrics reported in this statement have not been validated by any additional external body, unless otherwise stated in the annex to this sustainability statement under *MDR-M disclosures*.

Changes in the preparation or presentation of sustainability information

If sustainability information from a previous reporting period needs to be adjusted due to changes in its preparation or presentation, this is presented in the corresponding section of the sustainability statement, with explanations both of the changes made and of the reasons for them.

In the event of changes in the preparation and presentation of sustainability information, comparable information is provided for the previous reporting period, as long as the necessary data is available.

Incorporation by reference

In accordance with ESRS 1 Section 9.1 ("Incorporation by reference"), MTU has utilized the option to report on certain disclosure requirements by referencing other documents. The following table outlines all ESRS disclosure requirements that have been partially or fully incorporated by reference.

ESRS Disclosure Requirement	Reference Section and page	Sustainability statement Section and page
ESRS 2 GOV-3-29	*Management compensation report in the Annual Report*, p. 23	*Integration of sustainability-related performance in incentive schemes (GOV-3)*, p. 113
ESRS 2 SBM-1-40 (ai)-(aii)	*The MTU company in the combined management report*, p. 50	*Strategy, business model and value chain (SBM-1)*, p. 114
ESRS E1-13	*Management compensation report in the Annual Report*, p. 33	*Climate change (E1)*, p. 143

References to further information outside the (Group) sustainability statement are not part of ESRS reporting and are marked accordingly (*).

Disclosures stemming from other legislation or generally accepted sustainability reporting pronouncements

Disclosures based on the German Commercial Code (HGB)

This sustainability statement for MTU, which has been prepared in accordance with ESRS, also fulfills the requirements for the nonfinancial (Group) statement and thus represents the combined nonfinancial statement for the MTU Group and MTU Aero Engines AG.

In fulfillment of its reporting obligations under commercial law, MTU declares:

- The full use of ESRS as a framework in accordance with Section 315c(3) HGB in conjunction with Section 289d HGB is based on the importance of ESRS as the European sustainability reporting standard adopted by the European Commission.
- The double materiality assessment carried out by MTU covering the sustainability matters to be taken into account in accordance with ESRS 1 AR16 also addresses the five matters specified in HGB. It should be noted in this context that the sustainability matters pursuant to ESRS are not fully congruent and cannot be assigned to the matters pursuant to HGB. A reconciliation guide is provided below: "Environmental matters" are addressed by ESRS E1 to E5; "Employee matters" are addressed by ESRS S1 and S2; "Respect for human rights" is addressed at various points in the ESRS social standards (in particular by the information on human rights policy concepts in ESRS S1 and S2); "Corruption and bribery" is addressed by the subtopic "Corruption and bribery" in ESRS G1. "Social matters" are addressed by the (sub)topics of ESRS S3

and S4. As described under *Description of the process to identify and assess material impacts, risks and opportunities (IRO-1)* and *Disclosure requirements in ESRS covered by the undertaking's sustainability statements (IRO-2)* for the double materiality assessment, no relevant topics were identified for the "Social matters" aspect. There are no material risks arising from MTU's own operations, business relationships, products, or services that are highly likely to have severe negative impacts on nonfinancial matters pursuant to Section 289c HGB.

- MTU's nonfinancial performance indicators are presented in the *Key performance indicators section under "The MTU Group" in the combined management report*. These include the metrics "Training days per employee" (short-term incentive – STI), "Women in management positions" (long-term incentive – LTI), "CO_2 abatement through sustainable actions" (STI), and "Remaining CO_2 emissions" (LTI).

The following is provided as supplementary information to the MTU Aero Engines AG nonfinancial statement pursuant to Section 289b HGB:

- MTU has not used a framework for the nonfinancial statement relating to MTU Aero Engines AG pursuant to Section 289b HGB because MTU Aero Engines AG believes that only an ESRS sustainability statement for the MTU Group is relevant for its stakeholders.
- MTU Aero Engines AG is the MTU Group's parent undertaking and is responsible for all business decisions. With regard to the content of the nonfinancial statement for MTU Aero Engines AG pursuant to Section 289b HGB, reference can therefore be made to the sustainability statement for the Group, which also fulfills the requirements for the combined nonfinancial statement prepared in accordance with Sections 289b et seq. and 315b to 315c HGB.

Disclosures based on the EU Taxonomy Regulation

With this sustainability statement, the MTU Group is also complying with the requirements of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter referred to as the EU Taxonomy Regulation) (see *Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation)*).

Governance

The role of the administrative, management and supervisory bodies (GOV-1)

The Executive Board is responsible for managing and monitoring MTU's impacts, risks, and opportunities, taking into account that social and environmental factors influence the company's success and that MTU's activities impact both people and the environment. It is responsible for implementing the sustainability strategy and targets as well as for monitoring sustainability efforts implemented in the MTU Group and organizational structures via the Corporate Sustainability (CS) management system (see illustration).

The CEO takes on the role of Chief Sustainability Officer (CSO). Supported by the advice of the Corporate Sustainability Board (CS Board), the CSO is responsible for defining the company's positioning and its sustainability strategy and objectives. This includes evaluating sustainability matters and adapting the company's strategy and business model. In this way, sustainability is integrated into MTU's corporate decision-making processes. The CEO/CSO is responsible for all product development on the Executive Board. This also includes the technology roadmap and the development of innovative and more sustainable propulsion concepts. The CFO is responsible for corporate reporting, including the sustainability statement. The above responsibilities at management level are set out in the rules of procedure of the Executive Board, the allocation of responsibilities, and, for the operational level, in MTU's sustainability reporting governance.

The Executive Board brings together sector and product-specific as well as international experience. The members have expertise in the core areas of MTU's business activities, including the development and production of new propulsion technologies and the development of new markets. The range of expertise of the Executive Board reflects the company's geographical diversification. The Executive Board also has the experience as well as access to experts and information required to monitor MTU's material sustainability matters. All members of the Executive Board are also managing directors. At the end of the reporting period, MTU's Executive Board consisted of two female and two male members. In the 2025 fiscal year, the average ratio of female to male Executive Board members was 67% (2024: 33%).

In accordance with statutory provisions, the Supervisory Board is responsible for monitoring corporate reporting, including the sustainability statement. In doing so, it incorporates sustainability matters into its monitoring and advisory functions. The Board's tasks include overseeing the implementation of the sustainability strategy, target setting, and performance management. The Supervisory Board and its Audit Committee are responsible for reviewing the sustainability statement in the management report and for monitoring the accounting process. The Audit Committee makes recommendations to ensure the integrity of the accounting process, including with regard to sustainability reporting. The responsibilities of the Supervisory Board and its Audit Committee are set out in the rules of procedure for the Supervisory Board. At the end of the reporting period, the Supervisory Board consisted of four female and eight male members. In the 2025 fiscal year, the average ratio of female to male Supervisory Board members was 57% (2024: 71%). In accordance with the requirements of Germany's two-tier board system, employees are represented by workers' representatives on the Supervisory Board, which is subject to equal codetermination. MTU's Supervisory Board has carefully considered the recommendations of the German Corporate Governance Code (GCGC) on the independence of the members representing shareholders. With reference to its composition in fiscal year 2025, the Supervisory Board considers all its members to be independent.

MTU's Supervisory Board should be composed in such a way that, as a whole, it covers a broad range of expertise that enables it to effectively advise and monitor the Executive Board with regard to all business activities—including sectors, products, geographical locations, strategic orientation, and the response to social and technological developments. The essential components of this competency spectrum are outlined in the Supervisory Board's profile of skills and expertise. The Supervisory Board has expertise in areas such as the aviation industry, supply chain & operations, risk management & compliance, marketing & sales, and international experience in relation to relevant end markets, future technologies / digitalization & IT, and sustainability. When exercising its appointment powers, the Supervisory Board also takes sustainability-related experience, skills, and qualifications into account.

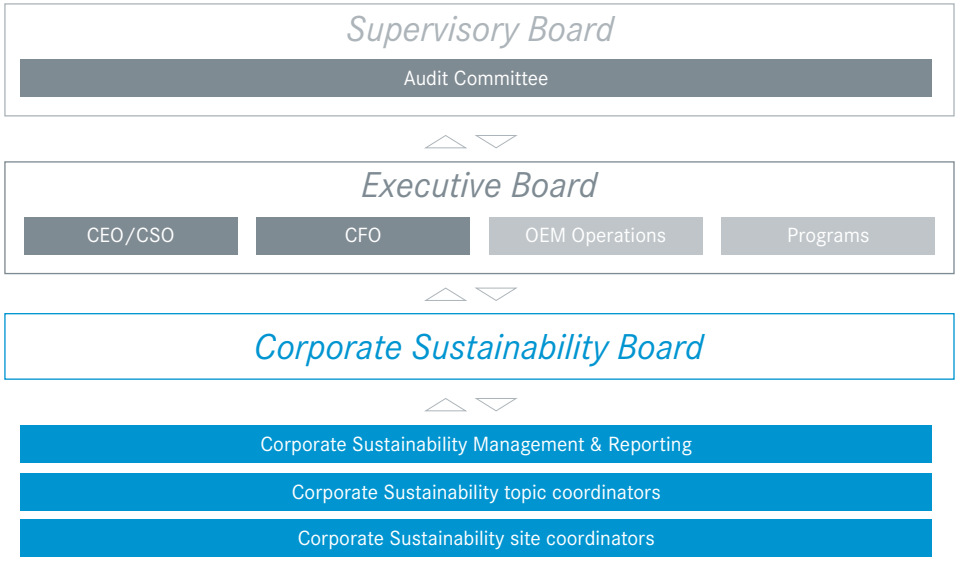
The Executive and Supervisory Boards of MTU received training on the regulatory requirements of CSRD and ESRS for sustainability reporting and on related environmental, social, and governance (ESG) topics and sustainability matters they contain. As part of this, the Boards also addressed MTU's material impacts, risks, and opportunities. If necessary, internal or external experts are involved in preparations for decision-making.

Further information on the composition of the Executive and Supervisory Boards and the experience of Board members in relation to the company's sectors, products, and geographical locations can be found in the *section of the combined management report headed Corporate governance statement* and in the Board member résumés available on the MTU website.

The CS Board is tasked by the Executive Board and the CSO with the operational implementation of sustainability management, with the CS Board acting as an advisory and (preparatory) decision-making body. It consists of members of the first management level below the Executive Board who hold corporate functions relevant to sustainability. These include purchasing & logistics, corporate quality & environmental sustainability, corporate strategy, human resources, corporate communications & public affairs, legal, finance, and development & technology. The CS Board is responsible for driving sustainability forward at MTU, controlling CS activities on behalf of the CSO, and adopting CS actions and initiatives. The CS Board supervises sustainability-related policies, targets, action plans, and dedicated resources. It also oversees sustainability reporting and hence the preparation of the annual sustainability statement. The CS Board reports directly to the CSO and regularly to the entire Executive Board as well as the Supervisory Board and its Audit Committee.

With regard to the annual update of MTU's double materiality assessment, the CS Board is regularly informed of the results of the individual process steps. The CS Board discusses the results of the double materiality assessment together with the Executive Board, including the determination of the threshold value and the resulting material impacts, risks, and opportunities. The Supervisory Board and its Audit Committee are also informed about the results of the double materiality assessment, the material impacts, risks, and opportunities, and the planned content of the sustainability reporting.

MTU organization regarding sustainability matters



Information provided to and sustainability matters addressed by the undertaking's administrative, management, and supervisory bodies (GOV-2)

Within the MTU organizational structure, overarching sustainability goals are defined by the Executive Board and the CSO. The CS Board provides suitable mechanisms for measuring outcomes and implements these through an interdisciplinary team of topic coordinators and site coordinators.

The CS Board meets at least every two months and invites representatives from specialist departments and other operational functions as required. It reports quarterly to the Executive Board and/or CSO and the Supervisory Board on material impacts, risks, and opportunities, the implementation of due diligence, and the effectiveness and outcomes of the agreed policies, actions, and targets. Information on the results of the double materiality assessment, the content of the sustainability statement, and the progress made on actions and targets are part of the agenda for the annual meetings of the Audit Committee and the Supervisory Board. Monitoring of the sustainability statement is embedded in the annual meeting agenda of the Audit Committee and is an integral part of the Supervisory Board's annual meeting to discuss the financial statements.

The concept of sustainability is a central component of MTU's strategy and business model, as explained in more detail in the *Strategy, business model and value chain (SBM-1)* section. Sustainability is reflected in the respective strategic priorities, including MTU's Clean Air Engine (Claire) technology agenda. The Executive Board and the CSO function are responsible for the assessment of and changes to sustainability-related aspects of MTU's strategy and business model, taking into account material impacts, risks, and opportunities. MTU's overarching sustainability goals are systematically integrated into operational objectives at the department and site level. This ensures that relevant sustainability matters are included in decision-making processes. In addition, MTU continuously reviews the extent to which it can embed sustainability even more firmly in decision-making processes, including possible medium-term adjustments to corporate regulations.

In the reporting period, all material impacts, risks, and opportunities (see *List of material impacts, risks, and opportunities in the annex to the sustainability statement*) identified in MTU's double materiality assessment were addressed by the CS Board and discussed with the Executive Board, the Supervisory Board, and its Audit Committee.

Integration of sustainability-related performance in incentive schemes (GOV-3)

The compensation and incentive schemes for members of the Executive Board are linked to sustainability matters. The performance evaluation includes specific sustainability-related targets. Performance metrics are utilized as benchmarks and are included in the management compensation system. On January 1, 2025, MTU Aero Engines AG introduced a new compensation system for its senior management that is based on the compensation system for the Executive Board. When designing the short-term and long-term incentives, sustainability matters are taken into account as separate components. The defined ESG goals and the set target values apply both to the members of the Executive Board and to senior management. Climate-related considerations and greenhouse gas (GHG) emission reduction targets are also taken into account in the compensation of Executive Board members. The compensation of Supervisory Board members does not include any share-based or sustainability-related compensation components. The disclosures on the specific sustainability-related incentive systems and the sustainability-related compensation policy as well as the inclusion of climate-related factors in the Executive Board's performance plans and the variable compensation components dependent on these targets (ESRS 2 GOV-3-29 and ESRS E1-13) are included in the *Management compensation report section of the Annual Report* and are also an integral part of this (Group) sustainability statement.

Statement on due diligence (GOV-4)

The following overview explains how and where the application of the main aspects and steps of the corporate due diligence process are reflected in the sustainability statement: The outcome of core elements of MTU's sustainability due diligence process already informs its assessment of impacts, risks, and opportunities and will continue to do so in the future.

Core elements of due diligence	ESRS disclosure	Reference (page number) sustainability statement
Embedding due diligence in governance, strategy, and business model	• ESRS 2 GOV-2: Information provided to and sustainability matters addressed by the undertaking's administrative, management, and supervisory bodies	112
	• ESRS 2 GOV-3: Integration of sustainability-related performance in incentive schemes	113
	• ESRS 2 SBM-3: Material impacts, risks, and opportunities and their interaction with strategy and business model; and topical ESRS that consider the interaction between business prospects and material sustainability matters	120, 150, 172, 194
Engaging with affected stakeholders in all key steps of the due diligence	• ESRS 2 GOV-2: Information provided to and sustainability matters addressed by the undertaking's administrative, management, and supervisory bodies	112
	• ESRS 2 SBM-2: Interests and views of stakeholders; topical ESRS: reflecting the different stages and purposes of stakeholder engagement throughout the due diligence process	116
	• ESRS 2 IRO-1: Description of the process to identify and assess material impacts, risks, and opportunities	124
	• ESRS 2 MDR-P: Minimum disclosure requirements for policies in topical disclosures	151, 167, 173, 195, 203, 206, 211
Identifying and assessing negative impacts	• ESRS 2 IRO-1: Description of the process to identify and assess material impacts, risks, and opportunities, including application requirements related to specific sustainability matters in the relevant ESRS	124
	• ESRS 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model	120, 150, 172, 194
Taking action to address those negative impacts	• ESRS 2 MDR-A in topical ESRS regarding actions taken and planned, including transition plans to address the impacts	154, 168, 181, 199, 204, 212
Tracking and communicating the effectiveness of these efforts	• ESRS 2 MDR-M in topical ESRS regarding metrics	225
	• ESRS 2 MDR-T in topical ESRS regarding targets	157, 170, 187, 202, 205, 210, 213

Risk management and internal controls over sustainability reporting (GOV-5)

At MTU, sustainability risks are taken into account in the Group-wide risk management system (RMS). The RMS is based on international (e.g. COSO) and national frameworks (e.g. the IDW auditing standards). Detailed information on sustainability-related risks in the context of the double materiality assessment and their integration into the RMS (including mitigation strategies) are discussed under *Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)* in the sustainability statement. Sustainability-related risks and opportunities are identified, assessed on a quarterly basis, and reviewed by the CS Board. Sustainability risks are also assessed according to the extent of their financial magnitude and their likelihood of occurrence; this is done taking the gross risk into account. Operational risk management is carried out at the level of the individual divisions and subsidiaries. These units are responsible for identifying, assessing, controlling, and monitoring their risks and documenting them in a central risk management tool. Risk reports are prepared in parallel with the quarterly financial statements and any risks that arise during the year are reported immediately. Risks are assigned to categories based on the potential deviation from EBIT or cash flow and multiplied by the four types of likelihood of loss occurrence. Material sustainability risks reviewed by the CS Board are reported to the Risk Board, and as such are included in regular risk management reporting to the Executive Board, the Supervisory Board, and the Audit Committee. The Executive Board, the Supervisory Board, and the Audit Committee are informed about sustainability risks as part of the quarterly risk reporting. The material sustainability risks from the materiality assessment are transferred to Corporate Risk Management for the risk surveys that take place as part of operational planning and are then reported separately to the Executive Board, the Supervisory Board, and the Audit Committee during the year.

The internal control system (ICS) for financial reporting is designed to guarantee reliable financial reporting and preparation of the financial statements. Internal controls over sustainability reporting (ICSR) serve to ensure the reliability and integrity of the disclosures in the sustainability statement and are intended to minimize the risk of incorrect data collection or presentation in the reporting. To date, MTU's ICSR has covered selected sustainability-related metrics, in particular the sustainability-related metrics underlying Executive Board compensation. Generally, the following basic ICSR elements are used for the sustainability reporting metrics:

A data management software is used to collect data and to calculate metrics reported in the sustainability statement. Information and data from MTU sites are to be reported by local data collectors and validated on-site. For most datapoints, a review is automatically carried out to ensure that the values are consistent with those of the previous year. Significant deviations require further confirmation and documentation in the data management software. Consolidated data is also validated at the Group level. The processes of data collection, metric definition, and metric calculation are reviewed annually by the responsible departments. As a standard principle, all data inputs in the data collection process for sustainability metrics require documented evidence.

Further information on the RMS and ICS, including scope, main features, and components as well as a description of the regular reporting to the governance bodies is available under *Main features of the internal control and risk management system in the combined management report*.

Strategy

Strategy, business model and value chain (SBM-1)

MTU's portfolio covers the entire lifecycle of commercial and military aircraft engines and aero-derivative industrial gas turbines. The company's activities range from development, manufacturing, and marketing to maintenance. MTU has technological expertise in low-pressure turbines (LPTs), high-pressure compressors (HPCs), and turbine center frames (TCFs), and in repair techniques and manufacturing processes. Through risk- and revenue-sharing partnerships, it is involved in important national and international engine programs, including with GE Aerospace and Pratt & Whitney. In the military sector, it has been the industrial lead company for the German Armed Forces for decades.

MTU operates in two segments: the OEM business (Original Equipment Manufacturing) and MRO business (Maintenance, Repair, and Overhaul). The OEM segment covers new commercial engines, including spare parts, and the whole of the military sector. The MRO segment comprises all commercial maintenance activities.

Further information on MTU's corporate strategy, significant groups of products and services offered, as well as significant markets and customer groups served can be found in the chapter *The MTU Group within the combined management report*.

In 2021, MTU launched its Sustainability Program 2025+, which is divided into the following six areas of action: corporate governance, product, procurement, production and maintenance as well as employees and society. The Sustainability Program 2025+ strategy addresses upcoming challenges, critical solutions, and projects to be implemented that relate to material sustainability matters. It is embedded throughout the company and aims to create long-term value. In the reporting year, MTU launched a project to further develop its sustainability strategy up to 2030, which will be presented in 2026. Innovation plays an important role in the company; for example, the Claire technology agenda aims to realize the vision of climate-neutral flight. MTU's climate targets are aligned with the European Green Deal, which is based on the Paris Agreement and aims to achieve climate neutrality by 2050 in order to limit global warming to 1.5°C.

The company has defined sustainability goals that cover its product and service groups, customer categories, geographical areas, and relationships with stakeholders. The aim is to achieve the following objectives: comprehensive sustainability management, further development of a culture of compliance, the implementation of a Group-wide climate strategy, top priority for product quality and flight safety, human and employee rights as central components of MTU's business relationships, a resource- and environment-friendly value chain, continuous improvement of resource efficiency, active and targeted employee development at all hierarchy levels, a responsible role in society, and development of research collaborations for joint knowledge building. In its product business, MTU is working to reduce emissions by developing more efficient technologies and optimizing existing products, for example. MTU seeks partnerships with customers from the aviation industry that are based on shared sustainability principles and focuses on promoting sustainable innovations. Relationships with stakeholders are strengthened by transparent communication and collaborative initiatives to promote dialogue about sustainability. More information on this can be found under *Interests and views of stakeholders (SBM-2)*.

The elements of MTU's corporate strategy relating to sustainability matters include a large number of initiatives and projects targeting current and future challenges. Key challenges include adapting to rapidly changing regulatory requirements, technological change in the aviation industry, and the need to further integrate sustainable business practices—which MTU is responding to by, for example, developing new generations of engines and implementing circular economy principles. For a detailed description of the relevant solutions or projects, please refer to the topic-specific reporting sections of the sustainability statement.

The following table shows the geographical distribution of MTU employees:

MTU workforce by number of employees and region

	Headcount	
Region	**2025**	2024
Germany	9,672	9,241
Europe excluding Germany	1,925	1,733
Americas	1,042	954
Asia-Pacific	31	25

MTU's position in the value chain encompasses research and development, component production, module assembly, quality control and testing, sales and marketing, and maintenance. Key players in the value chain include mines and smelters (raw materials), suppliers of engine parts (intermediate products), customers (engine OEMs, airlines), airframe manufacturers, and end-users (passengers).

MTU's sales channels vary depending on the business segment. In the OEM business, MTU uses its strategic partnerships and joint ventures with other companies in the aviation industry, such as Pratt & Whitney and GE Aerospace. These partnerships enable MTU to jointly develop and market engines and components. In the MRO business, MTU operates maintenance centers around the world, including locations in Europe, Asia, and North America. MTU collaborates directly with airlines on its maintenance services.

The following table provides a schematic representation of MTU's value chain.

MTU value chain

Upstream value chain		MTU's own operations	Downstream value chain		
Raw materials (indirect suppliers)	Intermediate products (direct suppliers)	Manufacturing and maintenance	Processing by engine OEMs and cell manufacturers	Use phase (airlines)	End of life

Specialized technology partners are among the most important business partners in MTU's value chain, both on the supplier and customer side. In the aftermarket business, MTU benefits from a strong engine portfolio. The company ensures continual dialogue on the latest findings in aircraft engine research via a global network of universities, research institutes, and companies. To maintain its technological expertise, it is essential for MTU to have an ongoing presence in research and to develop propulsion technologies designed to reduce emissions. MTU follows a comprehensive approach to gathering, developing, and securing its value chain inputs. The company endeavors to maintain its leading market position by reliably sourcing high-quality materials, investing in research and development, protecting intellectual property, and promoting a skilled workforce. MTU creates outputs in several ways to provide current and expected benefits for customers, investors, and other stakeholders. New engine designs or components can result in higher efficiency, lower fuel consumption, and lower emissions for customers. These developments improve aircraft operation and reduce operating costs, which also benefits society and the environment. MTU supports its customers with individual engine-related services aimed at optimizing costs for customers over the engine's useful life and extending maintenance cycles. This leads to fewer shop visits and shorter downtimes for the customers during engine removal and installation on the aircraft. The focus here is on achieving sustainable profitability and generating shareholder value. These outputs enable MTU to win and retain customers and secure ongoing capital for future investments.

Interests and views of stakeholders (SBM-2)

MTU engages in continuous dialogue with its key stakeholders, focusing on staying involved through knowledge sharing, networks, and collaboration. This develops an understanding of the needs and expectations of stakeholders, which MTU can incorporate into its strategy and objectives. This exchange makes it possible to find common interests and strengthen innovation and competitiveness. Dialogue with partners in order to work together on future-oriented solutions for more sustainable aviation is a fundamental part of this process. Stakeholder engagement is characterized by continuous and open dialogue that addresses the company's activities and their impact on the environment and society. The results of this are primarily incorporated into the double materiality process (see *Description of the process to identify and assess material impacts, risks and opportunities (IRO-1)*). The Executive Board, Corporate Sustainability Board, and Supervisory Board are involved in this process. The Boards are also informed of the feedback and views of stakeholders.

MTU takes a cross-media approach to its sustainability communication, using various channels and platforms to regularly communicate with stakeholders. The choice of format and frequency depends on the communication and information requirements or the respective platform. Stakeholder dialogue allows the company to include relevant interests and take feedback into account. It is also an opportunity for direct exchange with company representatives, particularly for local residents, those in the immediate vicinity, and other stakeholder groups that could be affected by potential impacts of the company's business activities. MTU analyzes specific stakeholder groups to identify those whose interests are directly or indirectly affected by its activities. This stakeholder engagement gives the Group a comprehensive understanding of key stakeholders' interests and perspectives concerning MTU's strategy and business model. Their views are reflected in the double materiality assessment (see *Description of the process to identify and assess material impacts, risks and opportunities (IRO-1)*). MTU recognizes the diverse interests of its key stakeholders and integrates these into its strategic framework.

The company has identified several stakeholder groups and utilizes various forms of engagement with each group. In general, MTU's key stakeholders can be clustered into two groups: affected stakeholders and users of the sustainability statement. Affected stakeholders are individuals or groups whose interests are affected or could be affected—positively or negatively—by MTU's activities and its direct and indirect business relationships across its value chain. Affected stakeholders include, for example, workers in the upstream value chain and nature as a silent stakeholder. Users of MTU's sustainability statements are primary users of general financial reporting (existing and potential investors, lenders, capital markets, associations and organizations, policymakers and authorities, scientists and researchers, as well as the media). In addition, a large number of affected stakeholders are also users of the sustainability statement, such as business partners and customers, analysts and rating agencies, trade unions and social partners, employees, suppliers, and regional stakeholders. The following table contains an overview of MTU's most important stakeholders, the type of stakeholder engagement, the stakeholder interests recorded, and actions taken in response to their interests.

Overview of key stakeholder groups

Stakeholder groups	Type	Type of stakeholder engagement	Stakeholder interests	MTU's actions regarding stakeholder interests
Own workforce	Affected stakeholder group / Users of the sustainability statement	Employee surveys, internal media Information and dialogue events, employee interviews	A supportive and dynamic work environment, training and development, job security, adequate remuneration, and a positive, inclusive corporate culture	Promotion of diversity and equal opportunities, flexibility and employee development programs, attractive remuneration systems, work-life balance options
Business partners and customers	Affected stakeholder group / Users of the sustainability statement	Customer visits and discussions, audits, trade fairs, media	Safe, high-quality, efficient, and innovative engine solutions, success, cost efficiency, and sustainability of products and services	Continuous adaptation of the products and services, focus on safe and advanced technologies and more sustainable processes
Suppliers	Affected stakeholder group / Users of the sustainability statement	Supplier portal, quality audits, surveys, joint events	Close cooperation with MTU, transparency, fair business practices, and opportunities for long-term partnerships	Regular dialogue on mutual benefit to ensure a reliable supply chain
Workers in the upstream value chain	Affected stakeholder group	Use of findings from the International Aerospace Environmental Group (IAEG) Sustainability Assessment Program	Fair working conditions, protection of human rights, job security, development opportunities, co-determination	Performance of a risk analysis in relation to human rights due diligence in the upstream value chain and appropriate response (if necessary)
Capital market participants	Users of the sustainability statement	Annual General Meeting, conferences and roadshows, investor meetings, trade fairs, ratings	Financial performance, profitability, and long-term growth of the company, innovation and competitiveness, continuous returns	Implementation of a strategy for sustainable growth in line with investor expectations
Associations and organizations	Users of the sustainability statement	Memberships in initiatives and associations, participation in events and working groups, cooperation with NGOs	Appropriate representation of the interests of association and organization members, pursuit of the organization's purpose, promotion of industry standards and guidelines, dialogue on consultations	Dialogue and participation in industry initiatives (e.g. working groups), support in the development of industry guidelines, involvement in consultations, providing user feedback on regulations
Politics, public agencies	Users of the sustainability statement	Provision of information for policymakers in the form of events, political dialogue (e.g. during site visits)	Promotion of economic growth, job creation, compliance with environmental and safety standards, safeguarding of privileged customs procedures and export control approvals, ensuring legally compliant processing in the supply chain	Dialogue with policymakers on the development of economic and environmental topics
Science and research	Users of the sustainability statement	Visits by university groups, talks and discussions at universities, work in MTU competence centers, joint research projects, trade fairs	Promotion and financial support of research and development, cooperation between science and industry	Cooperation with universities and research institutions, support for research projects, participation in specialist trade fairs and conferences, support of up-and-coming talent
The media	Users of the sustainability statement	Press releases, press meetings and conferences, answering press inquiries, internet, social media, trade fairs	Current and comprehensive information on the Group, transparency, reporting on business developments	Regular provision of press releases, interviews, and background information, active presence in the media, answering of inquiries, press mailing list, press contacts (website)
Regional stakeholders	Affected stakeholder group / Users of the sustainability statement	Societal collaborations, social media, internet, stakeholder surveys, neighborhood dialogue, consultations (e.g. on construction projects and test stand use), information in accordance with the German Hazardous Incident Ordinance	Information needs regarding MTU's impact on the environment, regarding initiatives for social responsibility, and regarding the promotion of the regional economy	Regular dialogue with regional interest groups, reporting on environmental and sustainability measures, promotion of local economic projects, regional dialogue opportunities, information in community media

Description of the interests and views of stakeholders related to S1 – Own workforce

MTU's own workforce are affected stakeholders, as they can be significantly influenced by MTU's activities and, pursuant to ESRS, include both employees (hereinafter also referred to as "MTU employees") and non-employees. The interests, opinions, and rights of the workforce play an important role in MTU's business model and strategy. They are actively incorporated in operational planning through regular dialogue formats such as employee surveys and internal media information. As part of the annual double materiality assessment, MTU evaluates, with the involvement of stakeholders and their representatives, whether its corporate strategy and business model have material impacts on its workforce. With regard to employees, this means regularly analyzing how strategic decisions and the business model affect employees' working conditions and well-being. By taking this into account in strategic and operational planning, adjustments and actions can be included in order to address material impacts. MTU also pays explicit attention to respecting human rights within the organization and aligns its corporate practices accordingly.

MTU relies on a corporate culture that is open to change, strengthens employees' decision-making powers ("empowerment"), and promotes entrepreneurial thinking and a digital mindset. Innovative strength and long-term success are based on a willingness to change and on cooperation characterized by trust and reliability.

In the coming years, MTU's strategic roadmap for employee development will focus on promoting entrepreneurial action at all levels, strengthening a global mindset and internationality, expanding digital skills, and driving a value-based transformation.

Description of the interests and views of stakeholders related to S2 – Workers in the value chain

The majority of MTU's direct contractual partners for production materials and indirect materials are based in the EU or the U.S., where social matters are highly regulated by law. A small proportion of the goods are sourced from other regions of the world. Care is taken to ensure that any production materials purchased are of high quality and the products generally require a high degree of technical expertise for their manufacture. Consequently, the selection of suppliers is constrained. This results in purchasing processes and strategies being predominantly influenced by quality considerations, which are the primary focus of decisions. Due to these circumstances, respect for human rights and the interests of rights holders in the upstream value chain have less of an impact on the direction of the strategy or the business model, and are more so a prerequisite for a business relationship, regardless of the purchasing region. MTU monitors the growing uncertainty regarding international political decisions and regulations and their potential negative effect on respect for human rights and assesses the impacts they may have on its upstream value chain. At the time of the assessment of the material impacts, risks, and opportunities, no specific ramifications for MTU's business relationships could be identified.

The processing steps in the lower tiers of the upstream value chain are known, but there is a lack of transparency with regard to the country and company in which they take place. The importance of transparency in the upstream value chain has already been acknowledged and will play a pivotal role in the strategic focus on the topic of sustainability, as it is a prerequisite for ensuring compliance with human rights and social standards throughout the entire upstream value chain.

Description of the interests and views of stakeholders regarding product quality and flight safety

Safety first: MTU emphasizes the importance of product quality and flight safety as key corporate objectives that are embedded in the MTU principles and linked to high customer satisfaction and the Group's competitiveness. To achieve these goals, MTU uses an integrated management system (IMS) to address the interests of the stakeholder groups affected with regard to product quality and flight safety. These include customers, technology partners, and suppliers as well as airline passengers, regulatory authorities, and MTU employees. With its quality vision for 2025, MTU is aiming to achieve flawless product quality and product safety in flight and a high level of customer satisfaction.

Description of the interests and views of stakeholders regarding foreign trade

In the context of foreign trade, MTU faces challenges arising from the interests and positions of its stakeholders. There is a particular focus on compliance with customs and export control regulations and respect for human rights. The legislator explicitly demands that economic, security, and foreign policy considerations be taken into account, whereby the United Nations peace approach is the fundamental guiding principle. Amendments to foreign trade regulations are monitored on an ongoing basis and assessed promptly for their potential impact on the MTU Group against the backdrop of a highly volatile geopolitical environment.

It is crucial for MTU to understand the expectations and perspectives of its key stakeholders, such as business partners, authorities, and ministries, the environment, and society, as well as the management and employees of the company's locations worldwide, in the area of foreign trade and to include them in decision-making processes. For our internal and external stakeholders, a balance between economic performance and responsible, sustainable action on the part of MTU is of central interest. Through open dialogue with stakeholders, MTU helps to ensure that foreign trade activities not only comply with legal and regulatory requirements, but also reflect social objectives. This understanding forms the basis for responsible, legally compliant, transparent, and sustainable growth in the global market environment.

Material impacts, risks and opportunities and their interaction with the strategy and business model (SBM-3)

MTU assesses the effect of the material impacts, risks, and opportunities on the corporate strategy and business model in order to reduce negative impacts and risks, reinforce positive impacts, and take advantage of opportunities. A complete overview of the material impacts, risks, and opportunities and their position in the value chain can be found in the *List of material impacts, risks and opportunities in the Notes*. All material impacts, risks, and opportunities and their current and expected effect on the business model, value chain, strategy, and decision-making, and the way in which MTU responds to these influences or takes action to deal with certain material impacts or risks and opportunities, are explained in detail in the topic-specific chapters and summarized below.

MTU continuously adapts its strategies and business model to address material impacts, risks, and opportunities. The Group invests in more sustainable technologies, enhancing circular economy practices, improving workforce conditions, and strengthening the compliance framework. The aims are to strengthen MTU's resilience and competitiveness and make a positive contribution to society and the environment while ensuring long-term success.

With the exception of the sustainability matters of "Product quality and flight safety" and "foreign trade," all material impacts, risks, and opportunities are covered by the ESRS disclosure requirements. The topics mentioned are included as an entity-specific disclosure in this sustainability statement.

MTU considers the material risks identified to be manageable and does not anticipate any current financial effects on its net assets, financial situation, or results of operations. MTU's strategic planning includes examining the sensitivity of future strategic decisions and the resilience of its strategy and business-model-related capacity in order to manage the material impacts and risks. As part of the double materiality assessment, MTU has considered ESG scenarios derived from selected risks and opportunities, in order to check whether there are any overlaps with the overarching strategy. These scenarios help identify potential overlaps with MTU's corporate strategy and are combined with disruptive factors such as artificial intelligence and ESG initiatives from the peer group.

In line with ESRS and MTU's long-term time horizon, the "Green Pressure Regulation" ESG scenario has a time frame of around 15 years. This scenario looks at the impacts stricter emissions regulations and flight bans could have on air traffic. Based on the assumptions generally applicable to MTU, a rough estimate is made of the impacts on

metrics such as a reduction in the number of shop visits, revenue, and gross profit over the next 15 years. As the calculations of the financial effects are based on assumptions, it is important to compare scenarios in terms of the extent of the financial effects and not in terms of exact figures. If needed, new scenarios are developed every two years in response to economic, political, social, environmental, and legal changes in aviation.

Material environmental matters

There are material negative impacts due to greenhouse gas emissions in connection with MTU's own business activities from the incineration of fossil fuels at its own sites, from direct suppliers and in lower tiers of the supply chain through the procurement of goods, from investments in companies in the aviation sector, and from the use phase of MTU products. With regard to emissions generated in the supply chain, the impacts were described more granularly as part of the materiality assessment in the 2025 fiscal year, distinguishing between impacts on climate change from greenhouse gas emissions at direct suppliers and in lower tiers of the supply chain. Furthermore, a material negative impact was added, which is due to the limited possibility of alternative sources of supply with regard to production material suppliers. The emissions, which mainly consist of CO_2, along with non-CO_2 effects from NO_x and contrails during the product use phase, contribute to global warming by means of the incineration of fossil fuels. These impacts can be found throughout the value chain. The 2025 materiality assessment also identified material negative impacts from the depletion of nonrenewable resources as a result of energy consumption in the product use phase and in MTU's own business operations.

One long-term risk is the possibility of failing to meet climate targets, which could affect third-party ESG performance ratings and customer perception. This could have a negative effect on financial performance, particularly on EBIT and cash flow. In 2025, MTU identified further material risks relating to climate change as part of the materiality assessment. A long-term risk for MTU is that transition risks—such as rising prices for greenhouse gas emissions due to emissions trading and fuel taxes as well as negative perceptions of conventional flight—could lead to reduced demand for flights, which in turn could have a negative impact on revenue from OEM sales and MRO services and result in financial losses.

Adapting MTU's business model to the challenges of climate change is a key component of the corporate strategy, operationalized through the Claire technology agenda, the ecoRoadmap climate strategy, and the new ecoTransition initiative established in 2025. MTU has created a comprehensive sustainability management system and invests in research and development to promote low-emission technologies and improve the sustainability of its products. Specific performance indicators ("CO_2 abatement through sustainable actions" (STI) and "Remaining CO_2 emissions" (LTI)) are embedded in the targets of the Executive Board and senior managers.

MTU makes a positive contribution to the circular economy through its MRO services. Their quality and efficiency ensure that only parts that cannot be repaired are replaced, which extends the service life of the engines and reduces the consumption of resources. MTU uses its expertise in the MRO sector to optimize resource use and contribute to the circular economy. The use of intelligent repair methods and the reuse of components reduces resource consumption. The continuous development of innovative technologies enables damage to be detected more efficiently and helps optimize maintenance costs, which also has a positive effect on MTU's strategy and business model.

Material social matters

Both potential and actual positive and negative impacts exist, as well as one risk in relation to the company's own workforce.

MTU generates potential negative impacts through its business model as a manufacturing company, as all employees, especially those working in production, are exposed to the risk of injuries or accidents during working hours. This can have a negative impact on well-being, health, and satisfaction within the company. In contrast to the previous reporting period, the basis for this impact was identified as MTU's business model instead of inadequate actions relating to occupational health and safety. However, MTU also generates positive effects for its employees through the occupational health and safety management system it has implemented, as well as through targeted training and high safety standards. Individual cases of discrimination and bullying had a negative impact on the well-being of the employees concerned in the reporting year. By contrast, there are positive effects from structures that promote the well-being and work flexibility for employees and from training programs that support personal development and career opportunities. The "Training days per employee" (STI) performance indicator

is embedded in the targets of the Executive Board and senior managers. The potential negative impact on the mental and physical well-being of employees identified in the 2024 fiscal year due to ineffective actions to prevent, assess, and mitigate human rights violations was assessed as not material for 2025.

The positive impacts in relation to MTU's own employees were described more granularly as part of the materiality assessment in the 2025 fiscal year, resulting in a higher number of material impacts. MTU generates an actual positive impact on the security of its workforce's employment through the high proportion of permanent employment contracts. The actual positive impacts of established, flexible working time models, which allow working hours to be adapted to the respective workload and thus avoid extensive overtime, are also material. In addition, paying appropriate and competitive wages contributes to financial stability and a high quality of life for employees. Another actual positive impact results from the provision of appropriate information through regular dialogue with the various employee representatives. This enables the conclusion of collective agreements that create a high level of transparency and fair working conditions. In addition, comprehensive collective agreements can promote equal treatment of employees and better labor relations. Finally, MTU supports the work-life balance of its employees through family-related leave and flexible working models such as working from home, as well as childcare facilities at its headquarters in Munich, which makes it much easier to balance professional and private commitments. Positive impacts also relate to the promotion of employee qualifications, which is directly linked to MTU's corporate strategy. A potential negative impact from ineffective actions in the areas of training, career development, and promoting performance, which was assessed as material in the previous year, was no longer material for 2025. In contrast, the following positive impacts were identified as material for the first time in 2025: The development of MTU Corporate Values has the potential for positive impact. They promote respectful cooperation, raise awareness of individual differences, and uphold the integrity of the organization. Due to the comparatively low proportion of women in MTU's workforce, there are potential negative impacts on employees who may feel underrepresented. To promote women in management positions, the "Women in management positions" performance indicator (LTI) was included in the targets for the Executive Board and senior managers. Through policies and community empowerment as part of the Inclusion Roadmap 2025, MTU is creating potential positive impacts for persons with disabilities within the company. This can create a more inclusive working environment in the long term and improve the career prospects of affected employees. Finally, the 2025 materiality assessment identified actual positive impacts on the health and safety of employees through the implemented occupational safety management system, strict occupational safety standards, and preventive measures to avoid accidents, e.g. through training measures. A potential negative impact from ineffective training measures from the previous reporting period was no longer classified as material in 2025.

A new risk was identified in the area of financial materiality in 2025. If no long-term strategic HR planning is ensured, it may not be possible to realize the planned revenue growth, which could jeopardize the achievement of MTU's strategic goals. This material risk is also linked to the corporate strategy and will remain crucial to the company's success in the future. MTU therefore takes targeted action to retain employees over the long term and attract new talent. MTU offers continuous programs for secure employment, fair and adequate wages, equal opportunities, and the possibility of professional development, which in turn generates actual positive impacts for employees. The risk of rising personnel costs identified in the previous year due to reduced employer attractiveness as a result of restricted working conditions was assessed as not material in 2025.

Potential negative impacts on the workforce have been identified in the upstream value chain. A lack of transparency regarding the lower tiers of the upstream value chain means that potentially negative impacts, for example in the area of working conditions or child and forced labor, cannot be ruled out. Even for direct suppliers, potentially negative impacts in the area of equal treatment and equal opportunities cannot be fully excluded. The influence on the impacts is limited by the constrained selection of suppliers and a lack of transparency in the lower tiers of the upstream value chain. MTU formulates clear requirements for its suppliers with regard to human rights and social standards and works to continuously improve data quality and availability.

MTU-specific aspect of product quality and flight safety
With regard to its own activities and the downstream value chain, ensuring product quality and flight safety is of crucial importance to MTU. The integrated management system (IMS) is essential in avoiding potentially negative impacts. In the aviation industry, ensuring product quality and flight safety is of vital importance. To minimize potential impacts on flight safety, defect-free product quality as a key corporate goal—derived from MTU's "Quality Vision Zero Defects", in particular from the topic of zero defects—is an integral part of MTU's strategy and business model.

MTU-specific aspect of foreign trade
Changes in the legal environment of foreign trade are continuously monitored by those in customs and export control positions and evaluated with regard to their potential impact on the Group and the product portfolio. This takes place against the backdrop of a dynamic geopolitical environment. The aim is to contribute to the legally compliant and responsible organization of global business activities. The relevant legal basis for this are the national laws applicable at the company's location as well as the provisions of U.S. (re-)export control and EU sanctions law, where applicable.

Potential negative effects for third parties may result from the noncompliant transfer of goods, technologies, or data covered by export control law. Improper use of sensitive goods could jeopardize security or foreign policy interests and contradict the United Nations principles of peace and international security. Furthermore, noncompliance within the value chain can have a negative impact on human rights. MTU is therefore not only committed to adhering to its own compliance standards, but also helps to ensure that business partners and customers observe these standards in equal measure.

Material matters relating to business conduct
MTU adheres to strict anti-corruption measures in accordance with European standards, which have a potential positive impact on societal stability and trust in local markets and promote fair competition. Further development of the compliance culture is an integral part of MTU's corporate strategy and business model and is embedded as a goal in MTU's Sustainability Program 2025+. Positive impacts also result from company policies that encourage employees to raise concerns without fear of repercussions. MTU strives for a culture that is open to change, promotes innovative thinking, and motivates employees to make independent decisions. This impact was identified as material for the first time in the 2025 materiality assessment.

IRO management

Description of the process to identify and assess material impacts, risks and opportunities (IRO-1)

MTU has established a structured process for the double materiality assessment with clear roles and responsibilities, supported by internal controls. Responsibility for the process lies with the Corporate Sustainability Management and Reporting division. The process begins with the identification and analysis of relevant sustainability topics that take into account both internal and external stakeholder perspectives. A comprehensive assessment framework that combines qualitative and quantitative analysis methods is then applied. An interdisciplinary and cross-location team of experts from various areas of the company supports the process steps. The double materiality assessment is reviewed on an annual basis and adapted to current developments.

MTU's double materiality assessment for identifying and evaluating impacts, risks, and opportunities (IRO) in relation to the entire spectrum of ESRS sustainability matters (in accordance with ESRS 1 AR 16) as well as sector- and company-related topics consists of four phases.

In the first phase, the aim is to obtain a comprehensive understanding of MTU's business relationships, value chain, and relevant stakeholders. This includes mapping MTU's activities along the value chain and identifying impacts, risks, and opportunities connected to its own operations, upstream and downstream value chain, products, services, and business relationships (suppliers, customers, and partners), and relevant geographical areas. Factors that could give rise to an increased risk of negative impacts are also to be identified.

In the second phase, the impacts, risks, and opportunities relating to environmental, social, and governance issues are identified and documented with regard to the business model, strategy, and value chain. The process covers all of the topics set out in ESRS 1 AR 16 as well as additional sector- and company-specific matters. MTU has used sector-specific information from the Sustainability Accounting Standards Board (SASB) to identify material impacts, risks, and opportunities. Topics with identified potential and actual impacts, risks, and opportunities are evaluated further. This process is supported by the inclusion of perspectives from affected stakeholder groups (such as employees, workers in the value chain, customers, and nature as a silent stakeholder), and by an interdisciplinary team of experts from various areas of the company (production, development & technology, corporate quality & environmental sustainability, purchasing & logistics, human resources, occupational safety, compliance, sales, data privacy, IT and information security, foreign trade, strategy, and risk management), publicly available information, and industry-specific analyses.

Once the impacts, risks, and opportunities have been identified, they are assessed in a third phase using a standardized method and taking into account the ESRS requirements and the guidelines by EFRAG (European Financial Reporting Advisory Group). The assessment of impacts includes using a four-point scale to assess their severity, based on their scale, scope, and irremediable character (in the case of negative impacts), and to assess their likelihood of occurrence in the case of potential impacts. For the materiality assessment, MTU used its predefined entity-specific time horizons, which differ from the time horizons defined in ESRS 1 Section 6.4 paragraph 77 (see *Time horizons (BP-2)*). Positive and negative impacts are analyzed separately; negative impacts cannot be offset against positive impacts. In the event of potential impacts on human rights, the severity pursuant to ESRS 1 Section 3.4 paragraph 45 takes precedence over the likelihood of occurrence. In the reporting year, MTU took the zero-tolerance criterion, which was derived from the zero-tolerance management approach and had previously been applied separately, and integrated it into the overarching double material assessment. This enables uniform identification and evaluation of key issues. As of this fiscal year, separate consideration of the zero-tolerance criterion is no longer required. In previous years, the criterion was applied to four topics: prevention of corruption, breaches of human rights in own workforce, violations of export control regulations, and product quality and flight safety. The criterion stated that in the assessment, the severity and likelihood of the impact of these issues was automatically given the maximum number of points, so that they were always material regardless of actual or potential occurrence.

As part of the process for determining the material sustainability matters, MTU measured the financial materiality of the risks and opportunities identified on the basis of their effects on EBIT and cash flow, which can be correlated with MTU's net assets, financial position, and results of operations and indirectly with its access to capital or its cost of capital. The materiality of the risks and opportunities identified was assessed on the basis of the above-mentioned financial effects and the likelihood of occurrence according to a four-point scale. The risks and opportunities identified are integrated into the existing risk management system and evaluated on a quarterly basis by the responsible divisions. Sustainability risks are also evaluated in the risk management system with regard to their anticipated financial effects and likelihood of occurrence, without being prioritized differently from other risks. Throughout the entire double materiality assessment process, impacts, risks, and opportunities are not initially

prioritized based on their relative evaluation compared to other impacts, risks, and opportunities. For the assessment of sustainability risks, the time horizon of corporate risk management is not used; instead, the time horizons explained under ESRS BP-2, paragraph 9 are applied (<1 year, 1–3 years, 4–15 years). Subsequently, however, any material impacts and risks identified are prioritized within the topic-specific divisions for the purpose of determining the appropriate action to be taken. All impacts and dependencies on natural, human, and social resources that are identified are reviewed for risks and opportunities for MTU by those responsible for each topic with the support of risk management.

In the fourth phase, the materiality threshold is set, and the results of the materiality assessment phases mentioned above are documented in a standardized template that is updated annually. The assessment template contains a description of the individual impacts, risks, and opportunities, the stage of the value chain affected, the time horizon, the individual assessment, and the persons responsible for the assessment process. In the inside-out approach, the threshold value is such that impacts with a high or very high value and a corresponding probability are considered material. The probability is set to the maximum value for current impacts and those that affect human rights. The aim is to ensure that even very rare but significant impacts on third parties are classified as material if impacts and human rights concerns actually occur. In the outside-in approach, risks and opportunities are considered to be material based on a combination of high or very high financial effect (deviation of EBIT or cash flow in euros compared to budget) and a high or very high likelihood of occurrence.

The reporting boundaries within which MTU operates in the process for determining and assessing material impacts, risks, and opportunities encompass MTU's own business operations as well as its upstream and downstream value chain, as described under *General basis (BP-1)*.

Description of the double materiality assessment process regarding E1 – Climate change

MTU has established a process to identify and assess climate-related impacts, risks, and opportunities. To this end, assets and activities in MTU's own operations and within the value chain are screened with regard to the risks and opportunities and to their impacts on climate change.

To determine MTU's impacts on climate change, the following emission sources and underlying energy consumption were assessed: company facilities and vehicles (Scope 1), purchased electricity and heat for own use (Scope 2) and purchased goods and services, capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, leased assets, downstream transportation, processing of sold products, use of sold products, end-of-life treatment of sold products, and leased assets and investments (Scope 3). As part of the process, the sources of the main GHG emissions and the drivers of other climate-related impacts, such as non-CO_2 effects triggered by the emission of nitrogen oxides and the formation of contrails, were identified in MTU's activities and value chain. Actual and potential impacts on climate change were assessed by calculating GHG emissions. For more information on GHG emissions, see *Gross Scope 1, 2, 3 and Total GHG emissions (E1-6)*.

In 2025, the physical climate risk analysis for assessing climate-related risks to MTU's assets and business activities was updated and extended to other sites and value-added steps. The analysis was carried out for the MTU Group, taking into account all companies under operational control as well as relevant locations of business partners and activities in the downstream value chain. The analysis was based on climate projections from climate models derived from the latest Assessment Report of the Intergovernmental Panel on Climate Change (IPCC). Projections of relevant climate parameters such as temperature, wind speed, and precipitation were used to identify climate risks. All 28 chronic and acute climate-related hazards specified by ESRS E1 were included in the analysis. The IPCC emissions scenario with high GHG emissions in the 21st century, Shared Socioeconomic Pathway (SSP) 5-8.5, was chosen for the analysis of physical climate risks, as in this scenario GHG emissions reach the highest levels and physical risks are therefore at their most pronounced.

The narrative of SSP5-8.5 focuses on the increasing integration of global markets, leading to innovation and technological advances, while the use of fossil fuels increases. According to IPCC estimates, the emissions would result in global warming of 3.3 to 5.7°C by the end of the century and are associated with the most far-reaching climate-related hazards. MTU has chosen this "worst-case scenario" in order to gain an understanding of the necessary adaptation measures, which will also remain effective even under conditions with lower emission intensity. The scenario covers the period from 2015 to 2100 and so extends beyond MTU's strategic planning horizons.

The climate risk analysis for physical risks was considered for both current and future climate-related hazards. The 20-year period from 2011 to 2030 was defined for current climate-related hazards. The 20-year period from 2031 to 2050 was defined for future climate-related hazards. The choice of time horizons combines the need to examine physical risks over longer time periods to capture the impacts of climate change with the practice of using shorter, foreseeable time periods as defined by MTU for strategic planning and capital allocation plans. This takes appropriate account of the useful life of MTU's assets.

The geospatial coordinates of the site locations have been used to obtain site-specific climate projections to assess the risk from chronic and acute climate-related hazards to MTU's assets and activities. For the future climate, defined as the 20-year period from 2031 to 2050, the assessment of the climate-related risk is based on the likelihood that the severity of a climate factor in the future will exceed the mean severity of the climate in the 1995–2014 reference period at the same site. The values of the climate variables were then categorized into five risk classes: very low, low, medium, high, and very high. In cases where no information on future developments was available, an assessment of the current climate risk was carried out where possible. The most significant limitation for the scenario analysis is that the current generation of climate models are not capable of simulating all hazards listed by ESRS. The analysis for some hazards is therefore based on historical data instead of climate projections. The effect on the site and on the activities carried out there was assessed for each of the chronic and acute climate-related hazards. Specific supplier sites were not taken into account. Climate variables that are classified as at least a medium risk are considered a potential threat to MTU's economic activities unless action has already been taken to mitigate that risk.

In addition to the physical climate risk analysis, the transition climate risk analysis was also updated in 2025 to take into account the current status of climate-related transitional events in MTU's assets and business activities and the downstream value chain. The climate-related transition events were assessed using the classification of the Task Force on Climate-related Financial Disclosures (TCFD) covering the areas of policy and law, technology, market, and reputation, as well as their impacts on MTU's business activities. To analyze the transition events and assess them with regard to the occurrence of transition risks or opportunities for MTU's assets and activities, this year the Net Zero 2050 scenario of the Network for Greening the Financial System (NGFS) was used in its most recent version from 2024. The time horizons used for the assessment of climate-related transition risks and opportunities correspond to those defined in this report, i.e. they extend to the year 2039. In the NGFS's Net Zero 2050 scenario, global warming is limited to 1.5°C through strict climate policy and innovation, so that net zero CO_2 emissions are achieved worldwide by 2050.

Internally developed transition scenarios were also used to analyze and assess transition events in the product use phase. Since 2023, MTU has developed several transition scenarios to model future developments in the aviation sector. These scenarios incorporate sector-specific data and comprehensive macroeconomic variables and price metrics in order to derive risks and opportunities for MTU based on political and market-based developments up to 2039. The developed and analyzed scenarios are based on the political developments of the European Green Deal, which aims to achieve climate neutrality by 2050 and limit global warming to 1.5°C. The magnitude of the transition events was determined on the basis of sector-specific data and comprehensive macroeconomic variables and price metrics. The probability and duration were assessed on the basis of expert judgments for individual transition events. The selection of scenarios covers the plausible risks and uncertainties related to the scenario definition.

As part of the analysis, MTU's assets and activities were screened to determine whether they are compatible with the transition to a climate-neutral economy or require significant effort. Relevant locked-in GHG emissions result primarily from the product use phase. Due to the long product cycles in aviation, these emissions can be reduced only over the long term. To achieve this, MTU has set out ideas for aircraft engines and their potential for reducing climate impact and energy consumption in the Claire technology agenda.

The development of the scenarios was coordinated with scientific and sector-specific developments to ensure their relevance and accuracy in presenting potential climate-related outcomes. The selection of scenarios covers the plausible risks and uncertainties related to the scenario definition. The MTU analysis includes expected transition risks by taking into account political developments aimed at achieving climate neutrality by

2050 and limiting global warming to 1.5°C. The key drivers of the scenarios in relation to the impacts on MTU are the increasing price of GHG emissions and fuels, the gradual introduction of minimum requirements for SAF, partial flight and flight route restrictions, and increasing stakeholder requirements regarding ESG and climate targets. The expected scenario developments are based on information on the implementation of the European Green Deal and the EU Fit for 55 package. Uncertainties arise from the assumptions made about transition events that go beyond the currently foreseeable political agenda and can currently be modeled based solely on assumptions. For more information on the results of the analysis described above, see *Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)*. No scenario-based analysis of transition and physical risks was carried out for the assessment of the upstream value chain. Transition and physical risks related to the upstream value chain were instead considered at a general level, although limited transparency is a challenge. In the reporting year, MTU launched a project called Nature-Embedded Value Chains: A TNFD LEAP Data Initiative (hereinafter referred to as the "TNFD project," where TNFD stands for Task Force on Nature-related Financial Disclosures). The project's aim was to create greater transparency and better data for the upstream value chain with regard to climate change mitigation and relevant environmental issues.

Description of the double materiality assessment process regarding E2 – Pollution

MTU has implemented a screening process to identify the actual and potential pollution-related impacts, risks, and opportunities within its own operations and in the upstream and downstream value chain. MTU's approach for conducting the environmental assessment for its own operations and the downstream value chain corresponds to TNFD's LEAP (locate, evaluate, assess, and prepare) approach.

To identify impacts, risks, and opportunities related to pollution, MTU first assessed the activities of its business operations and value chain to determine the activities and sites where air, soil, and water are polluted, substances of concern or substances of very high concern are used, or other forms of pollution occur. In the next step, the identified sites' pollution-related dependencies and impacts were analyzed and evaluated. This involved using information from the environmental management system and involving internal environmental specialists in the assessment. In the final step, MTU determined whether any additional risks and opportunities could be derived from the impacts identified. Information from secondary literature and consultations with MTU's internal production experts were used to identify and assess impacts, risks, and opportunities in the upstream value chain with regard to pollution. MTU did not hold any consultations with affected communities as part of the materiality assessment. For information on improving transparency and data for the upstream value chain, see the description of the TNFD project under *Description of the double materiality assessment process in relation to E1 – Climate change*.

Description of the double materiality assessment process regarding E3 – Water and marine resources

To identify the impacts, risks, and opportunities related to water and marine resources in its own business and in the downstream value chain, MTU conducted a comprehensive analysis based on data from its business operations with the support of data from the World Resources Institute's (WRI) Aqueduct Water Risk Atlas and analyzed the downstream value chain for water and marine resource-related impacts. For conducting the analysis, the MTU process was aligned with TNFD's LEAP approach. Using information from the WRI Aqueduct Water Risk Atlas and MTU's water consumption data, activities and sites that could have impacts on water and marine resources were identified. River basins were considered as the relevant level for the assessment of sites in MTU's business operations. In the next step, the dependencies and impacts of the identified locations on water were analyzed and evaluated. For this, MTU utilized information from the environmental management system and consulted internal environmental specialists. In the final step, MTU determined whether any additional risks and opportunities could be derived from the impacts identified. Secondary data and consultations with MTU experts on the use of water and marine resources in production processes were used to identify and assess impacts, risks, and opportunities in the upstream value chain. An analysis of supplier locations was not carried out in this context.

The analysis was based on the criteria for determining water status in accordance with the relevant annexes of Directive 2000/60/EC (Water Framework Directive) and the guidelines for implementing the Water Framework Directive. MTU did not hold any consultations with affected communities as part of the materiality assessment. For information on improving transparency and data for the upstream value chain, see the description of the TNFD project under *Description of the double materiality assessment process in relation to E1 – Climate change*.

Description of the double materiality assessment process regarding E4 – Biodiversity and ecosystems

In order to identify material impacts, risks, dependencies, and opportunities in connection with biodiversity and ecosystems, MTU carried out a process based on the first three phases of the TNFD's LEAP approach. In the first step, the actual and potential impacts and the dependencies on biodiversity and ecosystems were identified. The local conditions at the operating sites, the business activities, and the downstream value chain were taken into account. The impacts identified were evaluated by MTU's internal stakeholders. The following factors influencing biodiversity loss were taken into account:

- Climate change
- Land-use change
- Freshwater-use change and sea-use change
- Direct exploitation
- Invasive alien species
- Pollution
- Other impacts on the state of species
- Impacts on the extent and condition of ecosystems, including through land degradation, desertification, and soil sealing
- Impacts and dependencies on ecosystem services

Physical, transition, and systemic risks and opportunities for MTU were also identified and analyzed in the process based on the evaluated impacts.

As there is no comprehensive transparency of the production sites in the upstream value chain, MTU identified and assessed the impacts, risks, and opportunities based on the processes in the upstream value chain. MTU drew on secondary literature and consultations with internal production process experts for this analysis. For information on improving transparency and data for the upstream value chain, see the description of the TNFD project under *Description of the double materiality assessment process in relation to E1 – Climate change*.

The results did not give rise to any material impacts, risks, dependencies, or opportunities in connection with biodiversity or ecosystems.

MTU has identified three sites near biodiversity-sensitive areas (i.e., within a radius of two kilometers) where MTU's activities could have potential impacts on the habitats of threatened species. The identification of the sites and their specific impacts was carried out in a two-stage process. First, the sites were evaluated using the WWF Biodiversity Risk Filter tool. The WWF Risk Filter category "Environmental Factors" was used to determine the sites. This category combines various biodiversity-related aspects into biodiversity-sensitive areas. The biodiversity-sensitive areas include key biodiversity areas (KBAs) and protected areas listed in the World Database on Protected Areas (WDPA). The World Database on Protected Areas is the most comprehensive global database of marine and terrestrial protected areas. The MTU sites that are labeled "high risk" were defined as "relevant biodiversity sites." The three sites identified were then analyzed for their biodiversity-related impacts, taking into account site-specific activities. The analysis concluded that MTU has no material impacts on threatened species in ecosystems with sensitive biodiversity. According to the directives and frameworks or equivalent national law or international standards, such as 2009/147/EC, 92/43/EEC, 2011/92/EU, and Performance Standard 6 of the International Finance Corporation (IFC), no specific mitigation actions are required. Furthermore, no MTU-specific impacts were identified with regard to land degradation, desertification, or soil sealing. MTU's business model has no known impact on threatened species. MTU did not hold any separate consultations with affected communities as part of the process.

Description of the double materiality assessment process regarding E5 – Resource use and circular economy

The identification of impacts, risks, and opportunities related to resource use and circular economy is based on a comprehensive assessment of all MTU OEM and MRO sites on the basis of TFND's LEAP approach. The activities in MTU's own operations and in the upstream and downstream value chain were screened to identify assets and activities that have an impact on resource inflows and resource outflows, including MTU's products, services and waste. In the value chain, the main material flows were analyzed to determine which dependencies exist for and between OEM and MRO. Based on the impacts and dependencies identified, risks and opportunities were derived and assessed on the basis of data from the environmental management system, market screening, scientific publications, and EU regulations as well as from discussions with environmental management experts. In particular, quantity estimates and expert surveys were used to identify material actual and potential impacts, risks, and opportunities in MTU's operations and in the upstream and downstream value chain. The screening process was conducted using the following methods, assumptions, and tools: LEAP approach, Corporate Carbon Footprint (Scope 3) and Material Flow Analysis (MFA). In addition, comparative metrics were used in order to assess the extent of the impact more objectively. For the resource inflows, the global annual production rate of a material at the element level served as a basis for comparison. To assess the scope of the impact of the waste generated by MTU, the metric used was the average annual country-specific waste generated per inhabitant from the EU monitoring framework.

As a result of the double materiality assessment, the positive impacts of MTU's MRO activities on resource use and circular economy, specifically the subtopic of resource outflows, were assessed as material. For example, the product design creates the basis for the application of various circular economy strategies, such as repairability (MTU OEM sites). The various circular economy strategies (refuse, reuse, repair) are implemented directly through maintenance activities (MTU MRO sites). In this context, high-pressure compressors, low-pressure turbines, and turbine center frames for the commercial or military aviation sector as well as for industrial gas turbines are considered to be significant resource outflows. To manufacture these products, MTU mainly uses super alloys and titanium alloys. The MRO activities result in an increased service life of the products, among other things, thereby helping to conserve resources.

MTU did not hold any consultations as part of the materiality assessment.

Description of the double materiality assessment process regarding G1 – Business conduct

To identify impacts, risks, and opportunities regarding MTU's business conduct, the double materiality assessment used the results of the ongoing and systematic analysis of business relationships and transactions, which is an integral part of the Group-wide risk and compliance management system. This also includes an analysis of the context for each site. Additionally, MTU screens its business relationships, business partners, customers, and suppliers by evaluating the types and durations of contracts and considering country-specific corruption and bribery risks—for example, in sales and marketing activities.

The foundation for MTU's country risk monitoring and analysis is the latest Corruption Perceptions Index (CPI) from Transparency International.

Disclosure requirements in ESRS covered by the undertaking's sustainability statements (IRO-2)

The list of disclosure requirements that were taken into account when preparing the sustainability statement on the basis of the results of the materiality assessment, including the page numbers containing the corresponding disclosures in the sustainability statement, can be found in the annex.

Based on the materiality assessment, MTU has identified the following topics as material:

List of material ESRS topics

ESRS	Topic	Subtopics	Sub-subtopics
ESRS E1	Climate change	Climate change mitigation, energy	
ESRS E5	Circular economy	Resource outflows	
ESRS S1	Own workforce	Working conditions	/ Secure employment / Working time / Adequate wages / Social dialogue / Freedom of association / Collective bargaining / Work-life balance / Health and safety
		Equal treatment and equal opportunities for all	/ Gender equality and equal pay for work of equal value / Training and skills development / Employment and inclusion of persons with disabilities / Measures against violence and harassment in the workplace / Diversity
ESRS S2	Workers in the value chain	Working conditions	*All sub-subtopics (see ESRS S1)*
		Equal treatment and equal opportunities for all	*All sub-subtopics (see ESRS S1)*
		Other work-related rights	/ Child labor / Forced labor
ESRS G1	Business conduct	Corporate culture	
		Corruption and bribery	Prevention and detection, including training
Company-specific topics	/ Product quality and flight safety / Foreign trade		

Based on the results of the double materiality assessment (see *Description of the process to identify and assess material impacts, risks and opportunities (IRO-1)*) for a detailed description of the process, including the definition of thresholds), the material impacts, risks, and opportunities are assigned to the respective ESRS sustainability matters as per ESRS 1 AR 16. A sustainability matter is "material" when it meets the criteria defined for impact materiality, for material risks and opportunites, or both. Material information for material sustainability matters is determined following EFRAG and IDW guidelines (incl. EFRAG list of datapoints and EFRAG ESRS Q&A) on mapping sustainability matters covered in topical ESRS to the ESRS disclosure requirements.

Following the criteria on material matters and materiality of information as provided by ESRS 1, no metric is omitted within this sustainability statement due to materiality of information considerations.

Environmental information

Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation)

Background

A key objective of the EU Action Plan for Financing Sustainable Growth is to reorient capital flows toward sustainable investment. Under EU Taxonomy Regulation 2020/852 (hereinafter referred to as the "Taxonomy Regulation"), MTU is obliged to disclose economic activities that are considered "environmentally sustainable."

Information must be provided on all of the following six environmental objectives:

1. Climate change mitigation (CCM)

2. Climate change adaptation (CCA)

3. Sustainable use and protection of water and marine resources (WTR)

4. Transition to a circular economy (CE)

5. Pollution prevention and control (PPC)

6. Protection and restoration of biodiversity and ecosystems (BIO)

Reporting under the Taxonomy Regulation is carried out using Delegated Regulation (EU) 2026/73 of July 4, 2025, and in accordance with the following Delegated Regulations and the associated amendments and additions:

Delegated Regulation (EU) 2021/2139 ("Climate Delegated Act")

Delegated Regulation (EU) 2021/2178 ("Disclosures Delegated Act")

Delegated Regulation (EU) 2023/2486 ("Environmental Delegated Act")

With regard to the classification of an economic activity as "environmentally sustainable" within the meaning of the EU Taxonomy, a distinction has to be drawn between those activities that are taxonomy-eligible and those that are taxonomy-aligned. Only those economic activities that can be assigned to the descriptions of the activities in the delegated acts, irrespective of whether the technical screening criteria are met, are deemed to be taxonomy-eligible.

An economic activity is classified as taxonomy-aligned if it substantially contributes to one or more of the environmental objectives, does no significant harm to another environmental objective, and is undertaken in compliance with minimum safeguards in accordance with OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO core labor standards, and the International Bill of Human Rights. In line with the minimum safeguards, MTU takes into account issues of human rights, corruption and bribery, fair competition, and taxation, as well as science, technology, and innovation. If all of these criteria are met, the economic activity can be classified as taxonomy-aligned. In accordance with the EU Taxonomy Regulation and relevant delegated acts, MTU reports on the share of revenue, capital expenditure (CapEx), and operating expenditure (OpEx) from taxonomy-eligible, taxonomy-aligned, and non-taxonomy-eligible economic activities and provides additional qualitative and quantitative information.

Analysis of taxonomy eligibility

As part of the EU Taxonomy, MTU systematically reviews the extent to which its business activities can be classified as taxonomy-eligible and potentially taxonomy-aligned. The relevant business areas along the value chain are analyzed and assigned to the environmental objectives defined in the regulation. Based on internal data as well as regulatory criteria, MTU assesses whether the activities generally fall under the economic activities described in the taxonomy (taxonomy eligibility). This review forms the basis for the downstream assessment of substantial contribution, the "Do No Significant Harm" (DNSH) requirements, and the minimum safeguards (taxonomy alignment).

The overview below shows the taxonomy-eligible activities identified for MTU.

Overview of MTU's taxonomy-eligible economic activities

Taxonomy-eligible economic activity	Description of the economic activity	MTU's activities
3.21 Manufacturing of aircraft	Manufacture, repair, maintenance, servicing, retrofitting, design, conversion, and upgrading of aircraft as well as aircraft components and equipment	Development, repair, maintenance, retrofitting, design, and conversion of commercial and military aircraft engines
4.22 Production of heat/cool from geothermal energy	Construction or operation of facilities that produce heat/cool from geothermal energy	Construction of MTU's geothermal plant at the Munich site
6.18 Leasing of aircraft	Rental and leasing of aircraft and aircraft components and equipment	Short- and medium-term engine leasing by MTU Maintenance Lease Services B.V.
6.5 Transport with motorcycles, passenger cars, and light commercial vehicles	Purchase, financing, rental, leasing, and operation of vehicles in categories M1, N1, and L	Vehicle fleet
7.2 Renovation of existing buildings	Construction and civil engineering works or their preparation	Building maintenance actions, such as the renovation of existing production facilities or office buildings
7.3 Installation, maintenance, and repair of energy efficiency equipment	Individual renovation actions consisting of the installation, maintenance, or repair of energy-efficient appliances	Installation, maintenance, or repair of energy-efficient appliances, such as insulating building shells or exchanging old light sources for more energy-efficient LED light sources in buildings and production and maintenance facilities
7.5 Installation, maintenance, and repair of devices for measuring, regulating, and controlling the energy performance of buildings	Installation, maintenance, and repair of devices for measuring, regulating, and controlling the energy performance of buildings	Lighting control and power management systems, building automation systems
7.6 Installation, maintenance, and repair of technologies for renewable energy	Installation, maintenance, and repair of technologies for renewable energy	Activities in connection with the installation of a heat pump
7.7 Acquisition and ownership of buildings	Acquisition of real estate and exercise of ownership of this real estate	Acquisition and ownership of buildings, as well as rights of use to buildings and fixtures
8.1 Data processing, hosting, and related activities	Storage, manipulation, management, movement, control, display, switching, exchange, transmission, or processing of data via data centers, including edge computing	Internal activities associated with MTU's data centers and server rooms, such as expenditures on server rooms including servers, storage, and network equipment, and the maintenance and operation of energy-efficient IT infrastructures that help to reduce energy consumption, e.g. cooling systems with lower energy consumption, optimization of hardware to reduce power consumption
9.1 Close-to-market research, development, and innovation	Research, applied research, and experimental development in the field of solutions, processes, technologies, business models, and other products for the reduction or prevention or mitigation of greenhouse gas emissions (R&D&I) that have demonstrated their ability to reduce or prevent or mitigate greenhouse gas emissions in the targeted economic activities in at least one relevant setting in accordance with at least Technology Readiness Level (TRL) 6	MTU's research activities on new engine technologies that are intended to lead to a reduction in GHG emissions and thus to an expansion of the taxonomy-aligned economic activity 3.21 Manufacturing of aircraft. Overall, these are various research projects in which MTU expects to achieve taxonomy alignment within the next five to nine years in accordance with economic activity 9.1 Close-to-market research, development, and innovation

Analysis of taxonomy alignment

The economic activities of MTU to be reported are mainly aimed at environmental objective 1 (climate change mitigation). To check taxonomy alignment, the economic activities eligible for taxonomy were first examined on the basis of the respective technical assessment criteria to determine whether they substantially contribute to climate change mitigation. In the second step, the analysis of the DNSH criteria for the other five environmental objectives ("Climate change adaptation," "Sustainable use and protection of water and marine resources," "Transition to a circular economy," "Pollution prevention and control," and "Protection and restoration of biodiversity and ecosystems") was site-specific where appropriate. The final step involves the necessary review of compliance with minimum social safeguards pursuant to the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO core labor standards, and the International Bill of Human Rights. Such compliance is ensured at the Group level by, among other things, the Code of Conduct, the Policy Statement on the Protection of Human Rights, and the Supplier Code of Conduct, as well as by MTU's risk management system to ensure compliance with human rights due diligence obligations.

Substantial contribution to climate change mitigation

The following taxonomy-eligible and taxonomy-aligned economic activities with relevance for the environmental objective of climate change mitigation were identified for fiscal year 2025:

3.21 Manufacturing of aircraft

MTU's core business is the development, manufacture, sale, and maintenance of commercial and military aircraft engines. Economic activity 3.21 is therefore classified as a material revenue-generating activity in the area of aircraft manufacturing.

Determining whether it met the criteria included checking whether the MTU aircraft engines taken as a basis for this economic activity are used in aircraft that are below the CO_2 metric value specified in the ICAO standard. In the case of military engines and for the majority of engines in the commercial sector, the external evidence required to verify the substantial contribution is not available, meaning that only taxonomy eligibility can be demonstrated here. The alignment assessment was successfully completed for a small number of engines in the commercial sector.

In connection with MTU's OEM and MRO engine business, the taxonomy-eligible revenue generated in relation to activity 3.21 for fiscal year 2025 amounted to 93% (€8.155 billion) and the taxonomy-aligned revenue amounted to 19% (€1.677 billion). The CapEx for this economic activity includes expenditures on technical equipment and machinery, tools and tooling, and capitalized development costs. At €468 million, taxonomy-eligible CapEx for the fiscal year accounts for 54% and taxonomy-aligned CapEx for 9% (€79 million) of MTU's total capital expenditures. In connection with this economic activity, OpEx includes direct expenditures on the maintenance of technical equipment and machines as well as non-capitalizable expenditures on the further development of existing engine programs. At €201 million, 63% of MTU's total OpEx was classified as taxonomy-eligible and 9% (€28 million) as taxonomy-aligned in relation to this economic activity.

4.22 Production of heat/cool from geothermal energy

As the lifecycle GHG emissions of MTU's geothermal plant at the Munich site are below 100 gCO_2e/kWh, it fulfills the requirements for a substantial contribution to climate change mitigation. Alignment in the amount of €9 million CapEx could be demonstrated in the 2025 reporting year (1% of MTU's total capital expenditures).

6.5 Transport with motorcycles, passenger cars, and light commercial vehicles

No reportable revenue is generated from transport with motorcycles, passenger cars, and light commercial vehicles. The CapEx recorded as taxonomy-eligible for this activity amounted to €1 million in the fiscal year. The taxonomy-eligible OpEx incurred in the reporting year also amounted to €1 million. The technical screening criteria for taxonomy alignment were not fully met in fiscal year 2025.

6.18 Leasing of aircraft

For fiscal year 2025, the taxonomy-eligible figures associated with engine leasing were 2% (€210 million) revenue, 18% (€156 million) CapEx, and 1% (€3 million) OpEx. Despite corresponding efforts to obtain the necessary evidence for a review of taxonomy alignment, the technical screening criteria for this economic activity could not be fully met for fiscal year 2025.

7.2 Renovation of existing buildings
No reportable revenue is generated from the implementation of building maintenance actions. The CapEx recorded as taxonomy-eligible for this economic activity amounted to €10 million (1% of total CapEx) in the fiscal year. The OpEx for the taxonomy-eligible building maintenance actions recorded in the reporting year amounted to €5 million (or 1% of total OpEx). The technical screening criteria required for taxonomy alignment were not fully met in fiscal year 2025.

7.3 Installation, maintenance, and repair of energy efficiency equipment
No reportable revenue was generated from the installation, maintenance, or repair of energy efficiency equipment. The material OpEx for the taxonomy-eligible actions recorded in this area amounted to €1 million, and CapEx amounted to €2 million in the reporting year. This includes actions such as exchanging old light sources for more energy-efficient LED light sources in buildings and production and maintenance halls. The technical screening criteria required for taxonomy alignment were not fully met in fiscal year 2025.

7.5 Installation, maintenance, and repair of devices for measuring, regulating, and controlling the energy performance of buildings
No reportable revenue was generated or material CapEx spent on the installation, maintenance, or repair of equipment. The taxonomy-eligible OpEx incurred in the reporting year amounted to €1 million. The technical screening criteria for taxonomy alignment were not fully met in fiscal year 2025.

7.6 Installation, maintenance, and repair of technologies for renewable energy
No reportable revenue was generated or material OpEx spent on the installation, maintenance, or repair of technologies for renewable energy. In fiscal year 2025, the CapEx recorded as taxonomy-eligible for this activity came to €2 million, and the technical screening criteria for taxonomy alignment were met for the total CapEx amount.

7.7 Acquisition and ownership of buildings
The acquisition and ownership of buildings is not an activity that impacts MTU's revenue. The reported taxonomy-eligible CapEx amounted to €64 million in the reporting year and was therefore 7% of MTU's total capital expenditures. Taxonomy alignment was established for some of the new buildings. This involved checking the primary energy requirements and compliance with the criteria for energy-efficient building operation, among other things. The taxonomy-aligned CapEx amounted to €32 million in fiscal year 2025 and was therefore 4% of MTU's total capital expenditures. The taxonomy-eligible OpEx for the buildings recognized in the reporting year was €4 million (1% of total OpEx) in the Group.

8.1 Data processing, hosting, and related activities
As these are internal activities, no reportable revenue is generated in this economic activity. The taxonomy-eligible CapEx associated with this activity for the 2025 fiscal year was 1% (€9 million), and the taxonomy-eligible OpEx amounted to €1 million.

Taxonomy alignment was not achieved for fiscal year 2025 as the requirement for a substantial contribution to climate change mitigation was not met.

9.1 Close-to-market research, development, and innovation
As part of MTU's capital expenditure plans, which are intended to lead to a reduction in GHG emissions and thus to an expansion of the taxonomy-aligned economic activity 3.21 Manufacturing of aircraft, the taxonomy-aligned CapEx for 2025 resulting from economic activity 9.1 Close-to-market research, development, and innovation amounted to €3 million. The taxonomy-aligned OpEx for research and development allocated to activity 9.1 Close-to-market research, development, and innovation was €49 million in the 2025 fiscal year and thus represents 15% of operating expenditures. This portion consists of non-capitalized research and development expenses in connection with MTU's research activities on new engine technologies in accordance with capital expenditure plans.

No significant impairment of the other EU environmental objectives ("DNSH")

For the activities that can be identified as taxonomy-aligned with regard to the environmental objective of climate change mitigation, the evidence below demonstrates that there is no significant harm of the five other environmental objectives:

Climate change adaptation

A climate risk analysis was carried out to ensure achievement of the environmental goal of climate change adaptation. In 2025, the physical climate risk analysis for assessing climate-related risks was updated and extended to other sites and value-added steps. The analysis was carried out for the MTU Group, taking into account all companies under operational control as well as relevant locations of business partners and activities in the downstream value chain. The analysis was based on climate projections from climate models derived from the latest Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) (see the section headed *Description of the double materiality assessment process in relation to E1 – Climate change in the chapter Description of the process to identify and assess material impacts, risks and opportunities)*.

Sustainable use and protection of water and marine resources

For compliance with the requirements for the sustainable use and protection of water and marine resources in accordance with European regulations and directives, the mandatory implementation of the requirements of the European Water Framework Directive is of central importance, both for new water permits to be obtained and, if necessary, for existing permits. This is taken into account by means of internal processes and regulations. Environmental aspects and water-polluting issues are analyzed annually via the EU Eco-Management and Audit Scheme (EMAS). Particularly in the case of structural extensions to the production and maintenance areas, MTU checks whether an environmental impact assessment is required in accordance with legal requirements and, if necessary, carries out such an assessment.

Transition to a circular economy

In the area of circular economy, MTU has established processes for the reuse of components and the use of secondary raw materials as part of its OEM and MRO activities, which contributes to the fulfillment of the aviation-specific criteria of economic activity 3.21. There are also procedures for tracing the materials used. The product design, which is geared toward high durability—due to the requirements of aviation and the MRO business—further extends the service life of components. Simple disassembly is guaranteed in MRO as well. In addition, many of the metal alloys used are fully recyclable. Further details on the recyclability of the materials used can be found in under *Resource outflows (E5-5)*.

Pollution prevention and control

This DNSH criterion refers to Appendix C of the Taxonomy Regulation and stipulates that substances listed in EU chemicals regulations and directives (e.g. REACH and RoHs regulations) must not be manufactured, placed on the market, or used. It should be ensured that internal processes and guidelines comply with these requirements and are regularly reviewed.

In addition to the requirements in Appendix C, the applicable regulatory requirements for noise and engine emissions are also complied with as part of the alignment of economic activity 3.21.

Protection and restoration of biodiversity and ecosystems

Compliance with the protection and restoration of biodiversity and ecosystems should be ensured in accordance with European regulations and directives. For example, MTU conducts preliminary reviews to determine whether an environmental impact assessment (EIA) is required and carries out subsequent EIAs pursuant to the German Environmental Impact Assessment Act (UVPG) on a project-by-project basis in accordance with legal requirements.

Fulfillment of minimum safeguards

Compliance with minimum safeguards in accordance with OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO core labor standards, and the International Bill of Human Rights is ensured by means of established guidelines and processes at the corporate level. In line with the minimum safeguards, MTU takes into account issues of human rights, corruption and bribery, fair competition, and taxation, as well as science, technology, and innovation. The Code of Conduct, the Policy Statement on the Protection of Human Rights, the Supplier Code of Conduct, and other internal guidelines lay the foundations for compliance with these rights. This is ensured and monitored through risk analyses, grievance mechanisms, and other actions, as well as through MTU's risk management (see *Policies related to own workforce (S1-1)* and *Policies related to value chain workers (S2-1)*).

Taxonomy alignment KPIs for fiscal year 2025

The disclosure of taxonomy-eligible and taxonomy-aligned revenue, capital expenditures (CapEx), and operating expenditures (OpEx) as a proportion of the respective total amounts for the MTU Group for fiscal year 2025 is based on a full analysis of the Group's business activities.

The table below shows the results of the KPI calculation:

EU Taxonomy KPIs

Percentages	Taxonomy-aligned	Taxonomy-eligible, but not aligned	Taxonomy non-eligible
Revenue	19	76	5
CapEx	15	69	16
OpEx	24	59	17

Derivation of the taxonomy KPIs

The amounts used to calculate the revenue KPIs, capital expenditures (CapEx), and operating expenditures (OpEx) are based on the corresponding figures reported in the consolidated financial statements. In accordance with Section 315e (1) HGB, the consolidated financial statements of MTU as of December 31, 2025 have been drawn up using the IFRSs. All fully consolidated Group companies are included in the calculation. The disclosure of taxonomy-eligible and taxonomy-aligned revenue, capital expenditures (CapEx), and operating expenditures (OpEx) as a proportion of the respective total amounts for the MTU Group for fiscal year 2025 is based on a full analysis of the Group's business activities. If taxonomy-aligned CapEx and OpEx (which correspond to economic activities 3.21 Manufacturing of aircraft and 6.18 Leasing of aircraft) cannot be allocated to just one engine, allocation keys are used. The data basis for the allocation keys used is the respective proportion attributable to taxonomy-aligned revenue.

Revenue

The revenue KPIs comprise revenue from taxonomy-eligible or taxonomy-aligned economic activities as a proportion of total revenue in the relevant fiscal year. The basis for calculating the revenue KPIs is the net revenue from contracts with customers (IFRS 15) and from leases (IFRS 16), technology funding grants (IAS 20) as well as other support services and exchange-rate effects on revenue.

The denominator used to calculate the revenue KPIs is the total revenue of the relevant fiscal year and can be found in the *consolidated income statement*. This is examined across all Group companies to identify whether it was generated by taxonomy-eligible or taxonomy-aligned economic activities as defined in the annexes to Delegated Regulation 2021/2139 and Delegated Regulation 2023/2486 of the Taxonomy Regulation.

The numerator of the taxonomy-aligned revenue to be taken into account in accordance with the Taxonomy is composed of the following:

Quantitative breakdown of the taxonomy-aligned revenue numerator

in € million	Contracts with customers	Leasing transactions	Technology funding grants	Other revenue	Sum
Total	**1,677**				**1,677**

CapEx KPI

The CapEx KPIs indicate the proportion of capital expenditures that relates either to assets or processes associated with a taxonomy-eligible and taxonomy-aligned economic activity, that is part of a CapEx plan to expand a sustainable economic activity, or that relates to the purchase of products or services from a taxonomy-eligible and taxonomy-aligned economic activity.

The basis for calculating capital expenditures comprises additions to property, plant, and equipment and to intangible assets in the fiscal year under review, before depreciation and amortization and before any remeasurements. Capitalized program assets and program-independent technologies are reported under intangible assets. Capital expenditures also include additions to property, plant, and equipment and to intangible assets resulting from business combinations (application of IFRS [IAS 16, 38, 40, IFRS 16] and national accounting policies). Acquired goodwill is not taken into account. The capital expenditures for the respective fiscal year can be found in the changes in intangible assets, goodwill, and property, plant, and equipment under *Changes in nonfinancial assets – purchase and production costs 2025*.

CapEx Plan

At MTU, taxonomy-aligned capital expenditures aimed at leading to a reduction in GHG emissions and an expansion of taxonomy-aligned economic activities are currently attributable to research and development activities on new engine technologies in accordance with capital expenditure plans. The capital expenditure plans comprise capital expenditures and non-capitalizable operating expenditures that aim to expand taxonomy-aligned economic activities.

MTU's current understanding of the EU Taxonomy is that capital expenditure plans can be disclosed if the research and development plans are comprised almost entirely of operating expenditures (OpEx), which are disclosed under the OpEx KPI.

Different approaches are applied here for product-related development of established engine technologies and research work on new engine technologies. CapEx and OpEx are allocated to an economic activity depending on the engine; both types of expenditure on the further development of existing engine technologies are allocated to economic activity 3.21 Manufacture of aircraft in accordance with the sales activity for which development work is performed. CapEx and OpEx for research on new engine technologies are allocated to economic activity 9.1 Close-to-market research, development, and innovation and serve to extend taxonomy-eligible and taxonomy-aligned economic activities. These are various research projects that MTU expects to further expand taxonomy alignment within the next five to eight years in accordance with economic activity 9.1 Close-to-market research, development, and innovation. The time from the start of engine development to certification is approximately 7 years. The planning horizon for the relevant research projects corresponds to the customary development cycle for aviation technology.

The numerator of the taxonomy-aligned capital expenditures to be taken into account in accordance with the EU Taxonomy is composed of the following:

Quantitative breakdown of the taxonomy-aligned CapEx numerator by economic activity

Activity in € million	Property, plant and equipment	Intangible assets	Right-of-use assets	Sum	of which acquired through business combinations	of which part of a CapEx plan
3.21	30	49	0	**79**		
4.22	9			**9**		
7.6	2			**2**		
7.7	32			**32**		
9.1	3			**3**		3
Total	**77**	**49**	**0**	**126**		

OpEx KPI

The OpEx KPIs indicate the proportion of operating expenditures that relate either to assets or processes associated with a taxonomy-eligible and taxonomy-aligned economic activity, that is part of a CapEx plan to expand a sustainable economic activity, or that relates to the purchase of products or services from such activity.

The basis for calculating operating expenditures comprises direct, non-capitalized research and development expenses, renovation of buildings, short-term leases, maintenance, and all other direct expenditures relating to day-to-day servicing of property, plant, and equipment by the company or third parties that are necessary to ensure the continued and effective use of such assets.

The denominator is derived from the sum of the costs listed above by means of a detailed analysis of relevant accounts and cost centers.

The numerator of the OpEx KPI corresponds to the part of the operating expenditures included in the denominator that relates to assets or processes associated with taxonomy-eligible or taxonomy-aligned economic activities as per the underlying annexes to the Taxonomy Regulation.

The taxonomy-aligned numerator for calculating the OpEx KPI is determined as follows:

Quantitative breakdown of the taxonomy-aligned OpEx numerator

in € million	Maintenance	Short-term leases	Building renovation measures	Research and development	Other direct expenditures	Sum
Total	**16**	**0**	**0**	**61**		**77**

In the calculation of the above KPIs, double counting of economic activities was avoided by applying various controls, including the documentation of data generation and ensuring that the data could be reconciled with other financial information.

Template 1: Proportion of revenue, CapEx, and OpEx from products or services associated with taxonomy-eligible or taxonomy-aligned economic activities – disclosure covering year 2025 (summary KPIs)

Fiscal year 2025

					Breakdown of taxonomy-aligned activities by environmental objective										
KPI	Overall	Share of taxonomy-eligible activities	Taxonomy-aligned activities	Share of taxonomy-aligned activities	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Share of enabling activities	Share of transitional activities	Non-evaluated non-material activities	Taxonomy-aligned activities in fiscal year 2024	Share of taxonomy-aligned activities in fiscal year 2024
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	in € million	%	in € million	%	%	%	%	%	%	%	%	%	%	in € million	%
Revenue	8,763	95	1,677	19	19							19		1,151	16
CapEx	865	84	126	15	15						1	9		137	17
OpEx	322	83	77	24	24						15	9		63	22

The following table shows the extent of taxonomy eligibility and taxonomy alignment for revenue for each environmental objective:

Template 2: Proportion of revenue from products or services associated with taxonomy-eligible or taxonomy-aligned economic activities – disclosure covering year 2025 (broken down by activity)

Reported KPI (revenue)
Fiscal year 2025

					Environmental objective of taxonomy-aligned activities								
Economic activities	Code	Taxonomy-eligible KPI (share of taxonomy-eligible revenue)	Taxonomy-aligned KPI (monetary value of revenue)	Taxonomy-aligned KPI (share of taxonomy-aligned revenue)	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Enabling activity	Transitional activity	Taxonomy-aligned share of taxonomy-eligible activities
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
		%	in € million	%	%	%	%	%	%	%	(If needed, E)	(If needed, T)	%
Manufacturing of aircraft	CCM 3.21	93	1,677	19	19							T	20
Leasing of aircraft	CCM 6.18	2										T	
Sum of alignment by target					**19**								
Total KPI value (revenue)		**95**	**1,677**	**19**	**19**							**19**	**20**

The following table shows the extent of taxonomy eligibility and taxonomy alignment for CapEx for each environmental objective:

Template 2: Proportion of CapEx from products or services associated with taxonomy-eligible or taxonomy-aligned economic activities – disclosure covering year 2025 (broken down by activity)

Reported KPI (CapEx)
Fiscal year 2025

Economic activities	Code	Taxonomy-eligible KPI (proportion of taxonomy-eligible CapEx)	Taxonomy-aligned KPI (monetary value of CapEx)	Taxonomy-aligned KPI (proportion of taxonomy-aligned CapEx)	Environmental objective of taxonomy-aligned activities						Enabling activity	Transitional activity	Taxonomy-aligned share of taxonomy-eligible activities
					Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
		%	in € million	%	%	%	%	%	%	%	(If needed, E)	(If needed, T)	%
Manufacturing of aircraft	CCM 3.21	54	79	9	9							T	17
Production of heat/cool from geothermal energy	CCM 4.22	1	9	1	1								100
Transport with motorcycles, passenger cars, and light commercial vehicles	CCM 6.5	0										T	
Leasing of aircraft	CCM 6.18	18										T	
Renovation of existing buildings	CCM 7.2 / CE 3.2	1										T	
Installation, maintenance, and repair of energy efficiency equipment	CCM 7.3	0									E		
Installation, maintenance, and repair of technologies for renewable energy	CCM 7.6	0	2	0	0						E		100
Acquisition and ownership of buildings	CCM 7.7	7	32	4	4								57
Data processing, hosting, and related activities	CCM 8.1	1										T	
Close to market research, development and innovation	CCM 9.1	0	3	0	0						E		100
Sum of alignment by target					**15**								
Total KPI value (CapEx)		**84**	**126**	**15**	**15**						**1**	**9**	**18**

The following table shows the extent of taxonomy eligibility and taxonomy alignment for OpEx for each environmental objective:

Template 2: Proportion of OpEx from products or services associated with taxonomy-eligible or taxonomy-aligned economic activities – disclosure covering year 2025 (broken down by activity)

Reported KPI (OpEx)
Fiscal year 2025

					Environmental objective of taxonomy-aligned activities								
Economic activities	Code	Taxonomy-eligible KPI (proportion of taxonomy-eligible OpEx)	Taxonomy-aligned KPI (monetary value of OpEx)	Taxonomy-aligned KPI (proportion of taxonomy-aligned OpEx)	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Enabling activity	Transitional activity	Taxonomy-aligned share of taxonomy-eligible activities
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
		%	in € million	%	%	%	%	%	%	%	(If needed, E)	(If needed, T)	%
Manufacturing of aircraft	CCM 3.21	63	28	9	9							T	14
Production of heat/cool from geothermal energy	CCM 4.22	0	0	0	0								100
Transport with motorcycles, passenger cars, and light commercial vehicles	CCM 6.5	0										T	
Leasing of aircraft	CCM 6.18	1										T	
Renovation of existing buildings	CCM 7.2 / CE 3.2	1										T	
Installation, maintenance, and repair of energy efficiency equipment	CCM 7.3	0									E		
Installation, maintenance, and repair of devices for measuring, regulating, and controlling the energy performance of buildings	CCM 7.5	0									E		
Acquisition and ownership of buildings	CCM 7.7	1											
Data processing, hosting, and related activities	CCM 8.1	0										T	
Close to market research, development and innovation	CCM 9.1	15	49	15	15						E		100
Sum of alignment by target					**24**								
Total KPI value (OpEx)		**83**	**77**	**24**	**24**						**15**	**9**	**29**

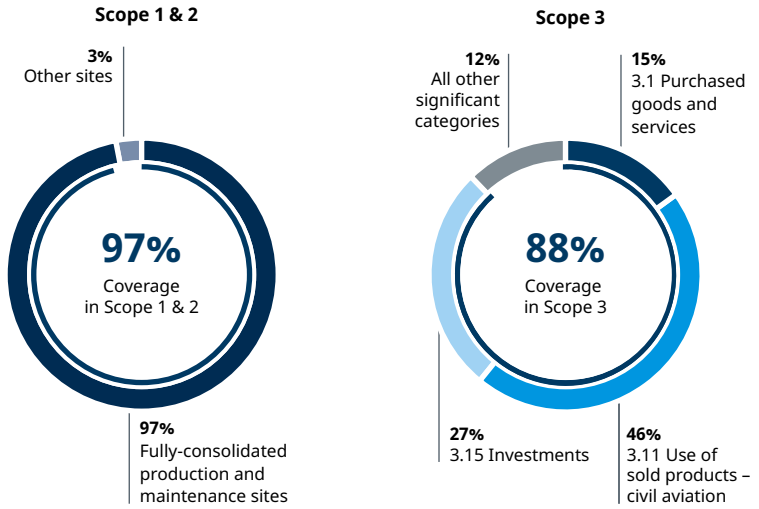
Climate change (E1)

Transition plan for climate change mitigation (E1-1)

MTU's long-term mission statement is to focus on a sustainable future with the aim of continuously reducing emissions. "Together green" is embedded as a principle and represents the aspiration to implement climate action and environmental protection jointly throughout the company. MTU sees climate action as a central component of its corporate strategy and as a prerequisite for the long-term competitiveness of the aviation industry. MTU's transition plan follows the levers Reduce, Shift, Remove, and Enable and is based on three central programs that are continuously being developed to achieve the goals:

- ecoRoadmap: GHG reduction at all fully consolidated production and maintenance sites (Scope 1 and 2)
- Claire technology agenda: Development of sustainable propulsion concepts (Scope 3.11, commercial aviation)
- ecoTransition: Improvement of data transparency and development of actions along the entire value chain (in particular Scope 3.1 and Scope 3.15)

Coverage of emissions by the central programs



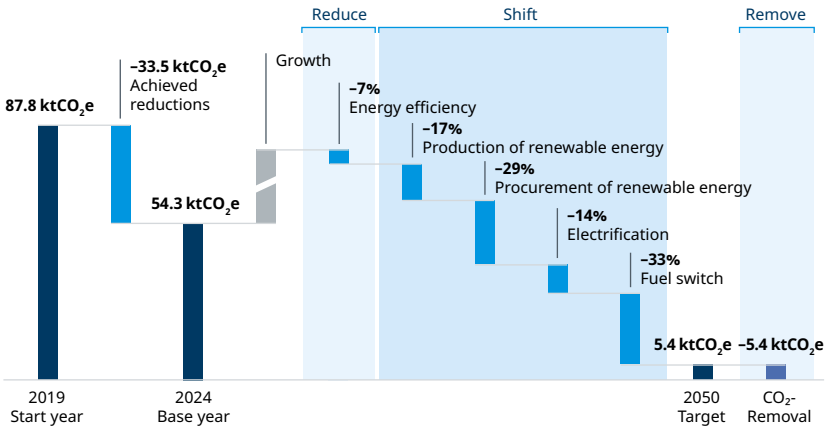
Consideration of emissions in the ecoRoadmap programs (Scope 1 and 2, location-based), Claire technology agenda (Scope 3.11, commercial aviation), and ecoTransition (in particular Scope 3.1 and 3.15)

Climate change mitigation in MTU's own business operations

With its ecoRoadmap, MTU aims to permanently reduce the use of fossil fuels and greenhouse gas emissions at its own production and maintenance sites. The previous target of reducing Scope 1 and market-based Scope 2 emissions by 60% by 2030 compared to the base year 2019 had already led to a 42.2% reduction in emissions by 2024. The target was updated in the 2025 reporting year: By 2035, Scope 1 and market-based Scope 2 emissions are to be reduced by 63% compared to the new base year of 2024, and reduced by 90% by 2050. Unavoidable remaining emissions are to be offset by permanent CO_2 removal and storage solutions. The new base year 2024 was chosen to cover the integration of the MTU maintenance site in Fort Worth, which has been fully consolidated since the end of 2024, into the target architecture. When setting its Scope 1 and 2 targets, MTU was guided by the European Green Deal and the underlying objective of the Paris Agreement, which aims to limit global warming to 1.5°C.

The production and maintenance of engines results in high energy consumption and associated GHG emissions at MTU's own sites. To achieve the GHG emission reduction targets, the following decarbonization actions in particular were identified in MTU's own operational processes:

ecoRoadmap reduction path



ecoRoadmap reduction path Scope 1 and market-related Scope 2 emissions [$ktCO_2e$]. The distribution of decarbonization levers shown is based on current planning assumptions and may change depending on business development and technological implementation.

Reduction levers as part of the ecoRoadmap Scope 1 and 2

Reduce	Increase energy efficiency	Through process optimization, the use of energy-efficient technologies and the ongoing modernization of production and maintenance facilities, MTU aims to sustainably reduce energy consumption and the associated CO_2e emissions at its own sites.
Shift	Generate and purchase renewable energy	MTU is gradually switching to renewable energy sources, including sourcing renewable energy for its operations and increasing self-generated renewable energy through, for example, the installation of photovoltaic (PV) systems and the utilization of geothermal energy.
	Electrify facilities and vehicles	Using electric heat pumps for heating and hot water applications reduces the need for fossil fuels in buildings. In addition, the vehicle fleet is gradually being converted to electric vehicles in order to reduce CO_2 emissions from company vehicles.
	Change fuel used on test stands	Another key component of the ecoRoadmap is the targeted fuel switch to sustainable alternatives such as sustainable aviation fuel (SAF) during test runs on MTU test stands. MTU promotes the use of SAF to reduce CO_2 emissions compared to those produced by conventional fossil fuels.
Remove	Offset remaining emissions	To stay on the 1.5°C climate path in Scope 1 and 2, MTU is investigating ways of offsetting unavoidable remaining emissions through permanent CO_2 removal and storage solutions.
Enable	Expand low-emission and climate-resilient sites	For new buildings and major renovations, locked-in GHG emissions are taken into account and minimized through low-emission construction methods and energy-efficient supply concepts. In addition, climate change adaptation actions are being implemented to increase the resilience of the site to climate-related risks.

In the 2025 reporting year, MTU reached a significant milestone in the expansion of a climate-friendly energy supply: The deep geothermal plant was successfully commissioned at the Munich site. Once all expansion stages have been completed, this plant will use renewable energy to cover up to 80% of heating requirements, thus helping to permanently reduce CO_2 emissions at MTU's largest production site. By successfully implementing this action, MTU is making a substantial contribution to achieving its climate action targets while also supporting the City of Munich's climate strategy.

MTU identified locked-in GHG emissions in its production buildings. Actions to reduce emissions at these buildings in parallel with the operating business are associated with technical and logistical challenges. For this reason, actions cannot always be implemented in the short term but require more planning and a longer lead time. To reduce the risk of not being able to meet its reduction target, MTU updates the

ecoRoadmap action plan every year and steers toward the respective improvements by prioritizing actions.

One challenge is to reduce the GHG emissions released by the consumption of kerosene at the research and development test stands and through maintenance. MTU therefore supports the use of SAF in the needed test operation of the engines. The emissions from the test stands involve potential locked-in GHG emissions. This fuel switch is highly dependent on actual market availability and is therefore a reduction lever that will become increasingly important for a long-term target.

In addition to the ongoing development of CO_2 reduction actions as part of its own operations, MTU is also focusing on the development of efficient propulsion concepts in the use phase of MTU products.

Climate change mitigation in upstream and downstream business activities

Innovation and technology are key components of MTU's strategy. The company has been working on new propulsion technologies for decades, thus actively helping shape the future of aviation. The aviation industry is facing particular challenges: Growing global demand for mobility, limited natural resources, and the worsening climate problem require sustainable solutions for the propulsion concepts of tomorrow. To achieve the goals of the Paris Agreement and the European Green Deal, future aircraft and engines must become much more economical and have their emissions reduced.

Aviation is one of the sectors in which climate-friendly solutions are particularly challenging to implement. Long product cycles of more than 20 years between the introduction of two generations of engines and usage cycles of a further 25 years mean that new technologies penetrate the market only over the long term. In addition, the rigorous demands of commercial aviation for high performance combined with low weight mean that many energy storage and propulsion system variants have to be ruled out as possible alternatives due to insufficient energy or power density.

Against this backdrop, MTU is pursuing a technologically and economically realistic transformation path to increase aviation's role in cutting global emissions and to lay the foundation for climate-neutral engines of the future.

In keeping with the MTU Claire technology agenda, which it updated in 2025, MTU is pursuing a time horizon up to 2050 and beyond in order to make a substantial contribution to reducing the climate impact of commercial aviation.

Claire (Clean Air Engine) technology agenda: Reduction of product-related climate impact at the engine level per standard mission (typical reference flight)

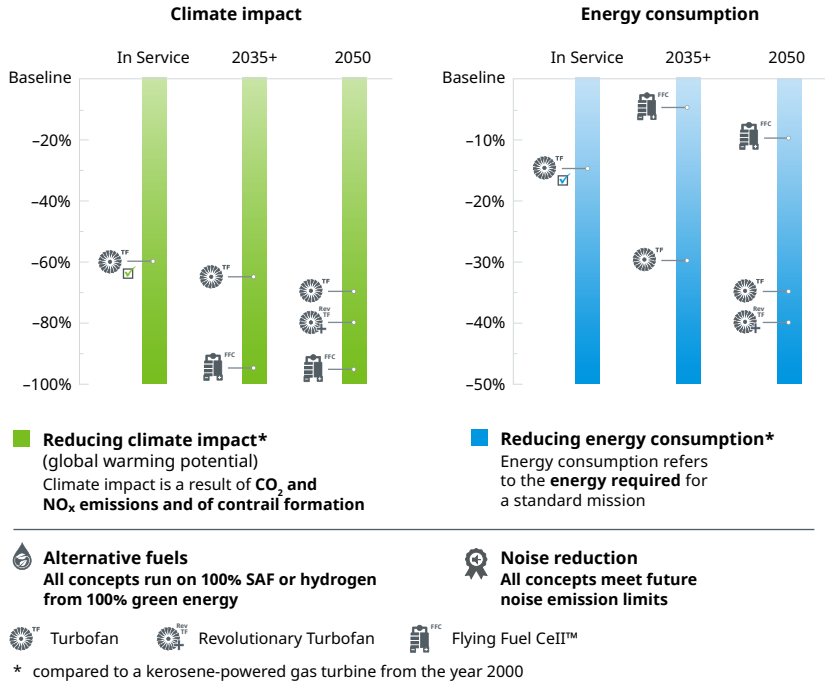
With the Claire technology agenda, MTU is defining progress steps for increasing the efficiency of future propulsion concepts in order to significantly reduce fuel consumption and the associated CO_2 emissions. In addition, Claire addresses the reduction of overall climate impact, which in addition to CO_2 also includes non-CO_2 effects caused in particular by contrails and nitrogen oxide emissions (NO_x). The focus here is on further developments in turbofan technology and the Flying Fuel Cell™ (FFC). This takes place in three steps:

Step 1: The transition has already begun with the geared turbofan (Pratt & Whitney GTF™ engine), which has been in operation since 2016 and, thanks to its transmission architecture, is already achieving fuel savings of 16% compared to its predecessor models. Especially in combination with sustainable aviation fuels, the GTF can reduce climate impact significantly.

Step 2: In the mid-2030s, MTU plans to launch the next generation of the GTF (TF) with additional efficiency gains together with its partners to further reduce CO_2 emissions and minimize non-CO_2 effects with advanced combustor technologies. As an alternative propulsion concept, the Flying Fuel Cell™ generates electrical energy from hydrogen and oxygen and emits no other emissions with a climate impact apart from water.

Step 3: By 2050, further increases in the efficiency of MTU propulsion technologies will help reduce emissions even further. In addition, the revolutionary turbofan (RevTF) has the potential to further reduce climate impact through innovative technologies. An additional goal is to introduce the Flying Fuel Cell™ for short- and medium-haul flights.

Progress steps for product-related climate impact per standard mission



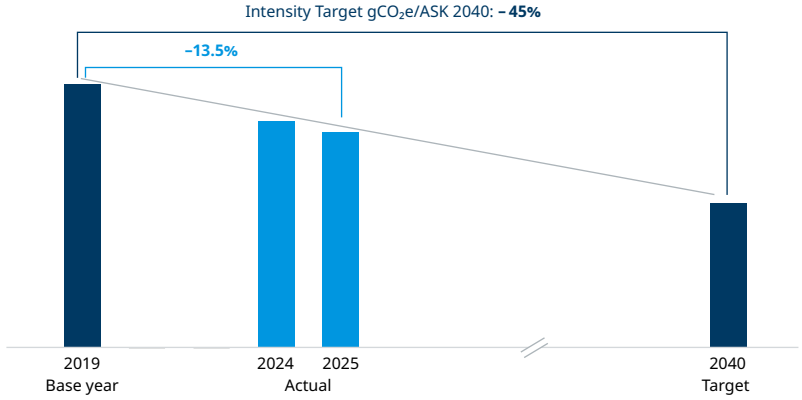
Progress steps for product-related climate impact, including CO_2 and non-CO_2 effects, the use of alternative fuels, and the reduction of energy-related consumption at the engine level – in each case in relation to a standard mission and compared to a kerosene-powered gas turbine engine from the year 2000

MTU is a manufacturer of engine components, in particular high-pressure compressors, low-pressure turbines, and turbine center frames. The sale and use of these products generates significant greenhouse gas emissions over their entire service life. These are recorded in accordance with the Greenhouse Gas Protocol (GHG Protocol) in Scope 3.11 "Use of sold products" and represent the largest share of MTU's company-related emissions. Reducing these emissions is therefore a central component of MTU's transition plan.

However, this reduction depends not only on the technological performance of the MTU components, but also on external factors: As engines are generally developed and produced in international partnerships, any improvement also depends on the efficiency and climate impact of partner companies' technologies. The timing of the widespread commissioning of new propulsion concepts is also linked to customer acceptance and demand. And while the Claire technology agenda envisages 100% use of SAF in the future, actual availability on the market has so far developed only gradually.

To monitor, control, and systematically reduce the emissions generated during the use phase of the engine components sold each year, MTU has set itself the goal of reducing CO_2 emissions per available seat kilometer (ASK) by 45% by 2040 compared to the base year 2019.

Intensity target Scope 3.11 Emissions – Use of sold product components [%]



Scope 3.11 intensity target: Percentage reduction in emissions per available seat kilometer (gCO_2e/ASK) from the use of commercial OEM products sold in the narrowbody and widebody segments, taking into account technological improvements and a progressively higher SAF share over the coming years

The goal is supported by the evolutionary development of the turbofan (see Claire technology agenda) and its introduction into the fleet by reducing CO_2 emissions (Reduce) and takes into account a gradual increase in the share of SAF (Shift) over the engines' entire service life. This is based on the F2 Fuel Scenario outlined as part of the Long-term Aspirational Goal (LTAG) analysis of the International Civil Aviation

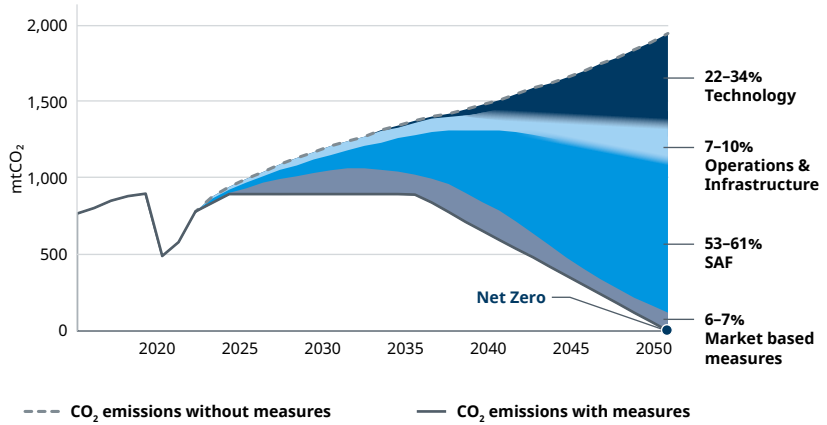
Organization (ICAO) and takes into account an assumed time delay in the ramp-up of SAF.

MTU is also working on revolutionary propulsion concepts, such as the Flying Fuel Cell, which should enable CO_2-free use in the long term.

To realize the industry's ambitions, a considerable increase in the availability of SAF is urgently required. The use of engines with MTU components is currently associated with locked-in emissions. For this reason, MTU is committed to SAF—a key bridging technology on the path toward low-CO_2 air traffic (Enable). MTU is doing its part to ensure that this potential is harnessed for aviation. It is an active member of the Aviation Initiative for Renewable Energy in Germany (aireg e. V.) and is involved in research projects on the compatibility and performance of SAF in existing engine architectures. MTU is conducting extensive tests to investigate the impacts of these alternative fuels on the performance, operating behavior, and emissions of the engines.

With these levers, MTU not only reduces emissions from the use of sold products, but also supports the commercial aviation industry's net zero goal of continuously reducing annual emissions by 2050.

Net zero goal of the commercial aviation industry by 2050



Commercial aviation aims to achieve net zero by 2050: annual CO_2 emissions (Scope 1) of the aviation industry in Scenario 1 "Pushing technology and operations" and Scenario 3 "Aspirational and aggressive technology perspective" from the Waypoint 2050 report, 2nd edition, September 2021, of the Air Transport Action Group

MTU is also actively involved in assessing and understanding the impact of effects unrelated to CO_2 (Enable) as part of its industry responsibility. It addresses these climate effects in research collaborations with the German Aerospace Center (DLR) and other partners. In addition, it also evaluates the use of SAF, which produce significantly less soot particles than fossil fuels and thus result in a lower climate impact of contrails, for these climate effects. MTU incorporates the results of this research into the further development of its Claire technology agenda and supports the development of propulsion concepts that reduce both CO_2 emissions and non-CO_2 effects in the long term.

In addition to the significant Scope 3 category "Use of sold products", high emissions are also generated in the Scope 3.1 category "Purchased goods and services," in particular from the production of engine components and the maintenance and repair of engines. As MTU has investments in companies that also operate in the energy-intensive aviation sector, GHG emissions also arise outside MTU's own operations in the Scope 3.15 category "Investments."

By 2028, MTU plans to increase the proportion of weight-based and/or supplier-specific data in Scope 3.1 to 70%, and aims to increase the proportion of investment-specific data in Scope 3.15 to 50%—in each case starting from the base year 2024.

This process is supported by MTU's ecoTransition initiative, which brings together experts from procurement, engineering, sustainability management, strategy, and climate and environmental protection to develop cross-divisional methods. The ecoTransition team reports regularly to the company-wide Climate Transition Board, which is embedded in MTU's sustainability governance and addresses the operational implementation of the climate strategy to the respective divisions.

Capital expenditures and financial resources to support the implementation of the transition plan

With its R&D activities, MTU is actively promoting low-emission aviation while investing in the future of its business model at the same time. MTU has set itself the goal of using a total of 80% of its self-financed technology investments by 2030 for the technological development of products with improved environmental performance. The company is thus aiming to ensure that its research and development resources have a consistent impact on the transformation toward lower-emission and more climate-friendly propulsion technologies.

In 2025, the focus of R&D activities contributing to MTU's transition plan was on developing the technology for an even more efficient next-generation geared turbofan and the Flying Fuel Cell. These capital expenditures and financing support the technology development of sustainable propulsion concepts, as set out in MTU's Claire technology agenda. Furthermore, these are partially related to taxonomy-aligned OpEx and CapEx from MTU's CapEx plan under activity 9.1 Close-to-market research, development, and innovation, as required by Delegated Regulation (EU) 2021/2178. The total capital and operating expenditures of this CapEx plan amounted to around €52 million in 2025 (2024: €49 million). Further information on the CapEx plan can be found under *Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)*. The further development of the GTF also results in taxonomy-aligned capital expenditures under economic activity 3.21 Manufacturing of aircraft.

In 2025, MTU also invested in self-generation of renewable energy, energy-efficiency actions, and the purchase of renewable energy as part of the company's climate strategy. These capital expenditures also contribute to MTU's transition plan and are largely reflected in the taxonomy-aligned CapEx of economic activity 4.22 Production of heat/cool from geothermal energy.

The taxonomy-aligned capital expenditures in 2025 contributing to MTU's transition plan for climate change mitigation are shown in the table below. The calculation of capital expenditures and financial resources in sustainable propulsion concepts was adjusted in the 2025 reporting year. The engine programs considered for this purpose now fully include all sustainable and lower-emission engines currently available on the market that comply with the ICAO standard for CO_2 emissions in accordance with ICAO Annex 16, Volume III and thus make a positive contribution to the implementation of the transition plan. The values reported for 2024 were recalculated accordingly. Compared to the previous year, the modified calculation methodology leads to deviations both in the total of taxonomy-aligned CapEx with a contribution to the transition plan for economic activity 3.21 and in the total amount of financial resources for the implementation of the actions.

Taxonomy-aligned CapEx in € million

Economic activities	2025	2024
3.21 Manufacturing of aircraft	46	34[1)]
4.22 Production of heat/cool from geothermal energy	9	17
7.6 Installation, maintenance, and repair of technologies for renewable energy	2	
9.1 Close-to-market research, development, and innovation	3	9

[1)] Compared to the figure for the 2024 fiscal year that was reported last year, the methodological adjustment described results in an increase of €19 million.

In total, MTU's financial resources for the implementation of actions as part of its transition plan amounted to €158 million in 2025 (2024: €167 million). Compared to the figure for the 2024 fiscal year that was reported last year, the methodological adjustment described results in an increase of €52 million. The sum of financial resources is attributable to the implementation of energy efficiency actions and electrification, especially through the use of heat pumps, at MTU's consolidated sites as well as the actions already mentioned, such as research and development and self-generation of renewable energy. More details on actions in connection with MTU's climate change policies are set out in *Actions and resources in relation to climate change policies (E1-3)*.

MTU is working to adapt its economic activities in accordance with the provisions of EU Regulation 2021/2139 in order to transition to a more sustainable economy. This includes investing in the research and development of climate-friendly engine technologies to contribute to the sustainability of the aviation industry, and investing in technologies to reduce fossil fuel consumption and GHG emissions. The company actively monitors capital expenditures and operating expenditures associated with the development of sustainable propulsion concepts through initiatives such as its Claire technology agenda and the ecoRoadmap to facilitate this transition. It also undertakes economic activities that are related to climate change mitigation and meet the criteria of the EU Taxonomy Regulation. MTU endeavors to continuously adapt its economic activities to the criteria of the Regulation, but did not set any specific targets for adaptations in the reporting year.

The continuous development and improvement of production for a low-carbon economy is part of MTU's business strategy and is documented in the ecoRoadmap. With its Claire technology agenda, MTU is working intensively to reduce the climate impact and fuel consumption of aircraft engines in various phases. Thus, the transition plan is part of MTU's business strategy and financial planning.

The roadmaps and actions were approved by MTU's Executive Board.

MTU is not excluded from the EU Climate Transition Benchmarks aligned with the Paris Agreement, in accordance with the exclusion criteria specified in Article 12 paragraph 1 (d) to (g) and Article 12 paragraph 2 of Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Standards Regulation).

MTU already offers a product portfolio that promotes the transition to lower-emission and more resource-efficient air traffic through sustainable, lower-emission technologies and services.

MTU's revenue from sustainable, lower-emission engines that comply with the ICAO standard for CO_2 emissions from aircraft in accordance with ICAO Annex 16, Volume III amounted to 40% in 2025 (of which 10% in the OEM segment and 30% in the MRO segment):

Revenue from sustainable, lower-emission technologies and services[1)2)]

in € million	2025	%
Revenue[3)]	**8,763**	**100%**
Commercial and military engine business (OEM segment)	**2,837**	**32%**
Sustainable, lower-emission commercial engine business[4)]	900	10%
Other engine business[5)]	1,937	22 %
Commercial engine maintenance business[6)] (MRO segment)	**5,927**	**68%**
Of which maintenance of sustainable, lower-emission engines[4)]	2,637	30%
Other commercial engine maintenance business[5)]	3,291	38%

1) The information is provided with reference to the requirements of ESG ratings (e.g. MSCI, Sustainalytics), which are considered relevant frameworks for MTU.
2) In 2025, 19% of revenue is EU taxonomy-aligned (economic activity 3.21 Manufacturing of aircraft). This indicator is lower than the revenue from sustainable, lower-emission engines, as the EU taxonomy examines not only the contribution to climate change mitigation but also the impact on five other environmental objectives (DNSH criteria), which for activity 3.21 is currently available in full for only two MTU sites. In addition, the documents required for the EU taxonomy are not yet available for all relevant engines.
3) After consolidation
4) Engines with a certified metric CO_2 emission value that is below the limit as required by the ICAO standard for CO_2 emissions from aircraft (Annex 16, Volume III).
5) Covers e.g. industrial gas turbines, military engine business, and engines with CO_2 emissions above the required limit according to the ICAO standard.
6) By repairing, reusing, and recycling components, MTU avoids the extraction and processing of finite resources and the associated greenhouse gas emissions. MTU's activities in engine maintenance aim to realize lower-emission and more resource-efficient air traffic through their positive impact on resource utilization and engine efficiency.

Material impacts, risks and opportunities and their interaction with strategy and business model (E1 SBM-3)

In the reporting year, MTU conducted a resilience analysis for its own business operations and the downstream value chain in order to further assess climate-related physical risks and climate-related transition risks. The starting point for the resilience analysis was the climate risk and climate scenario analysis (see *Description of the process to identify and assess material impacts, risks and opportunities (IRO-1)*). As the climate risk analysis did not identify any material physical risks within MTU's activities or the upstream and downstream value chain, nor any material transition risks in the upstream value chain, the resilience analysis currently focuses on transition risks for MTU's own business operations and the downstream value chain.

The transition risks considered in the context of the climate scenario analysis include regulatory changes, market changes, technological advances and reputational impacts associated with the transition to a low-carbon economy, as well as increasing stakeholder demands. The identified risks and opportunities were assessed based on their potential impact on MTU's business model, financial performance, and strategic targets.

For the analysis of transition events described under *Description of the process to identify and assess material impacts, risks and opportunities (IRO-1)*, various internally developed transition scenarios as well as the NGFS's Net Zero 2050 scenario were used as a basis and the impact on MTU's business activities was assessed. The scenarios take into account the goal of limiting global warming to 1.5°C and thus achieving net zero CO_2 emissions by 2050. According to the NGFS scenario, this is achieved through strict climate policy that, in addition to technological innovations, implies the immediate implementation of ambitious climate change mitigation actions. The transition events under consideration include a rapid technology shift toward lower-emission options and the switch to climate-neutral fuels; the latter is also associated with the gradual introduction of minimum requirements for SAF (e.g. as part of the EU's ReFuelEU Aviation Initiative). Furthermore, the increasing price of GHG emissions, the growing expectations of external stakeholders, and partial flight and flight route restrictions were also included in the analysis.

Failure to achieve the climate targets was identified as a material transition risk, as this could worsen perceptions among external stakeholders and customers, damage the company's reputation in the long term and have negative financial effects. Other material risks arise from a possible decline in demand for air travel due to rising CO_2 costs and negative perceptions of conventional flying.

The time horizon of the resilience analysis was based on key international climate policy milestones and climate scenarios and covers a span of 15 years. GHG emission reduction targets were set for the years 2030, 2035, 2040, and 2050. To assess resilience, MTU's climate change mitigation activities and resources as embedded in the ecoRoadmap, Claire technology agenda, and the ecoTransition initiative were taken into account as risk mitigants. The resilience analysis helps to understand MTU's transition risks and supports decision-making under complex and uncertain conditions.

Uncertainties in the resilience analysis arise from the assumptions made about transition events that go beyond the currently foreseeable political agenda and can currently be modeled based solely on assumptions. These are reviewed annually and updated as part of the climate scenario and climate resilience analysis.

Adapting MTU's business model to the challenges of climate change is a key component of the corporate strategy. The main areas of action are the transition to climate-neutral aviation and the shift toward climate-neutral provision of products and services. MTU's resilience analysis showed that the introduction of its climate strategy, operationalized through the ecoRoadmap, Claire, and the ecoTransition, had already led to important actions being taken to mitigate climate change and maintain the company's ability to innovate. The results of the resilience analysis also underlined the fact that MTU's strategic orientation was already factoring in many of the risks and opportunities identified in connection with climate change, regardless of their materiality. For example, the company is developing efficient propulsion technologies as part of its Claire technology agenda and researching new propulsion concepts such as the Flying Fuel Cell. The biggest challenge is the time gap between technology maturity and the potential rise in CO_2 costs, which is due to the long development cycles.

Based on the resilience analysis, MTU is convinced that it can adapt its business model to climate change. The company is confident that it can secure constant access to funding at a reasonable cost of capital and can respond flexibly to changing climatic and regulatory conditions by modernizing existing assets, adapting the product and service portfolio, or retraining the workforce, among other things. This also helps enhance competitiveness.

Policies related to climate change mitigation and adaptation (E1-2)

MTU has policies in place to manage impacts, risks, and opportunities related to climate change. The following central policies were implemented with regard to actions for climate change mitigation, energy efficiency, and the use of renewable energy. They also contain supplementary regulations on climate change adaptation in connection with site expansion activities.

MTU climate protection manual incl. annex

Content	The climate protection manual sets out the overarching concept for climate change mitigation in MTU's own business operations. It aims to minimize resource and energy consumption and permanently reduce the company's greenhouse gas emissions. The policy describes data collection and reporting, the general calculation principles, and the company's GHG emission reduction targets. Furthermore, the process is defined from the idea to the implementation of actions and is operationalized via the company's ecoRoadmap climate strategy.
Target	As part of the ecoRoadmap, which has been measuring actions to reduce emissions since 2019, MTU has defined a 63% reduction in Scope 1 and market-based Scope 2 emissions by 2035 at the latest, starting from the base year 2024. The target is therefore based on the Paris Agreement on limiting global warming to 1.5°C.
Associated material impacts, risks and opportunities	As an industrial company that manufactures and maintains parts for aircraft engines, MTU produces GHG emissions in Scope 1 and 2 from production, repair, and testing. These emissions have negative environmental impacts and thus ought to be reduced.
Monitoring	The policy is monitored using defined metrics, such as target achievement with regard to annual sustainable actions and remaining emissions, and through monthly internal reporting as well as regular reporting to the Corporate Sustainability Board and the CSO.
Scope	Own operations (Scope 1 and 2) of all fully consolidated production and maintenance sites: / MTU Aero Engines AG (Munich) / MTU Aero Engines Polska sp. z o.o. / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Canada Ltd. / MTU Maintenance Fort Worth Inc. / MTU Maintenance Hannover GmbH / MTU Maintenance Serbia d.o.o. They account for 97.3% of MTU's Scope 1 and location-based Scope 2 emissions in 2025 (2024: 97.3%).
Responsible organizational level	The climate and environmental protection division and, at the management level, the Executive Board and CSO are responsible for implementing the climate protection manual.
Third-party standards and initiatives	GHG Protocol, Paris Agreement
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Procedural instructions for evaluation of environmental aspects in product design

Content	These procedural instructions describe how environmentally relevant aspects are considered in product design. During the product design phase, environmentally relevant aspects (such as low consumption and reduced emissions in the production and use phases) are evaluated by the designer and consulting departments. MTU's design system should ensure that this evaluation is possible and is checked at defined points in the development process. The system guidelines describe, among other things, which environmentally relevant aspects are directly determined or indirectly influenced by product design. This policy addresses climate change mitigation and energy efficiency related to MTU's products.
Target	Reduction of environmental impacts both in the use phase as well as in manufacturing and maintenance (such as low consumption and reduced emissions). Additionally, the use of more environmentally friendly materials and operating substances as well as the selection of materials with high recyclability.
Associated material impacts, risks and opportunities	MTU's products are modules for engines in the aviation sector. The emissions generated by these products during the use phase have an actual negative impact on the environment by contributing to global warming.
Monitoring	To ensure that environmentally relevant aspects are taken into account in product design, the MTU planning system defines points in product development at which the current state of development is checked (e.g. technical reviews and gate reviews). As part of this process, questionnaires containing documentation of the design evaluation based on environmentally relevant criteria must be completed.
Scope	The policies are decisive in the development of new products and affect all technical departments involved in development at the following sites: / MTU Aero Engines AG (Munich) / MTU Aero Engines North America Inc. / MTU Aero Engines Polska sp. z o.o.
Responsible organizational level	The Engineering Office is responsible for implementing and monitoring the procedural instructions for evaluation of environmental aspects in product design.
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Climate Transition Plan guidelines

Content	The guidelines, including associated annexes, set out the policies for MTU's transition to a low-emission and climate-resilient company. They cover the initial situation of climate management, strategic ambitions, reduction paths, accounting, target setting, risk assessment, and approaches to implementing and financing actions.
Target	The guidelines aim to address the risks of climate change for MTU and at the same time promote the integration of sustainability matters into the company's business strategy and business model. They emphasize the need to act to reduce emissions and adapt operations, not only to protect the company from potential risks, but also to seize opportunities to innovate and meet growing stakeholder demands for sustainable business practices.
Associated material impacts, risks and opportunities	In the development, manufacture, and maintenance of aircraft engines, MTU generates emissions that have negative impacts on the climate. One risk for MTU is that corporate growth and high locked-in emissions could jeopardize the achievement of climate change mitigation targets, while at the same time new regulations could lead to higher ticket prices and increase the attractiveness of alternative mobility solutions. This in turn would reduce demand for flights and lead to a loss of revenue in OEM sales and maintenance services.
Monitoring	The Climate Transition Board supports the implementation and progress of climate change mitigation actions on the basis of defined metrics with clearly assigned responsibilities. An interdisciplinary team of experts works across departments to further develop and apply methods for evaluating and optimizing climate change mitigation actions and secures their integration into the relevant specialist functions. This structure aims to ensure that all key aspects of the climate transition are implemented in a coordinated, consistent manner and with the involvement of all divisions concerned. Regular progress reports are submitted to the Corporate Sustainability Board and the Executive Board.
Scope	All MTU locations under operational control: / MTU Aero Engines AG (Munich) / MTU Aero Engines North America Inc. / MTU Aero Engines Polska sp. z o.o. / MTU Aero Engines (Shanghai) Ltd. / MTU Maintenance Australia Pty. Ltd. / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Canada Ltd. / MTU Maintenance do Brasil Ltda. / MTU Maintenance Fort Worth Inc. / MTU Maintenance Hannover GmbH / MTU Maintenance Lease Services B.V. / MTU Maintenance Serbia d.o.o. / MTU Maintenance Service Center Ayutthaya Ltd. / MTU Maintenance Singapore Pte. Ltd. / 3D.aero GmbH / eMoSys GmbH They account for 100% of MTU's Scope 1 and location-based Scope 2 emissions in 2025.
Responsible organizational level	The bodies responsible for implementing the climate protection manual are the departments of climate and environmental protection, purchasing & logistics, finance, and development & technology as well as, at the management level, the Executive Board and CSO.
Third-party standards and initiatives	GHG Protocol, Paris Agreement
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Actions and resources in relation to climate change policies (E1-3)

As part of its Climate Transition Plan, MTU is working on a structured program of actions aimed at reducing emissions along the entire value chain. The implementation strategy follows the levers Reduce, Shift, Remove, and Enable and is divided into three overarching programs:

- ecoRoadmap: GHG reduction at all fully consolidated production and maintenance sites (Scope 1 and 2)
- Claire technology agenda: Development of sustainable propulsion concepts (Scope 3.11, commercial aviation)
- ecoTransition: Improvement of data transparency and development of actions along the entire value chain (in particular Scope 3.1 and Scope 3.15)

Together, these programs form the operational framework of the climate strategy and ensure that technological, organizational, and financial actions are implemented in a coordinated manner.

ecoRoadmap: Reduction of GHG emissions at MTU's own production and maintenance sites (Scope 1 and 2)

Key actions taken and outcomes achieved	**Reduce – Increase energy efficiency** - Implemented comprehensive energy efficiency actions, including modernizing production machinery, optimizing ventilation and air conditioning systems, converting to LED lighting, and increasing efficiency in the compressed air supply. **Shift – Drive forward renewable energy and electrification** - Renewable energy: Commissioned the deep geothermal plant at the Munich site in the reporting year, increased the share of purchased renewable energy in overall natural gas consumption, such as with biogas at the Canadian site, to 17.9% (2024: 8.2%). - Electrification: Introduced heat pumps and continued conversion of the vehicle fleet to electromobility. **Enable – Establish a framework for climate change mitigation** - Introduced SAF-capable test stands in research and maintenance. - Conducted energy assessments at the Munich, Hannover, and Ludwigsfelde sites to identify further savings potential.
Key actions planned and time horizons for implementation	**Reduce** - Optimize heating network and building efficiency by 2030. **Shift** - Expand geothermal and PV capacity by 2030. - Increase the share of purchased renewable electricity to 100% by 2030. - Extend the use of SAF on all test stands by 2035, in line with the requirements of the EU ReFuelEU aviation initiative to promote sustainable aviation fuels. **Remove** - Review and select suitable carbon removal activities by 2028 to neutralize unavoidable remaining emissions. **Enable** - Plan a center for central processes with a focus on energy and resource efficiency, climate action, and digitalization. - Conduct energy assessments at the MTU sites in Poland and Serbia in 2026 to identify further savings potential. - Run a pilot project for sustainable site development in accordance with the company's internal guidelines for climate change adaptation and efficiency actions.
Contribution to the policy objectives and requirements	These actions play a key role in reducing Scope 1 and market-based Scope 2 emissions for the newly set targets (–63% by 2035 and –90% by 2050 compared to 2024), as well as in long-term plans to neutralize unavoidable remaining emissions in order to stay on the 1.5°C climate path in Scope 1 and 2, in accordance with the climate protection manual and Climate Transition Plan.
Progress	The deep geothermal plant went into full operation in the 2025 reporting year. Overall, the share of renewable energy in total energy consumption rose to 41.1%.

In total, the actions taken as part of the ecoRoadmap saved 1,643 tCO_2e (2024: 914 tCO_2e) in the reporting year. If the actions planned by MTU are implemented according to operational planning, then—in addition to purchasing renewable energy and renewable fuels up through 2030—the company expects a further reduction in emissions of 15,924 tCO_2e by 2030. The expected reduction is divided between three action levers: energy efficiency (5%), expansion of self-generated renewable energy (76%), and electrification (19%).

Claire technology agenda (Scope 3.11, commercial aviation): Development of sustainable propulsion systems

Key actions taken and outcomes achieved	**Reduce – Increase energy efficiency** / Geared Turbofan (GTF™) technology: The geared turbofan engines from Pratt & Whitney, in whose development MTU is involved as a technology partner, reduce fuel consumption and CO_2 emissions by 16–20% compared to predecessor models. They have a track record of success going back to 2016. / GTF™ Gen2: Building on this, MTU is working with its partner on the second generation of geared turbofan engines. The aim is to achieve an additional increase in efficiency and a CO_2 reduction of up to 10% compared to the current generation without mild hybridization and up to 15% with mild hybridization, which the aircraft manufacturer can choose as an additional technology component. At the same time, the climate impact through non-CO_2 effects is to be further reduced with the help of the OEM's combustor technology. **Revolutionary propulsion concepts** / Flying Fuel Cell™: Electric propulsion system based on a fuel cell in which hydrogen and oxygen react to form water and generate electricity. Virtually emission-free: no CO_2, NO_2, or particulate emissions, just water. Initially suitable for regional transport, in the future also for short-/medium-haul routes. / Status as of 2025: Production of the fuel cell stacks started, first test stand in Munich in operation, successful tests of the liquid hydrogen system. MTU and Airbus have signed a Memorandum of Understanding (MoU) on cooperation in hydrogen fuel cell technology. Goal: Develop and demonstrate a fuel cell propulsion system optimized for aviation that reduces CO_2 emissions by 100% and the overall climate impact by up to 95%. **Enable** / Non-CO_2 climate impact: MTU plays an active role in the industry in assessing and reducing non-CO_2 effects. As part of research collaborations with DLR and industrial partners, impact drivers are analyzed and the results integrated into the Claire technology agenda. / SAF: MTU supports the use and further development of SAF through active memberships (e.g. aireg e. V.) and partnerships along the value chain. The company also supports initiatives to accelerate the market ramp-up of SAF. MTU has tested the problem-free operation of alternative fuels in its own engines on its own test stands and examined the impacts on system behavior and emissions.

Claire technology agenda (Scope 3.11, commercial aviation): Development of sustainable propulsion systems

Key actions planned and time horizons for implementation	**Reduce** / GTF™ Gen2: The technology maturity of the MTU components is to be demonstrated by 2031. **Revolutionary propulsion concepts** / Flying Fuel Cell™: Development and demonstration of fuel cell technology by 2030. / As part of KlimaRAT, a project of Germany's Federal Aviation Research Program (LuFo), MTU is leading a consortium together with its partners DLR and the University of Stuttgart. The consortium plans to generate contrails under controlled conditions on the high-altitude test stand by 2029. Through targeted variations, the partners aim to gain a deeper understanding of the impact that exhaust-gas conditions of different propulsion concepts have on the climate-relevant properties of contrails.
Contribution to the policy objectives and requirements	The actions described are aimed at reducing the CO_2-related climate impact in the use phase (Scope 3.11) and support MTU's goal of reducing CO_2 emissions per available seat kilometer (ASK) by 45% by 2040 compared to 2019. In addition, the Claire technology agenda and the associated research programs play a key role in achieving the aviation industry's goal of net zero by 2050. MTU has committed to focusing more than 80% of its self-financed technology investments on products with an improved carbon footprint by 2030. This will ensure that the funds for research and technology consistently work toward lower-emission and more climate-friendly propulsion technology.
Progress	In the reporting year, CO_2 emissions per ASK were reduced by 2.1% compared to 2024 and by a total of 13.5% compared to the base year 2019.

ecoTransition: Data transparency, methodology development, and emissions reduction along the value chain

Key actions taken and outcomes achieved	**Enable** / MTU's own ecoTransition initiative has been operational since 2025. / Created a framework for the exchange of interdisciplinary experts in order to promote emission reduction approaches in a targeted and efficient manner. / Started the development of an environmental material database to improve data transparency and harmonization. / Conducted first pilots in lifecycle assessment (LCA) to evaluate technological developments in terms of their environmental impact. / MTU is a member of the IAEG and is actively involved in the LCA working group.
Key actions planned and time horizons for implementation	**Enable** / Improve the data basis for setting targets in the categories Scope 3.1 and 3.15 by 2028. / Establish an MTU standard and develop infrastructure for carrying out lifecycle assessments by 2028. / Create a tool to efficiently determine CO_2e reduction potential for technology projects up through 2026. / Develop a procedure for calculating a product carbon footprint by 2027 in accordance with DIN EN ISO 14067 and the IAEG framework for conducting lifecycle assessments in the aviation industry.
Contribution to the policy objectives and requirements	Climate Transition Plan guidelines: Support for achieving targets in Scope 1 and 2 and Scope 3.11 and for defining targets in Scope 3.1 and 3.15.

With ecoTransition, MTU is embedding transparency, data quality, and partner cooperation as key success factors in its climate strategy. The program enables a well-founded assessment of reduction potential along the entire value chain.

In fiscal year 2025, significant capital expenditures (CapEx) and operating expenditures (OpEx) on actions to achieve MTU's sustainability goals amounted to €68 million (2024: €83 million) CapEx and €90 million (2024: €84 million) OpEx. Compared to the figures for the 2024 fiscal year that were reported last year, the methodological adjustment described below results in an increase of €39 million (CapEx) and €13 million (OpEx).

More information on MTU's CapEx and OpEx in this fiscal year can be found under *Capital expenditure in the Economic report of the combined management report* and under *Notes to the consolidated income statement in the consolidated financial statements*. These figures were analyzed with regard to actions for achieving the sustainability goals, taking into account a materiality threshold. Additionally, the significant amounts of CapEx and OpEx for implementation of the actions can be linked to the EU taxonomy KPIs. The calculation of capital expenditures and financial resources in sustainable propulsion concepts was adjusted in the 2025 reporting year. The adjusted calculation method corresponds to the change in methodology described under *Capital expenditures and financial resources to support the implementation of the transition plan*. The values reported for 2024 were recalculated accordingly. Compared to the previous year, the modified calculation methodology leads to deviations both in the total of significant investments (CapEx) and operating expenditures (OpEx) to achieve the sustainability goals and in the corresponding taxonomy-aligned CapEx and OpEx.

The significant amounts of CapEx and OpEx that are required for implementation of the actions and are also part of the EU taxonomy reporting are shown in the following table:

Significant CapEx and OpEx on actions to achieve GHG emission reduction targets

	2025		2024	
in € million	Taxonmy-aligned	Taxonomy-eligible, but not aligned	Taxonomy-aligned	Taxonomy-eligible, but not aligned
Significant CapEx	61	7	60[1)]	23[1)]
Significant OpEx	61	6	49[1)]	9[1)]

[1)] Deviations from the figures for the 2024 fiscal year that were reported last year are due to a change in methodology. There are significant deviations in the following KPIs: significant taxonomy-aligned CapEx (+ €19 million) and OpEx (+ €5 million) as well as significant eligible but not taxonomy-aligned CapEx (+ €20 million) and OpEx (+ €7 million) for achieving the GHG emission reduction targets.

A total amount of €52 million (2024: €49 million) is part of MTU's CapEx plan in accordance with Delegated Regulation (EU) 2021/2178. This CapEx plan relates to economic activity 9.1 Close-to-market research, development, and innovation. Further information on the CapEx plan can be found under *Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)*. However, the OpEx and CapEx for implementing sustainable actions in 2025 do not fully meet the criteria of the CapEx and OpEx key performance indicators based on the EU taxonomy. The reason for this difference is, first, that the requirements of the material contribution and the DNSH criteria are not fully met. Second, a large proportion of research expenditures on sustainable propulsion systems cannot be allocated to economic activity 9.1 Close-to-market research, development, and innovation or any other economic activity due to the requirements for technology maturity. In addition, externally financed funds for research and development are excluded from EU taxonomy reporting.

Targets related to climate change mitigation and adaptation (E1-4)

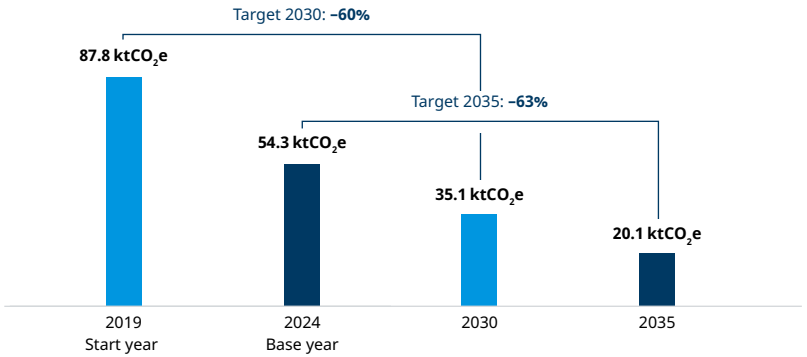
Climate targets for MTU's own business operations

By setting specific climate targets, MTU wants to play a part in achieving those set out in the Paris Agreement. When setting its own targets, MTU is guided by the European Green Deal, which is derived from the Paris Agreement's 1.5°C target and aims for climate neutrality by 2050.

As part of the ecoRoadmap, in 2021 MTU set itself the target of a 60% reduction in its direct emissions (Scope 1 and 2) from production and maintenance sites under operational control by 2030 compared to 2019.

The company has already taken specific actions in production and maintenance in recent years, which in the reporting year led to a 40.3% reduction in emissions at the sites under consideration compared to the starting year 2019. Building on this progress, MTU has decided to further intensify its climate change mitigation activities. With the gradual expansion of the ecoRoadmap to additional locations, the MTU Maintenance Fort Worth site was added to the GHG emission reduction target in the reporting year. As no historical emissions data is available for this site, an updated reduction target was defined for the extended ecoRoadmap in 2025. The goal of ecoRoadmap 2024 is to reduce emissions by 63% by 2035 compared to the newly defined base year 2024.

Targets of the ecoRoadmap:



Reduction of Scope 1 and 2 emissions by 2035 (ecoRoadmap)	
Relationship to policy objectives	The target includes MTU's fully consolidated production and maintenance sites and corresponds to the emissions reduction target for the company's own operations from the Climate Transition Plan guidelines.
Objectives and period	MTU's goal is to reduce Scope 1 and market-based Scope 2 emissions by a total of 63% by 2035 compared to 2024. The target is measured in metric tons of CO_2e.
Scope	/ MTU Aero Engines AG (Munich) / MTU Aero Engines Polska sp. z o.o. / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Fort Worth Inc. / MTU Maintenance Canada Ltd. / MTU Maintenance Hannover GmbH / MTU Maintenance Serbia d.o.o.
Base year and value	Starting from the base year 2024, the progress made in reducing Scope 1 and Scope 2 emissions is measured from the baseline value of 54,322 tCO_2e (Scope 1: 40,175 tCO_2e and Scope 2: 14,147 tCO_2e).
Methodologies and assumptions	The target was determined using the cross-sector reduction pathway (absolute emission reduction method) defined by the Science Based Targets initiative (SBTi), which according to SBTi is scientifically sound and compatible with limiting global warming to 1.5°C. The target is based on the reduction pathway of 63% published by the SBTi for the 2024–2035 period. However, the underlying SBTi methodology is based on scientific assumptions and is currently being revised, so that future adjustments are possible that may influence how high the targets are and how they are assessed. The target has not been externally validated and was set without the direct involvement of stakeholders. Neither the extraction of greenhouse gases nor the use of carbon credits are taken into account for achieving the target. In the reporting year, the target covers 97.3% of Scope 1 emissions and 97.3% of location-based Scope 2 emissions. In total, this represents 97.3% of MTU's location-based Scope 1 and Scope 2 emissions.
Changes in targets and corresponding metrics	MTU set itself this target in the reporting year.
Target achievement	In the current reporting year, MTU already recorded a 3.4% reduction in emissions compared to the base year 2024.

In addition, a long-term goal was adopted to support the Paris Agreement by 2050 compared to 2024. By doing so, MTU systematically embeds its long-term commitment to climate action in its corporate strategy.

Long-term emission reduction target	
Relationship to policy objectives	The target includes MTU's fully consolidated sites and corresponds to the emissions reduction target for the company's own operations from the Climate Transition Plan guidelines.
Objectives and period	MTU's goal is to reduce Scope 1 and market-based Scope 2 emissions by a total of 90% by 2050 compared to 2024. Unavoidable remaining emissions are offset by CO_2 removal solutions. The target is measured in metric tons of CO_2e.
Scope	/ MTU Aero Engines AG (Munich) / MTU Aero Engines Polska sp. z o.o. / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Canada Ltd. / MTU Maintenance Fort Worth Inc. / MTU Maintenance Hannover GmbH / MTU Maintenance Serbia d.o.o.
Base year and value	Starting from the base year 2024, the progress made in reducing Scope 1 and market-based Scope 2 emissions is measured from the baseline value of 54,322 tCO_2e (Scope 1: 40,175 tCO_2e and Scope 2: 14,147 tCO_2e).
Methodologies and assumptions	The target was determined using the cross-sector reduction pathway (absolute emission reduction method) defined by SBTi, which according to SBTi is scientifically sound and compatible with limiting global warming to 1.5°C. The target is based on the reduction pathway of 63% published by the SBTi for the 2024–2035 period. However, the underlying SBTi methodology is based on scientific assumptions and is currently being revised, so that future adjustments are possible that may influence how high the targets are and how they are assessed. In the reporting year, the target covers 97.3% of Scope 1 emissions and 97.3% of location-based Scope 2 emissions. In total, this represents 97.3% of MTU's location-based Scope 1 and Scope 2 emissions.
Changes in targets and corresponding metrics	MTU set itself this target in the reporting year.
Target achievement	In the current reporting year, MTU already recorded a 3.4% reduction in emissions compared to the base year 2024. Residual emissions were not neutralized in the reporting year.

In setting its targets, MTU has taken into account a range of climate scenarios, including one aligned with limiting global warming to 1.5 °C. This makes it possible to identify relevant developments in the environment, society, technology, markets, and policies, allowing MTU to determine the most effective decarbonization levers. MTU's climate targets were based on critical assumptions about future developments in relation to MTU's future growth, regulatory changes, and the use of new technologies. These factors will impact both MTU's GHG emissions and its efforts to reduce emissions.

- **Future growth:** If MTU experiences significant growth in operations, such as by expanding production or increasing the scale of services, this could lead to higher GHG emissions. It becomes crucial to implement sustainable practices and technologies to ensure that emissions are managed and reduced in line with MTU's growth trajectory.
- **Regulatory factors:** Changes in legal requirements and regulatory frameworks related to greenhouse gas emissions can directly impact MTU's emissions profile. Stricter emissions standards or the introduction of carbon pricing mechanisms may require MTU to adopt cleaner technologies, reduce emissions, or invest in offsets to comply with regulatory requirements.
- **New technologies:** Advancements in clean and renewable technologies can provide opportunities to reduce GHG emissions. Implementing energy-efficient solutions, transitioning to renewable energy sources, and adopting low-carbon processes can also make a contribution to emission reductions. Being open to innovation and always up-to-date with emerging technologies is crucial in exploiting these opportunities.

MTU needs to proactively monitor and assess the potential impacts of regulatory factors and new technologies on its emissions. By doing so, MTU can adapt its strategies, invest in sustainable practices, and seize opportunities to effectively manage and reduce its GHG emissions.

In defining its Scope 1 and 2 targets, MTU has employed the market-based method to calculate Scope 2 emissions they include. Sources included under Scope 1: natural gas, biogas, kerosene, SAF, fuels for the operation of the vehicle fleet, and under Scope 2: purchased electricity and district heat. The climate targets include CO_2, CH_4, and N_2O.

In the selected start year of 2019 and base year 2024, demand in the aviation industry was relatively stable, without the impact of extraordinary events such as the COVID-19 pandemic. These base years therefore provide a more accurate picture of emissions and activities. In the event of significant changes to the target boundary or reporting boundary, the baseline value and base year will be adjusted accordingly.

Climate change mitigation in aviation

To further strengthen MTU's activities to develop low-emission products, the company added a new emissions reduction target to the existing target system in 2025. It addresses the use of sold products (Scope 3.11) and aims at a 45% reduction in greenhouse gas emissions per ASK by 2040 compared to the base year 2019.

This target includes current products as well as the ongoing development of engines in the field of commercial aviation for narrow- and widebody aircraft (NB/WB). MTU's products are low-pressure turbines, high-pressure compressors, and turbine center frames. Through risk- and revenue-sharing partnerships, it is involved in important development programs.

With the inclusion of Scope 3.11 emissions, MTU is supporting the commercial aviation industry's goal of achieving net zero by 2050.

Reduction of Scope 3.11 emissions – Use of sold products	
Relationship to policy objectives	The target corresponds to the emissions reduction target for sold products in the commercial aviation segment from the Climate Transition Plan guidelines and is part of the Claire technology agenda.
Objectives and period	MTU's goal is to reduce greenhouse gas emissions from the use of sold products in the commercial aviation segment by 45% per ASK by 2040 compared to the base year 2019.
Scope	The target includes the use by customers worldwide of all narrowbody and widebody commercial OEM products manufactured by MTU. The organizational boundaries correspond to the MTU companies responsible for the development and manufacture of these products, including: / MTU Aero Engines AG (Munich) / MTU Aero Engines North America Inc. / MTU Aero Engines Polska sp. z o.o.
Base year and value	Starting from the base year 2019, the reduction in emissions from the use of sold products (Scope 3.11) is measured as an intensity value in gCO_2e/ASK. The aim is to reduce the value by 45%.
Methodologies and assumptions	MTU's Scope 3.11 target is based on the aviation industry's overarching net zero goal for 2050. The target has not been externally validated and was set without the direct involvement of stakeholders. MTU's products are components for engine programs in which MTU is involved alongside other partners. Future SAF availability was taken into account when setting the target. The MTU is based on scenario F2 of the ICAO's Long-term Global Aspirational Goal (LTAG) analysis, taking into account an already delayed SAF availability. In the reporting year, the target covers 43.6% of Scope 3 emissions.
Changes in targets and corresponding metrics	MTU set itself this target in the reporting year.
Target achievement	In the reporting year, CO_2 emissions per ASK were reduced by 2.1% compared to 2024 and by a total of 13.5% compared to the base year 2019.

Based on the decarbonization levers identified, MTU expects the following to help achieve the GHG emission reduction targets for the use of sold products:

Contribution of reduction levers to target achievement (measured in gCO_2e/ASK)

		Base year 2019	Target year 2040
Target intensity for commercial engine components		/	–45.0%
Reduce	Efficiency actions	/	–13.1%
Shift	Fuel shift (SAF)	/	–31.9%

A detailed description of the identified levers for mitigating climate-relevant impacts can be found under *Transition plan for climate change mitigation (E1-1)* and *Actions and resources in relation to climate change policies (E1-3)*.

An examination of the SBTi criteria has shown that validation according to the currently valid SBTi Corporate Near-Term Criteria (Version 5) is not possible at this time due to existing methodological limitations, despite emission intensity rates comparable to other companies in the aviation industry. Comparable companies in the industry have had their targets validated on the basis of earlier SBTi criteria (Version 4). MTU will reassess the validation process as soon as the announced update of the SBTi Corporate Net-Zero Standard (Version 2) has been completed. The update takes into account for the first time specific requirements for aviation companies with high Scope 3 shares and complex value chains. Until then, MTU will be guided by the aviation industry's scientifically derived reduction pathways in order to consistently align its target architecture with the 1.5°C target.

Energy consumption and mix (E1-5)

Pursuant to ESRS principles, MTU's energy consumption and energy mix in 2025 are presented in the following table. Despite the increase in total energy consumption, the proportion of fossil fuels decreased. This is due to the expansion and increased purchase of renewable energy. As a result, fossil fuel consumption fell both in absolute terms and proportionately.

In the 2025 reporting year, the estimation method for sites without primary data was adjusted. Instead of a uniform consumption factor per square meter derived from MTU sites, the energy consumption is now differentiated by site type. The energy consumption data for 2024 was recalculated using primary data that has now become available.

Energy consumption and mix

	2025	2024
(1) Fuel consumption from coal and coal products (MWh)	0	0
(2) Fuel consumption from crude oil and petroleum products (MWh)	70,094	67,209[1)]
(3) Fuel consumption from natural gas (MWh)	112,563	114,128[2)]
(4) Fuel consumption from other fossil sources (MWh)	0	0
(5) Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	38,115	43,121[2)]
(6) Total fossil energy consumption (MWh) (calculated as the sum of lines 1 to 5)	220,772	224,458[2)]
Share of fossil sources in total energy consumption (%)	59.1	61.1[1)]
(7) Consumption from nuclear sources (MWh)	899	2,462[2)]
Share of consumption from nuclear sources in total energy consumption (%)	0.2	0.7[2)]
(8) Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh)	691	449[1)]
(9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	144,142	139,633[1)]
(10) The consumption of self-generated non-fuel renewable energy (MWh)	7,243	520
(11) Total renewable energy consumption (MWh) (calculated as the sum of lines 8 to 10)	152,076	140,602[1)]
Share of renewable sources in total energy consumption (%)	40.7	38.3[2)]
Total consumption (MWh) (calculated as the sum of lines 6, 7, and 11)	**373,747**	**367,523[1)]**

[1)] Deviations from the figures for the 2024 fiscal year that were reported last year are due to a change in methodology and to the incorporation of available primary data, and are not considered significant.

[2)] Deviations from the figures for the 2024 fiscal year that were reported last year are due to a change in methodology and to the incorporation of available primary data. There are significant deviations in the following KPIs: Fuel consumption from natural gas (–8.6%); consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (–10.7%), total fossil energy consumption (–6.6%); consumption from nuclear sources (–45.6%); share of consumption from nuclear sources in total energy consumption (–41.7%); and share of renewable sources in total energy consumption (+5.5%).

MTU produced a total of 96,853 MWh of energy (2024: 92,704[1)] MWh). Of this, 89,610 MWh (2024: 92,184[1)] MWh) came from non-renewable sources and 7,243 MWh (2024: 520 MWh) from renewable sources.

The following table shows the energy intensity of MTU's activities in high climate impact sectors in relation to the net revenue generated.

Energy intensity per million euros of net revenue

	2025	2024
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors (MWh / currency unit)	44.0	50.7[1)]

[1)] Deviations from the figures for the 2024 fiscal year that were reported last year are due to a change in methodology and to the incorporation of available primary data, and are not considered significant.

For information on net revenue, see the "Revenue" item in the *Notes to the consolidated income statement in the consolidated financial statements*.

Gross Scope 1, 2, 3 and total GHG emissions (E1-6)

CO_2e emissions from production and maintenance activities (Scope 1 and Scope 2) mainly result from the energy consumption required to operate the facilities and test stands for engines. In 2025, Scope 1 emissions for the fully consolidated locations amounted to 41,004 tCO_2e (2024: 40,115[2)] tCO_2e) and market-based Scope 2 emissions amounted to 14,260 tCO_2e (2024: 13,941[2)] tCO_2e). The emissions in 2025 from investees, including associates, joint ventures, and unconsolidated subsidiaries not yet fully reflected in MTU's financial statements over which MTU has operational control, were 182 tCO_2e (2024: 416[1)] tCO_2e) in Scope 1 and 68.5 tCO_2e (2024: 2,444[2)] tCO_2e) in Scope 2 (market-based).

To calculate the Scope 1 emissions, MTU identified the direct emission sources within the Group. The data used to calculate the Scope 1 emissions consists of MTU's energy consumption data. The collected activity data is multiplied by corresponding emission factors to determine the emissions. This approach is also used to determine the biogenic CO_2 emissions in Scope 1. To calculate the Scope 2 emissions, MTU follows both location-based and market-based methods. To calculate the location-based emissions, MTU uses average energy generation emission factors specific to the respective sites. For market-based emissions, MTU quantified the GHG emissions from generators with whom MTU has contractual agreements for bundled and unbundled electricity. If no data on contractual instruments is available, MTU takes account of the emission factor of the corresponding residual mix, if available. The following gases are taken into account when calculating emissions: CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, and NF_3. Emission factors from the GHG Protocol and MLC (formerly GaBi) databases are used to calculate Scope 1 and 2 emissions.

In the reporting year, MTU was able to cover 51.6% (2024: 36.4[1)]%) of its energy requirements for electricity and district heating through contractual instruments with unbundled attributes for energy generation (green electricity certificates). No contractual instruments with bundled attributes for energy generation were used.

The adjustment to the estimation method described under *Energy consumption and energy mix E1-5* also has an impact on Scope 1 and Scope 2 emissions, as the energy consumption for 2024 serves as the basis for calculation and is multiplied by the corresponding emission factors. As a result, the Scope 1 and Scope 2 emissions for 2024 were also recalculated using primary data that has now become available.

Gross Scope 1, 2 and 3 GHG emissions

	Base year/ previous year 2024	2025	Difference	2035	2040	2050	Annual
Scope 1 emissions in tCO_2e							
Gross Scope 1 GHG emissions	40,530[2]	41,186	+1.6%				
Biogenic Scope 1 emissions	86[1]	123	+43.0%				
Proportion of Scope 1 GHG emissions from regulated emissions trading schemes (%)	74.9%[2]	71.4%	–4.7%				
Scope 2 emissions in tCO_2e							
Gross location-based Scope 2 GHG emissions	65,887[2]	65,901	+0.0%				
Gross market-based Scope 2 GHG emissions	16,385[2]	14,329	–12.6%				
Scope 1 and 2 emissions (market-based) – ecoRoadmap	**54,322**	**52,461**	**–3.4%**	**20,099**		**5,432**	**–3.5%**
MTU's significant Scope 3 emissions in tCO_2e							
Sum of gross indirect (Scope 3) GHG emissions	5,939,383[3]	6,643,846	+11.9%				
3.1 Purchased goods and services	912,906	1,014,744	+11.2%				
3.2 Capital goods	103,249	101,884	–1.3%				
3.4 Upstream transportation and distribution	54,931	63,696	+16.0%				
3.11 Use of sold products	3,352,602	3,686,274	+10.0%				
3.15 Investments	1,515,695[3]	1,777,248	+17.3%				
Scope 3.11 intensity target – commercial aviation (NB/WB) in gCO_2e/ASK	**55.5**	**54.3**	**–2.1%**		**34.5**		**–2.1[4]%**

[1] Deviations from the Scope 1 and 2 figures for the 2024 fiscal year that were reported last year are due to a change in methodology and to the incorporation of available primary data, and are not considered significant.

[2] Deviations from the Scope 1 and 2 figures for the 2024 fiscal year that were reported last year are due to a change in methodology and to the incorporation of available primary data. There are significant deviations in the following KPIs: Gross Scope 1 GHG emissions (–5.1%); proportion of Scope 1 GHG emissions from regulated emissions trading schemes (5.3%); gross location-based Scope 2 GHG emissions (–6.9%); and gross market-based Scope 2 GHG emissions (–34.3%), as well as Scope 1 emissions from fully consolidated locations with operational control (–5.1%); market-based Scope 2 emissions from fully consolidated locations with operational control (–36.3%); and market-based Scope 2 emissions from non-fully consolidated locations with operational control (–19.6%).

[3] Deviations from the figures reported last year are due to the fact that emissions from purchases by investees, which are already fully included under Scope 3.1 ("Purchased goods and services"), were excluded from Scope 3.15 ("Investments") to avoid double counting. The emissions falling under Scope 3.15 "Investments" were recalculated for the 2024 fiscal year. The updated calculation leads to a 6.5% reduction in the Scope 3.15 emissions reported for 2024 and a 1.7% reduction in total Scope 3 emissions.

[4] The annual reduction relates to the base year 2019 with a baseline value of 62.8 gCO_2/ASK.

The increase in Scope 3 emissions is the result of business-related developments. The Scope 3.1 and 3.15 categories continue to be calculated largely on the basis of expenditure and revenue and reflect the increased volume of business accordingly. In Scope 3.11, the increase in emissions is due to a higher number of units sold and the inclusion of the aircraft leasing business. This development is part of the ongoing market recovery following the Covid-19 pandemic. These effects are operational in nature and reflect the structure of the value chain and current business activities.

MTU has identified its significant Scope 3 categories by considering GHG emissions and criteria outlined in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, pp. 61 and 65–68). This identification process considers factors such as magnitude of emissions, influence, transition risks and opportunities, stakeholder perspectives and sector specific criteria. The categories include 3.1 "Purchased goods and services," 3.2 "Capital goods," 3.4 "Upstream transportation and distribution," 3.11 "Use of sold products" and 3.15 "Investments." MTU updates its Scope 3 GHG emissions for each significant category annually based on current activity data. The results of the Scope 3 calculation for 2025 are shown in the table.

To determine each significant category of its Scope 3 emissions, MTU established clear reporting boundaries. Category 3.1 "Purchased goods and services" includes all upstream (cradle-to-gate) emissions from the production of goods (property, plant, and equipment) and services (intangible assets) acquired by all companies over which MTU has operational control in the reporting year and that were not recognized in other Scope 3 categories.

The Scope 3.1 GHG emissions were calculated using a hybrid data model that combines both spend- and weight-based calculation methodologies. The spend-based approach relies on the Environmentally Extended Input-Output Model (EEIO) while the weight-based approach calculates emissions by multiplying the weight of a material by its corresponding emission factor from the International Aerospace Environmental Group (IAEG) emission factor database. For companies for which no activity data could be collected, the data was extrapolated on the basis of revenue. As this is only a very small proportion of Scope 3.1 emissions, this does not result in any relevant measurement uncertainty.

Scope 3.2 category "Capital goods" takes into account all upstream (cradle-to-gate) emissions from the purchased capital goods of all companies over which MTU has operational control. The calculation methods for determining Scope 3.2 GHG emissions were spend-based (EEIO model). For companies whose activity data was not integrated, GHG emissions were extrapolated on the basis of revenue. As this is only a very small proportion of Scope 3.2 emissions, this does not result in any relevant measurement uncertainty.

Scope 3.4 category "Upstream transportation and distribution" includes emissions from the transportation and distribution of products purchased from logistics partners by MTU in the reporting year and emissions from vehicles and facilities not owned or controlled by MTU. The calculation methods for determining Scope 3.4 GHG emissions were spend-based (EEIO model). All companies over which MTU has operational control were also taken into account in the Scope 3.4 category. GHG emissions were extrapolated for companies whose activity data was not integrated. As this is only a very small proportion of Scope 3.4 emissions, this does not result in any relevant measurement uncertainty. The emission factor was provided by an external service provider in 2024 for Scope 3.1, 3.2, and 3.4 emissions, which were calculated using a spend-based approach. In addition, an inflation factor is used in the calculation to neutralize the effect of price increases.

Scope 3.11 category "Use of sold products" includes emissions from the use phase of MTU products sold in the reporting year. This includes products for commercial and military engine components, components for industrial gas turbines (IGTs), and the engine leasing business. MTU uses ICAO lifecycle emission factors to calculate aviation emissions and Defra emission factors for stationary industrial gas turbines. As MTU products are intermediate products that are assembled into the final product (e.g. aircraft) by the OEM, an approximation method is used via the physical allocation of weight in accordance with the IAEG Guidance for Calculating Aviation Scope 3 Emissions for Category 11 – Use of Sold Products. In the engine leasing business, MTU takes into account emissions over the remaining useful life of the engine/aircraft from the time it is handed over.

Non-CO_2 effects arising from the use of products in aviation are not currently taken into account for two reasons:

1) To date, the consequences of certain emissions that impact the climate, such as contrails consisting of a mixture of water vapor and emitted particles (soot, SO_2, and oil droplets), have been difficult to quantify. Depending on climatic conditions, contrails can contribute to the formation of cirrus clouds. A uniform, standardized procedure for estimating their climate impact across the fleet has not yet been established.

2) There are currently no substantial requirements from various regulatory and environmental organizations, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), IAEG, or SBTi, to include non-CO_2 effects in emissions calculations.

Corresponding standardized guidelines or assessment approaches are still being developed. However, in 2025, the European Commission and EUROCONTROL introduced the Non-CO_2 Aviation Effects Tracking System (NEATS), the first IT system for recording and assessing non-CO_2 climate impacts in aviation. The tool makes it possible to use flight data such as trajectories and fuel consumption for model-based calculations of non-CO_2 effects and thus creates a basis for future standardization. MTU is keeping a close eye on these developments and is constantly reviewing their potential applications for its own climate strategy and Climate Transition Plan.

The Scope 3 categories include indirect Scope 3 GHG emissions from the consolidated Group companies (including the parent company and subsidiaries), associates, joint ventures, and unconsolidated subsidiaries over which MTU has operational control.

Additionally, MTU identifies Scope 1, 2, and 3 GHG emissions from associates, joint ventures, unconsolidated subsidiaries (investment entities), and joint arrangements over which MTU does not exercise operational control. These entities are part of MTU's upstream and downstream value chain and are included in the Scope 3.15 emissions with all Scope 1, 2, and 3 emissions using a revenue-based approach drawn from the Environmentally Extended Input-Output Model (EEIO).

The emissions falling under categories 3.3 "Fuel and energy-related activities" (not included in Scope 1 or Scope 2), 3.5 "Waste generated in operations," 3.6 "Business travel," 3.7 "Employee commuting," 3.9 "Downstream transportation and distribution," 3.10 "Processing of sold products," 3.12 "End-of-life treatment of sold products," and 3.13 "Downstream leased assets" (such as leased real estate) are not considered significant due to their low level. Emissions from the engine leasing segment are taken into account and reported under Scope 3.11. Category 3.8 "Upstream leased assets" is not applicable to MTU, as MTU already reports emissions from leased assets in Scope 1 and 2. Category 3.14 "Franchises" is also excluded, as MTU is not active in this area. None of MTU's Scope 3 emissions are calculated using primary data sourced directly from its suppliers or other partners in its value chain yet.

The activity data and emission factors used for the Scope 3 calculation do not differentiate between the percentage share of biomass or biogenic CO_2, which is why MTU cannot report any biogenic CO_2 emissions.

For the reporting year, MTU's total GHG emissions from Scope 1, Scope 2, and significant Scope 3 categories were higher than in the previous year. This increase is mainly due to the higher emissions in the Scope 3 categories, which account for the majority of total emissions:

MTU's total emissions

Total GHG emissions (tCO_2e)	**2025**	2024
Total GHG emissions (location-based) (tCO_2e)	6,750,933	6,045,801[1)]
Total GHG emissions (market-based) (tCO_2e)	6,699,361	5,996,299[1)]

[1)] Deviations from the figures for the 2024 fiscal year that were reported last year are due to a change in methodology and to the incorporation of available primary data, and are not considered significant.

Despite the increase in absolute GHG emissions, the greenhouse gas intensity per million euros of net revenue shows an improvement compared to the previous year. This means that MTU's emissions intensity in the reporting year was lower in relation to its economic output. The following table shows the GHG intensity on the basis of net revenue in the reporting year.

GHG intensity based on net revenue

	2025	2024
GHG intensity per million euros of net revenue (location-based) (tCO_2e/€ million)	794.2	833.3[1)]
GHG intensity per million euros of net revenue (market-based) (tCO_2e/€ million)	788.2	826.4[1)]

[1)] Deviations from the figures for the 2024 fiscal year that were reported last year are due to a change in methodology and to the incorporation of available primary data, and are not considered significant.

For information on net revenue, see the "Revenue" item in the *Notes to the consolidated income statement in the consolidated financial statements*.

GHG removals and GHG mitigation projects financed through carbon credits (E1-7)

MTU uses carbon credits to mitigate the negative impacts of climate change outside its own value chain. These carbon credits are independent from the GHG emissions and the GHG emission reduction targets mentioned in sections E1-6 and E1-4, respectively. The carbon credits purchased meet high quality standards and contribute to climate change mitigation by financing projects that promote GHG emission mitigation and removal.

In the 2025 fiscal year, MTU purchased 6,000 metric tons of carbon credits (2024: 13,185 t) to externally offset GHG emissions outside its value chain. The carbon credits from removal projects come from biogenic sinks.

Metrics on carbon credits used

Carbon credits canceled for the reporting year	2025	2024
Total (tCO_2e)	6,000	13,185
Share from removal projects (%)	66.7	30.3
Share from mitigation projects (%)	33.3	69.7
Recognized CDM quality standard (%)	33.3	68.3
Recognized VCS quality standard (%)	0	1.4
TÜV certificate for carbon storage (%)	66.7	30.3
Share from projects within the EU (%)	66.7	30.3
Share of carbon credits that qualify as corresponding adjustments (%)	0	0

For 2026, MTU is also planning to cancel 4,000 tCO_2e outside its value chain on the basis of existing contractual agreements.

Carbon credits planned to be canceled in the future

	Amount until 2026
Total (tCO_2e)	**4,000**

MTU has not developed any projects for GHG removal and mitigation within its own value chain. For this reason, there are no metrics to report on this topic.

As part of the Group-wide Climate Transition Plan, MTU intends to expand its existing commitment from temporary offsetting approaches to long-term actions for neutralizing unavoidable remaining emissions and thus make a key contribution to staying on the 1.5°C climate path in Scope 1 and 2 until 2050.

Internal carbon pricing (E1-8)

MTU does currently not apply internal carbon pricing schemes and therefore has no metrics to report for this topic.

Resource use and circular economy (E5)

Policies related to resource use and circular economy (E5-1)

The continuous development and optimization of resource use and circular economy are an integral part of MTU's corporate strategy. In keeping with the principle of the circular economy, MTU pursues the strategic objective of continuous process optimization and resource efficiency in product development, product design, product manufacturing, and the MRO business in order to be able to offer more environmentally friendly solutions in the future.

As part of the double materiality assessment, a positive impact was identified as material in the subtopic of resource outflows: MTU's long-standing expertise in the maintenance, repair, and overhaul (MRO) of engines and the resulting high quality of customer-specific or on-demand MRO services have a positive impact on resource use. In addition, MTU's MRO business helps increase products' service life due to the fact that only non-repairable parts are replaced while the rest of the engine is reused.

The procedural instructions for evaluation of environmental aspects in product design are crucial for dealing with the identified impact. For example, the development of resource-efficient repair processes is promoted. At the same time, durability, such as in the form of disassemblability and reparability, is already taken into account in the product design. Further information on the procedural instructions can be found in the following table:

Procedural instructions for evaluation of environmental aspects in product design	
Content	With regard to the material impact, the procedural instructions support the development and design of products with a long service life and useful life as well as the development of resource-efficient repair processes. It also covers other aspects of the circular economy, such as the use of resource-efficient manufacturing processes and the use of recycled (partly) and recyclable materials in product design.
Associated material impacts, risks and opportunities	MTU's many years of experience in the MRO business ensure high quality in engine maintenance, which improves engine efficiency and prolongs service life. MTU has a positive impact on the circular economy because only necessary parts are replaced and the remaining part of the engine is reused. In this way, the MRO business of MTU makes a significant contribution to resource efficiency and the circular economy.

For further information on the policy, in particular on the objective, monitoring, scope, organizational level responsible, and availability, see *Policies related to climate change mitigation and adaptation (E1-2)*.

Actions and resources related to resource use and circular economy (E5-2)

Engine components, especially in the hot gas section, are made of high-temperature-resistant super alloys that contain a large number of different raw material elements. The requirements for the purity of these materials and the associated verification procedures and documentation obligations are very high. Circular economy strategies that increase the durability of products and conserve resources are therefore of great strategic importance for MTU. This is also reflected in the continuous expansion of the product and service portfolio in the commercial maintenance business. Particularly noteworthy is the Fort Worth site, which, in addition to on-site service, is being expanded into a complete maintenance facility with comprehensive disassembly, assembly, and testing capabilities. Secondly, 3D.aero GmbH, a sensor technology and automation specialist, was fully integrated into the MTU Group at the end of 2024. The solutions from 3D.aero combine new sensor technologies with innovative data processing and robotics, which enable more efficient maintenance, among other things.

As part of MTU^{Plus} Intelligent Solutions, further actions are also being taken to improve the durability of the products and conserve resources at the same time. The actions that have already been implemented or are in planning are listed in the following table.

MTU^{Plus} Intelligent Solutions: PERFORM^{Plus} (smart repairs) and Value^{Plus} (smart reuse)

Key actions taken and outcomes achieved	**Smart repairs** MTU's MRO services are tailored to the customer's specific requirements. Whenever possible, repairs are carried out on the wing or at the customer's premises. This reduces downtimes as well as total costs, and extends the on-wing times of the engines. MTU Engine Fleet Management and Engine Trend Monitoring enable intelligent fleet management and proactive maintenance planning. Determining optimum maintenance cycles is done based on measurement points such as exhaust gas temperatures, fuel consumption, and thrust combined with historical wear data and customer feedback. Furthermore, various factors such as a potential drop in performance on the wing, component wear, and the (remaining) useful life are taken into account. The scope of maintenance actions is also planned on the basis of these metrics and, if necessary, adjusted based on further findings during disassembly and inspection. Continuous development of innovative measurement methods enables more efficient damage detection, increased damage repair, and thus an extension of the service life of the components. **Smart reuse** With regard to maintenance strategies for mature engines, it can be more beneficial to prioritize the installation of used spare parts instead of new parts. For this purpose, MTU identifies suitable used/decommissioned engines, disassembles them, reconditions the reusable components, and installs them in in-service engines. In addition, the company also sells used and reconditioned spare parts.

MTU^{Plus} Intelligent Solutions: PERFORM^{Plus} (smart repairs) and Value^{Plus} (smart reuse)

Key actions planned and time horizons for implementation	MTU aims to successively improve and expand the aforementioned circular economy strategies (especially reuse and repair). The following actions are planned for the period until 2030: / **Develop a metrics system for evaluating circular economy activities with a special focus on maintenance** As part of a collaboration with the Institute of Maintenance, Repair and Overhaul at the German Aerospace Center, the ecological impact of MTU maintenance actions is systematically evaluated with the help of a lifecycle assessment. The company also plans to develop further indicators that take into account the criticality of raw materials and other aspects of the circular economy. In the future, a comprehensive metrics system will be available that will enable the holistic optimization of maintenance cycles and actions. / **Expand inspection and repair capabilities** MTU is continuously working on expanding its inspection and repair capabilities. One example here is the development of a borescope solution that enables improved inspection of engines directly on-site, thus avoiding costly transportation to MRO sites. The company also plans to expand its repair capabilities in order to meet the rising demand for component repairs and to be able to offer suitable repair processes more quickly once the program has been launched. One part of this plan involved setting up an international repair network at the organizational level, which will allow more homogeneous capacity utilization and the targeted use of site-specific skills in the future. It also entails driving forward the industrialization of various repair processes, such as special coating or joining processes. This increases the service life of the parts and avoids the use of primary materials for the manufacture of new parts. / **Predict engine condition down to the parts level for application-optimized maintenance** MTU aims to develop a prediction model that makes it possible to quantify the engine wear down to the parts level on the basis of the intended flight routes and ambient conditions. The findings will enable the further optimization of maintenance cycles. Furthermore, a better understanding of wear and tear in relation to ambient conditions can increase the service life of parts, enable more targeted development of repair processes, and promote the reuse of used parts. The planned prediction model will also enable a quantity-based estimation of material flows that are sent for recycling. This has the potential to promote monomaterial recycling, as this is usually only economical for certain quantities of material. / **Systematically screen air fleets for future spare parts** MTU is currently working to develop a system that will enable more efficient identification of suitable spare parts. This system is intended to provide a more precise assessment of the condition of parts at the component level for engines in operation. The assessment will be based on application and use data. MTU also plans to be developing and using digital twins of engines (virtual versions) across all life cycles by 2035. This is intended to accelerate the development of new products by minimizing design iterations, improve the recyclability of products, and enable the early development of suitable repair processes. The latter can help in particular to conserve resources, as damaged parts often have to be replaced with new parts in the first two years after the start of the program due to a lack of repair procedures.
Contribution to the policy objectives and requirements	One objective of the procedural instructions for evaluation of environmental aspects in product design is the development of resource-efficient repair processes in the MRO segment. The implementation of the above actions leads to significantly shorter maintenance times, for example by adapting the scope of repairs to usage and thus to lower energy and material consumption. On-wing inspections reduce transportation costs. The consumption of resources is reduced by using spare parts from decommissioned engines and by optimizing the product design, for example to reduce component wear. In summary, all the above actions help to ensure compliance with the requirements of the procedural instructions.
Scope	Unless explicitly stated otherwise, the actions apply to all MRO sites.
Progress	The aforementioned actions with regard to the smart repair and reuse of used parts are continuously implemented, optimized, and expanded. Progress was made in, among other areas, digitalization, which enables more efficient detection and analysis of damage in the MRO business. In addition, initial findings on the environmental impact of maintenance actions have already been obtained.

Targets related to resource use and circular economy (E5-3)

MTU has not set itself an ESRS-compliant target in this regard. In developing its key products, such as high-pressure compressors, low-pressure turbines, and turbine center frames, MTU takes into account circular economy strategies with qualitative targets. Attention is paid to, among other things, the recyclability of materials, the use of REACH-compliant materials, and the use of resource-efficient manufacturing and maintenance processes (see table "Procedural instructions for evaluation of environmental aspects in product design").

The effectiveness of the procedural instructions and the actions named relates primarily to the reduction of greenhouse gas emissions. The policy also has positive effects on resource use and circular economy; however, these are not currently recorded due to the wide range of topics. The actions implemented and planned have a positive influence on, for example, the reduction of disassembly and inspection times, the conservation of resources through the use of used parts or the performance of repairs, the faster development of repair procedures and the more efficient identification of reusable components. MTU aims to establish suitable metrics for evaluating these actions with regard to the circular economy.

Resource outflows (E5-5)

MTU manufactures modules for aircraft engines and stationary industrial gas turbines, and offers comprehensive maintenance services for a wide range of engine programs and industrial gas turbines. Its core competencies lie in the development and manufacture of low-pressure turbines, high-pressure compressors, and turbine center frames, as well as in the development of specific manufacturing and repair processes, with commercial aviation being MTU's most important market. MTU products are used in industries where durability, reusability, reparability, and disassembly are essential requirements. Important circular economy strategies such as reparability (Repair) and recyclability (Recycle) as well as manufacturability, for example in the form of optimized energy or material use (Reduce) in manufacturing processes, are already taken into account in product design. Furthermore, high-pressure compressors, low-pressure turbines, and turbine center frames are designed to withstand the entire service life of the aircraft, with the assistance of suitable maintenance and servicing intervals (Refurbish, Repair). In the event that repairs are no longer feasible due to damage or wear, individual components (e.g. blades) can be replaced. Where possible, used spare parts are used instead of new parts (Reuse). Decommissioned parts are sent for recycling (Recycle). In summary, MTU takes a variety of circular economy strategies into account in the development, manufacture, and maintenance of products.

Durability of key MTU products compared to the industry average

	2025	2024
Average durability of MTU products	24.3 years	24.4 years
Industry average	22.9 years	22.9 years
Durability ratio	**106.1%**	**106.6%**

Due to current data availability and verification, the durability of the key MTU products is determined on the basis of the service life of the respective aircraft type in which the MTU products (HPC, LPT, TCF) are installed. The useful life of the various aircraft types is also used to calculate the industry average. Useful life is calculated based on the age of aircraft taken out of service worldwide using the commercial Cirium® database. The age of the decommissioned aircrafts is averaged across all aircraft types up to the end of the reporting year and amounted to an average of 22.9 years. The MTU average of 24.3 years includes only aircraft in which MTU products are installed. The durability (in %) corresponds to the ratio of the MTU average to the industry average. A detailed overview of the engine programs included can be found in the MDR-M disclosures in the annex. Historical data was therefore used to calculate the average useful life, in contrast to the previous reporting year. At that time, the method used was based on forecast values taking into account the MTU products sold in the reporting year. This approach has proven to be of little value. Many of the MTU products sold in the reporting year are used in aircraft types that have not yet reached their estimated useful life. The metrics therefore represented imputed values and deviated from the actual durability of the MTU products installed. This finding was also obtained by comparing the two methods for the 2024 reporting year. Taking into account the actual age of the retired aircraft, the durability ratio was 106.6% (see table "Durability of key MTU products compared to the industry average"). The use of forecast values in the previous reporting period resulted in a durability of 95.2% compared to the industry average.

The ESRS indicator for durability does not allow for an adequate assessment of the positive impacts of the MRO business, for example with regard to the conservation of resources through the repair of components and the use of reusable components. For this reason, MTU is planning to develop a specific indicator for this purpose.

Reparability of MTU products

MTU's key products, such as the high-pressure compressors, low-pressure turbines, and turbine center frames, are designed to withstand the entire useful life of the aircraft. This is ensured by regular and user-oriented maintenance and servicing intervals, which, in addition to flight safety, are intended to guarantee efficient operation and a long useful life. Reparability is therefore a key principle for MTU's products. During the use phase, repairs are carried out regularly on the basis of customer-specific maintenance schedules, which are based on factors including the age of the engine, individual usage, and customer feedback. Where possible, the identification of necessary maintenance measures is supported by MTU's Engine Trend Monitoring. For maintenance, the engines can be disassembled into modules of their core components, so that it's possible to isolate specific components for repair without needing to dismantle the entire engine down to its individual parts. Each part is inspected and categorized as either reusable, repairable, non-repairable due to damage or wear, or as a component that has reached the end of its life. MTU produces spare parts for key products in the latter two categories (non-repairable components, components that have reached the end of their life) beyond the end of the program. Additionally, MTU promotes the availability of spare parts, including for discontinued engine programs, by utilizing components from used, decommissioned engines to repair and extend the life of in-service engines.

Recyclability of MTU products

MTU products such as high-pressure compressors, low-pressure turbines, and turbine center frames are primarily manufactured using super alloys and titanium alloys. The recyclable content of the products is therefore correspondingly high, amounting to 98.3% in 2025. The basis for calculating the share of recyclable content is the bill of materials for the products sold in the reporting year and the packaging materials purchased for outgoing goods. Recyclability is determined at the parts level based on the materials used and then mass-based extrapolated at the module and program levels based on the number of products sold. For packaging, the recyclability of the respective packaging material was also determined and extrapolated based on the mass of the quantity ordered in the reporting year. In the previous year's report, the calculation was made on a site-by-site basis due to differences in data availability. This took into account both the quantity of packaging materials ordered and the estimated quantity of packaging materials required for product packaging. The recyclability of packaging in 2024 has increased from 94.9% to 95.8% due to the harmonization of the methodology for both sites. In keeping with this logic, reusable packaging is taken into account only in the year in which it was purchased.

In general, the recyclability of any metal alloy is 100% (based on ISO 22628, among others). For all other types of materials, recyclability has been determined based on literature research and/or expert discussions, e.g. with waste disposal companies. If the recyclability of a material is unknown, it is assumed to be 0%.

Recyclable content in products and packaging

	2025	2024
Products	98.3%	98.2%
Packaging	97.5%	95.8%

Social information

Own workforce (S1)

Material impacts, risks and opportunities and their interaction with strategy and business model (S1 SBM-3)

In the course of the materiality assessment, MTU identified various actual and potential positive and negative impacts related to its own workforce. The positive impacts identified relate primarily to the structural working conditions implemented and the further development of employee skills and are directly connected to MTU's corporate strategy. As committed and qualified employees are a central pillar of MTU's strategy, a wide range of actions are continuously being implemented. These actions are outlined under *Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions and approaches (S1-4)*.

None of the negative impacts on MTU's own workforce identified for the sustainability matters in the ESRS subtopics of working conditions, equal treatment and equal opportunities for all, and other work-related rights result directly from the business model or corporate strategy (see *Description of the process to identify and assess material impacts, risks and opportunities (IRO-1)* for a detailed discussion of the material impacts, risks, and opportunities identified). Actual and potential impacts relating to general working conditions, such as the health and safety of the workforce, arise from the specific procedures and processes within production and maintenance services. These activities are linked to the business model but are not its driving elements. At the same time, ensuring the health and safety of the workforce is a fundamental part of MTU's corporate values, corporate strategy, and operating activities. The results of the double materiality assessment are integrated into planning with regard to the policies, actions, and targets relevant to employees and non-employees (see *Processes to remediate negative impacts and channels for own workers to raise concerns (S1-3)* and *Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)* for more information).

Based on a nonmaterial positive impact on the company's own workforce in the area of secure employment, a material risk was identified. Without adequate long-term strategic HR and succession planning, the company's ability to react flexibly and quickly to unexpected changes in the market or the economy may be limited. This could lead to inefficient use of resources and consequently jeopardize the planned revenue growth, which would jeopardize the achievement of MTU's strategic goals. To counter this risk, MTU is developing a roadmap for strategic HR planning and promoting continuity in management positions.

None of the material negative impacts identified in the materiality assessment are considered to be widespread or systemic in the context of the company's business operations.

In the disclosures on strategy and business model, MTU takes into account everyone in its workforce who may be materially affected by its activities, products, services, or business relationships. All MTU employees are also included in the materiality assessment. MTU's workforce is divided into two groups in accordance with the ESRS: permanent and temporary employees (a detailed definition can be found under *Characteristics of the undertaking's employees (S1-6)*), and non-employees, meaning self-employed, agency, or temporary workers who are not considered direct employees of MTU. Reporting for the group of non-employees is currently not yet planned.

MTU's identified positive impacts relate to the topics of secure employment, working time, adequate wages, social dialogue, freedom of association, the existence of works councils and the information, consultation and participation rights of workers, collective bargaining, work-life balance, health and safety, training and skills development, employment and inclusion of persons with disabilities, and diversity. These positive impacts benefit the workforce and are the result of MTU's human resources strategy and its determination to actively promote corporate culture, for example through openness to change, the promotion of decision-making skills, entrepreneurship of employees, and continuous dialogue with MTU employees (for more information on dialogue formats, see *Process for engaging with own workforce and workers' representatives about impacts (S1-2)* as well as *Business conduct policies and corporate culture (G1-1)*). MTU is continuously engaged in the further development of its business activities with regard

to responsible business conduct. These include effective health and safety measures, offering flexible working hours and mobile working options, strengthening internal communication through a feedback landscape, and investing in ongoing training and development opportunities (for details, see *Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions (S1-4)*). These positive impacts particularly affect MTU's employees.

MTU has identified no material impacts on its workforce resulting from the transition to reducing negative environmental impacts and achieving environmental and climate-neutral operations.

With regard to its business activities, MTU did not identify any areas that are exposed to the risk of incidents of forced labor, compulsory labor or child labor.

As part of its double materiality assessment, MTU identified certain groups within its workforce that are or could be negatively affected by certain impacts. In the process, MTU developed an understanding of how certain groups are or could be exposed to a higher risk. Based on the assessment, the following groups of employees are at greater risk of harm:

- Employees at MTU sites involved in production or repair and maintenance work, including temporary employees and non-employees, are exposed to physical strain and various occupational hazards.
- A low proportion of women in the workforce, especially in management positions, can lead to a feeling of underrepresentation that affects belonging, equal opportunities, and the well-being of female employees.

Policies related to own workforce (S1-1)

The dedicated and skilled workforce at MTU is the cornerstone of the company's success, driving innovation, operational excellence, and sustainable growth. MTU has therefore adopted comprehensive internal regulations to manage the material impacts and risks related to its own workforce. The most important policies affecting the workforce include: the company's Policy Statement on the Protection of Human Rights, the corporate works agreement on the Code of Conduct for employees, the manual for the implementation of human rights risk management at MTU (including corresponding environmental obligations), the management manual, the agreement on responsibility in occupational health and safety and environmental protection, the agreement on documentation and reporting of accidents, the corporate works agreement on training and development, the corporate works agreement on disease prevention and inclusion of severely disabled individuals, and the corporate works agreement on collaborative behavior in the workplace. All policies mentioned are outlined in accordance with ESRS minimum disclosure requirements for policies (MDR-P) at the end of this section.

At MTU, the respect and protection of human rights are recognized as fundamental values and are integral to MTU's operations worldwide. In its Policy Statement on the Protection of Human Rights, MTU commits itself to complying with the principles of the UN Global Compact, the United Nations Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights (UNGPs), and the UN Sustainable Development Goals (SDG 5/8). MTU's policy statement is based on its commitment to the UNGPs and the OECD Guidelines for Multinational Enterprises. The principles for MTU's own workforce set out in the policy statement are a fundamental part of the integrated management system, the further policies and guidelines mentioned below, and the risk management processes. Of course, respect for human rights is not limited to activities within MTU's own operations but also applies to the business conduct of suppliers, service providers and other business partners.

MTU maintains an active dialogue with its employees to ensure that their voices are heard and their rights are protected. The engagement process revolves around fostering open and transparent communication, where employees are encouraged to voice their concerns, ideas, and feedback, including through employee surveys and dedicated communication platforms. The grievance mechanism allows employees to report any human rights concerns confidentially and without fear of retaliation.

The risk management system for the protection of human rights is designed in such a way that human rights violations and environmental due diligence obligations can be identified and minimized as much as possible. MTU acts according to the principle of "prevent – detect – respond." Unfortunately, violations can never be completely prevented. Upon receiving information of events that give rise to suspicion of possible misconduct, e.g. through the iTrust whistleblower system, MTU investigates them immediately and seeks solutions. The procedure involves both clarifying the facts and agreeing on and implementing necessary, appropriate, and reasonable corrective action (further details can be found under *Processes to remediate negative impacts and channels for own workforce to raise concerns (S1-3)*). If necessary, the report is forwarded to the relevant parties, such as investigative authorities and contact persons at suppliers. For MTU, communication is the most important tool for clarifying the situation and preventing further incidents.

The policies with regard to MTU's own workforce are based on relevant, internationally recognized instruments, including the UN Guiding Principles on Business and Human Rights. By performing regular reviews and updates of its policies, engaging in continuous training and education for employees, and maintaining open channels for feedback and reports, MTU aims to ensure that its policies are in line with these international standards.

MTU recognizes the respect and protection of human rights as fundamental values and opposes exploitative working conditions in any form. In particular, MTU strongly condemns child labor in all its forms. MTU is convinced that children need access to education in order to be able to develop without the risk of entering the workforce too early. The dignity of children must be respected, and their safety and health must be protected. Should MTU employ minors, for example in the context of apprenticeships, it strictly adheres to the core labor standards of the International Labour Organization (ILO), particularly concerning minimum age requirements. Employment relationships at MTU are voluntary and can be terminated by employees at any time of their own free will, taking into account statutory or otherwise reasonable notice periods. MTU strongly rejects forced or compulsory labor that is performed involuntarily under threat of disadvantage or intimidation, as well as any other form of modern slavery in line with the ILO's core labor standards.

Employee health is a top priority for MTU. The company complies with national regulations for occupational health and safety (H&S) in the workplace. The health and safety management system is documented in the management manual as an integral part of the integrated management system (IMS) and is supplemented by the "Documentation and reporting of accidents" and "Responsibility for occupational health and safety and environmental protection" policies. The H&S management systems at MTU Aero Engines AG (Munich), MTU Maintenance Berlin-Brandenburg GmbH, MTU Maintenance do Brasil Ltda., MTU Maintenance Hannover GmbH, MTU Maintenance Australia Pty. Ltd., MTU Maintenance Serbia d.o.o., and MTU Maintenance Service Center Ayutthaya Ltd. are also certified to ISO 45001. Workplaces are designed to minimize accidents and strain, adhering to legal and recognized safety standards. Managers at all levels ensure compliance with these regulations. At the same time, MTU encourages and enables employees to actively engage in health and safety activities and supports their physical and mental health. MTU also expects its suppliers to mitigate health and safety risks to their employees.

MTU is committed to equal opportunities for all employees and has implemented specific policies including the Code of Conduct and the corporate works agreement on collaborative behavior in the workplace. The policies are intended to prevent discrimination and harassment and promote diversity and inclusion. MTU is also a signatory to the Diversity Charter in Germany.

In its Code of Conduct, MTU explicitly rejects any form of discrimination, whether based on the basis of sex or gender, disability, ethnic origin or affiliation, religion or ideology, age or sexual orientation.

In addition, MTU has entered into further obligations in Germany with the corporate works agreement on disease prevention and the inclusion of severely disabled individuals, which includes specific actions for inclusion and support (workplace design, work organization, training, etc.).

MTU emphasizes through its policies that it rejects any form of discrimination and actively promotes diversity and inclusion overall. To this end, MTU has established a grievance mechanism, General Equal Treatment Act (AGG) officers at all three German sites, and an HR sustainability manager. Employees can confidentially report concerns, incoming reports are reviewed and, if necessary, targeted action is taken, such as adjustments to working practices, increasing employee awareness, training employees or structural adjustments. The effectiveness of these actions is regularly evaluated in order to both resolve individual cases and achieve systematic improvements.

With regard to the Supplier Code of Conduct and compliance with the applicable ILO standards for ethical and responsible practices along the upstream value chain, please refer to *Workers in the value chain (S2)*.

Policy Statement on the Protection of Human Rights

Content	This policy statement expresses an unconditional commitment to respecting and protecting human rights. The principles and values it sets out are an integral part of the systems and processes. MTU has committed to the principles of the UN Global Compact and views the protection of human rights as an essential component of its sustainable business conduct and social, environmental, and societal responsibility. Upholding human rights is a stated goal, and MTU is committed to respecting them. The main topics of the policy statement include the prohibition of child labor, the prohibition of forced labor, freedom of association, fair remuneration and working hours, nondiscrimination, equal opportunities, training and qualification, and occupational safety and health at work.
Target	The policy statement reflects MTU's commitment to upholding human rights and serves as a foundation for its policies and practices. Through this public commitment, MTU aims to encourage all stakeholders to adhere to these principles and to report any potential violations.
Associated material impacts, risks, and opportunities	As all material sustainability matters relating to MTU's own workforce (with the exception of work-life balance) are anchored in the ILO conventions and the Universal Declaration of Human Rights, which MTU has committed to upholding in the Policy Statement on the Protection of Human Rights, the statement covers all material impacts and risks in the social area.
Monitoring	The Executive Board bears the responsibility for ensuring that the principles, actions, and requirements defined in this statement are implemented within the respective areas of its own business activities. This includes the identification, prevention, and mitigation of any potential negative impacts of business activities on human rights.
Scope	The policy statement covers MTU's own business activities (MTU Aero Engines AG and the companies controlled by the MTU Group). Both employees and non-employees fall within the scope of the policy.
Organizational level responsible	MTU's Executive Board is responsible for the implementation of the principles, actions, and requirements defined in the statement within MTU's own operations. The compliance officer and the human rights officer regularly report to the Corporate Sustainability Board and the Executive Board, under the responsibility of the Chief Sustainability Officer.
Third-party standards or initiatives	/ Universal Declaration of Human Rights / Core Labor Standards of the International Labour Organization (ILO) / Ten Principles of the UN Global Compact / UN Guiding Principles on Business and Human Rights / Sustainable Development Goals of the United Nations (SDG 5/8)
Stakeholder consideration	The Policy Statement on the Protection of Human Rights takes into account the interests of key stakeholders. It ensures fair treatment and safe working conditions for the whole workforce, promotes ethical practices, builds trust and maintains high standards of business conduct for investors and supervisory authorities.
Availability	The policy is publicly available on the MTU website: *https://www.mtu.de/fileadmin/EN/1_About_us/5_Compliance/Grundsatzerklaerung_Menschenrechte_V2_final_EN.pdf**

Corporate works agreement on the Code of Conduct for employees

Content	MTU's internal Code of Conduct (also available to the public in an abridged version) emphasizes the importance of integrity and responsibility across all business areas. Employees are obliged to comply with legal requirements and internal rules while adhering to ethical standards of conduct. In addition, the Code of Conduct highlights the importance of respectful and fair interactions among colleagues as well as with business partners and customers. Besides describing MTU's commitment to human rights, equal opportunities, safe working conditions, and environmental sustainability, the Code also covers fair competition, trade compliance, and prevention of insider trading, and outlines enforcement actions and consequences for violations.
Target	The main objective of the Code of Conduct is to establish clear policies and standards for ethical behavior and decision-making for MTU's workforce. It is designed to ensure consistency, integrity and compliance with laws and regulations. At the same time, the Code of Conduct aims to foster a positive work environment, protect MTU's reputation, and build trust with stakeholders.
Associated material impacts, risks, and opportunities	MTU's Code of Conduct reflects the value the company places on respect for human rights and promotes a respectful and fair working environment. The Code emphasizes the importance of equal treatment by rejecting discrimination in any form and promoting equal opportunities for all employees. In addition, fair and performance-based compensation is offered that is in line with or better than national legal standards and collective bargaining agreements. Overall, the Code of Conduct serves to prevent potential negative impacts on employees and create a positive working environment.
Monitoring	It is the responsibility of every MTU manager to ensure that all employees are aware of this policy and comply with its provisions. MTU regularly trains its employees and managers across all hierarchies on the Code of Conduct. When new employees are taken on, MTU informs them about the Code of Conduct and requires them to sign a declaration committing to uphold it. The Code of Conduct is subject to oversight by the Works Council.
Scope	The corporate works agreement applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH / eMoSys GmbH / 3D.aero GmbH The Code of Conduct applies throughout the Group.
Organizational level responsible	MTU's Executive Board is responsible for implementing the Code of Conduct. As part of compliance-related regular reporting, the compliance officer regularly reports to the Executive Board on adherence to the Code.
Availability	The policy is accessible to MTU employees via the document management system and can be viewed publicly in an abridged version: *https://www.mtu.de/fileadmin/EN/10_Responsibility/Reports_Documentation/MTU_Verhaltensgrundsaetze_en_2604_150.pdf**

Manual for the implementation of human rights risk management at MTU (including corresponding environmental obligations)

Content	The policy describes the actions and responsibilities that MTU has put in place to identify potential and actual human rights violations, define and implement preventive and remedial actions and ensure internal and external communication of the results.
Target	The policy is fundamentally designed to fulfill the requirements arising from the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, LkSG) and thereby reduce or prevent human rights and environmental risks and violations that may result from the business activities of MTU.
Associated material impacts, risks, and opportunities	As all material sustainability matters relating to MTU's own workforce (with the exception of work-life balance) are anchored in the ILO conventions and the Universal Declaration of Human Rights, which MTU has committed to upholding in its Policy Statement on the Protection of Human Rights, to which the manual refers, the manual covers all material impacts and risks in the social area. A particular focus here is on freedom of association, equal treatment of employees, appropriate wages and occupational health and safety.
Monitoring	The approach described in this policy for fulfilling the human rights and environmental due diligence obligations under the LkSG is reviewed annually and as needed. This applies in particular if MTU expects a significantly changed or expanded risk situation along the upstream value chain. The review is generally carried out in consultation between the human rights officer and the human rights coordinators Group.
Scope	In the context of the ESRS S1, the scope covers MTU's own workforce.
Organizational level responsible	The Legal, Compliance, Intellectual Property Management & Corporate Audit department is responsible for the policy. This responsibility aims to ensure that the policy is monitored and implemented. All divisions are responsible for implementing the policy.
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Management manual

Content	The management manual is the central document containing the requirements and rules pertaining to the integrated management system for quality, occupational health & safety and environmental protection. With regard to health and safety (H&S), the manual sets out the principles of the occupational safety management system, explains potential risks to workers' health and safety, emphasizes the importance of training to ensure occupational health and safety, and describes the processes for root cause analysis of incidents. It forms the basis for more specific regulations (policies, process descriptions, standards, and work instructions) that apply to MTU. The management manual is the overarching document in the IMS for quality, environmental protection, and occupational health and safety, serving as the basis for further regulations (process descriptions, standards, and work instructions) across all business units of MTU.
Target	MTU considers it its responsibility to make a significant contribution towards helping its employees stay in good health in the long term. The aims are zero accidents and the mitigation of any workplace exposures in a work environment appropriate for this purpose. For this reason, company-wide health and safety management processes and activities have been introduced.
Associated material impacts, risks, and opportunities	The management manual aims to counteract potential negative impacts on the (physical and mental) health and safety of MTU's workforce, as well as to promote actual positive impacts on health and safety.
Monitoring	The system is part of MTU's IMS and its ISO 45001 certification for the following sites: MTU Aero Engines AG (Munich), MTU Maintenance Berlin-Brandenburg GmbH, MTU Maintenance do Brasil Ltda., MTU Maintenance Hannover GmbH, MTU Maintenance Australia Pty. Ltd., MTU Maintenance Serbia d.o.o., and MTU Maintenance Service Center Ayutthaya Ltd. It is supported by regular inspections, audits, and an annual management review of the IMS. On the operational level, responsibilities for health and safety are assigned to the MTU sites.
Scope	For the MTU sites covered by the CSRD scope of consolidation, the IMS is valid at the following MTU sites: / MTU Aero Engines AG (Munich) / MTU Aero Engines Polska sp. z o.o. / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Canada Ltd. / MTU Maintenance Fort Worth Inc. / MTU Maintenance Hannover GmbH / MTU Maintenance Serbia d.o.o.
Organizational level responsible	For the area of health and safety: The Executive Board and managers are responsible for the implementation of the policy.
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Agreement on responsibility in occupational health and safety and environmental protection

Content	This policy governs the assignment of tasks and responsibilities at MTU in the area of occupational health and safety and environmental protection at the Munich site (MTU Aero Engines AG). It provides an explanation of the roles of the management, appointed representatives, and center coordinators.
Target	The overall aim of the policy is to promote a safe working environment by clearly defining the roles, responsibilities and procedures that are necessary to ensure compliance with the relevant health, safety, and environmental regulations. The aim is also to support continuous improvement in these areas.
Associated material impacts, risks, and opportunities	The policy aims to counteract potential negative impacts on the (physical and mental) health and safety of MTU's workforce, as well as to promote actual positive impacts on health and safety.
Monitoring	The objectives in occupational health and safety are included in the annual target agreements between the occupational safety department, the site manager, and the division management, and are approved by them. These objectives are cascaded down to individual departments and are aligned through annual target-setting and target-achievement discussions.
Scope	The policy applies to all employees at the MTU Aero Engines AG (Munich) site.
Organizational level responsible	The Executive Board and managers are responsible for the implementation of the policy.
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Documentation and reporting of accidents

Content	The policy includes definitions of workplace accidents for internal statistics and reporting, the accident investigation and analysis process, reporting requirements, including frequency, content, handling, and distribution of reports, and management responsibility for documenting and reporting accidents.
Target	The policy provides minimum requirements for the investigation procedure, documentation, and reporting of accidents with the goal of determining root causes and implementing corrective actions to prevent accident recurrence.
Associated material impacts, risks, and opportunities	With a clear focus on improving employees' physical and mental health, (occupational) safety, and general working conditions, this MTU policy aims to counteract potential negative impacts. Targeted actions are in place to promote the well-being of employees and prevent workplace accidents.
Monitoring	The system is part of MTU's IMS and its ISO 45001 certification for the following sites: MTU Aero Engines AG (Munich), MTU Maintenance Berlin-Brandenburg GmbH, MTU Maintenance do Brasil Ltda., MTU Maintenance Hannover GmbH, MTU Maintenance Australia Pty. Ltd., MTU Maintenance Serbia d.o.o., and MTU Maintenance Service Center Ayutthaya Ltd. It is supported by regular inspections and audits. On the operational level, responsibilities for health and safety are assigned for each MTU site. Quarterly reporting is communicated through local management. In addition, the report is distributed to top management as defined by the safety organization chart.
Scope	For the MTU sites covered by the CSRD scope of consolidation, the policy is valid at the following MTU sites: / MTU Aero Engines AG (Munich) / MTU Aero Engines North America Inc. / MTU Aero Engines Polska sp. z o.o. / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Canada Ltd. / MTU Maintenance Hannover GmbH / MTU Maintenance Lease Services B.V. / MTU Maintenance Serbia d.o.o.
Organizational level responsible	The safety engineers or safety coordinators are responsible for the categorization, analysis, documentation and reporting of workplace accidents. The management on the sites is responsible for implementing corrective actions after workplace accidents.
Third-party standards or initiatives	DIN ISO 45001 10.2 Incident, nonconformity and corrective action
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Corporate works agreement on training and development

Content	The policy describes the framework of the company's educational program for cross-divisional topics as well as project- and division-specific qualification programs. It regulates educational counseling for different groups and documentation in an individual training résumé. The policy also describes how to determine operational qualification needs, as well as individual educational agreements in the qualification discussion for company-relevant and appropriate training measures.
Target	The policy aims to support employees' personal and professional development through a structured qualification program, emphasizing their own responsibility for this process.
Associated material impacts, risks, and opportunities	The policy promotes the positive impacts of a comprehensive training program for all employees by supporting the employees' personal and professional development through a structured qualification program, thereby enhancing job performance and career advancement opportunities.
Monitoring	The policy is monitored by the HR department using an IT-supported platform for the education process. Regular updates and information are provided to the Works Council.
Scope	The corporate works agreement applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Organizational level responsible	The People & Organization division is responsible for implementing the policy.
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Corporate works agreement on disease prevention and the integration of severely disabled individuals

Content	The corporate works agreement regulates preventive measures of the company's integration management for all employees, the integration of severely disabled individuals and those with equivalent status, and supplementary provisions for both groups.
Target	The corporate works agreement aims to fulfill the legal prevention mandate of Section 167 in the German Social Insurance Code (Sozialgesetzbuch, SGB) IX. In the event of health impairments, MTU works proactively with the affected employees to find ways of overcoming incapacity for work, avoiding further incapacity for work and preserving their jobs. The aim is also to maintain and strengthen employability through workplace prevention and, if necessary, to find work that matches the skills profile of the person concerned.
Associated material impacts, risks, and opportunities	The corporate works agreement aims to promote potential positive impacts by improving the professional and personal prospects of employees with disabilities.
Monitoring	A regular exchange between the HR departments, the inclusion officers and the locally responsible representatives for severely disabled employees and works councils takes place as required, but at least once a month. Violations can be reported via the official MTU compliance reporting channels and additionally via the German General Equal Treatment Act (AGG) and inclusion officers as well as the representatives for severely disabled employees at all German sites. In Munich and Hannover, MTU also employs Certified Disability Management Professionals (CDMP) to support affected employees.
Scope	The corporate works agreement applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Organizational level responsible	Local inclusion officers and representatives for severely disabled employees in each legal entity.
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Corporate works agreement on collaborative behavior in the workplace

Content	The policy includes a commitment to preventing bullying, sexual harassment, and discrimination, and to promoting and maintaining a collaborative working environment. According to the policy, every employee is obligated to contribute to maintaining a peaceful environment in the company and a positive work environment. This includes respecting the personal rights and dignity of each individual. The policy also explains and ensures every employee's right to file a complaint. If the harassed person is unable or unwilling to address the situation directly, they can involve a person of their trust. This can also apply to employees who have witnessed or observed the misconduct, even if they were not personally affected. Violations against the policy are met with sanctions.
Target	The overall goal of the corporate works agreement on collaborative behavior in the workplace is to create and sustain a workplace environment where all employees feel safe, respected, and valued. By preventing bullying, sexual harassment, and discrimination, and promoting a collaborative climate, the policy aims to ensure that every employee can work in a positive and supportive atmosphere where their personal rights and dignity are upheld. Through this commitment, the company seeks to enhance overall workplace harmony and productivity.
Associated material impacts, risks, and opportunities	The policy takes account of actual negative impacts on the well-being of the workforce, which includes their physical, emotional, and social equilibrium, by describing actions to promote a respectful and supportive working environment. It provides a clear framework for collaborative behavior and promotes a working environment that counteracts bullying, sexual harassment, and discrimination.
Monitoring	Affected persons who feel that they have been neglected can contact the following bodies: direct managers, the HR department, social management, health service, and the Works Council. The procedure for consultations and complaints is described in the process and stage program and includes reporting, problem, target, and resource analysis followed by implementation and evaluation.
Scope	The corporate works agreement applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Organizational level responsible	The People & Organization division is responsible for implementing the policy.
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Process for engaging with own workforce and workers' representatives about impacts (S1-2)

MTU takes the perspectives of the workforce into account by engaging in regular, open, and trust-based dialogue between workers' representatives and management, ensuring that the insights actively shape decisions and guide activities aimed at managing both the actual and potential impacts on MTU's workforce. MTU's German sites have works councils as well as a Group Works Council, which is responsible for Group-related matters, and executive representative committees of senior managers. In Poland and Canada, workers' representatives advocate for the workforce in discussions with management. Additionally, employees' interests are safeguarded on the co-determined Supervisory Board, where seats are equally distributed.

Dialogue with workers' representatives at the Group level takes place during regular monthly meetings, e.g. as part of an ongoing exchange on specific topics. MTU assesses the effectiveness of engagement with its workforce through regular employee surveys.

To gain insights into the perspectives of employees, especially individuals who may be particularly vulnerable to impacts, such as persons with disabilities, migrants, and members of the LGBTQ+ community, MTU takes certain actions: MTU engages with legitimate representatives of vulnerable groups, such as elected representatives for severely disabled persons. Furthermore, MTU has dedicated inclusion officers who act as points of contact. In this way, MTU integrates the perspectives of vulnerable groups and creates important structures for inclusion. Furthermore, MTU supports employee resource groups (ERGs), which are self-organized networks and groups of employees dedicated to fostering a diverse and inclusive work environment. These networks enable employees to voice their concerns and encourage collaboration within the company. This approach allows MTU to integrate a wide range of experiences and perspectives from its own employees into the MTU decision-making processes. Examples of such groups include the Network of Engine Women (NEW), of which CFO Katja Garcia Vila has been patron since mid-2025 and which was previously supported by CEO Lars Wagner, and the AeroPride queer network, established in 2023 with the backing of Dr. Silke Maurer, COO.

Processes to remediate negative impacts and channels for own workforce to raise concerns (S1-3)

MTU has implemented a grievance mechanism to effectively address potential material negative impacts on working conditions, equal opportunities, and work-related rights of the workforce. This mechanism provides MTU's workforce with a clearly defined reporting channel through which they can report concerns and potential violations confidentially and securely. The reports received are carefully examined so that individual and targeted remedial action can be taken. This action may include adapting work practices, conducting awareness training programs, and making structural changes. The effectiveness of the remedial action taken is regularly evaluated by the Compliance Office and MTU's human rights officer as part of the human rights-related risk management system. Continuous monitoring and evaluation of the actions ensure not only that individual cases are resolved but also that systematic improvements are established in the work processes.

MTU offers its workforce a variety of channels through which they can raise concerns in person or anonymously, including by contacting the compliance officer directly or through the web-based whistleblower system (iTrust), which is available in several languages. It is also possible to submit a complaint through iTrust anonymously. This system is available via the MTU website at all times to all MTU employees, non-employees, and third parties and other stakeholders, such as suppliers and their workers.

In addition, mechanisms have been established to address complaints or grievances related to employee matters; these include points of contact for employees. For instance, in accordance with statutory regulations such as the German General Equal Treatment Act, each site has designated trained personnel to handle complaints regarding discrimination. At MTU Maintenance Canada, employees can file a complaint with the HR department in cases of discrimination and also have the right to raise the complaint to the British Columbia Human Rights Tribunal. At MTU Aero Engines Polska, employees elect an individual to serve as a contact point. Furthermore, employees at all sites can report grievances to managers, the Works Council, or the HR department at any time.

MTU promotes knowledge about access to the channels in the workplace by publicly communicating the rules of procedure and information on the reporting channels.

The complaints raised and addressed are tracked and monitored by the human rights officer in collaboration with the compliance officers to ensure that the process is reliable and thus increase trust in the reporting channels. The compliance officer is responsible for the receipt confirmation of a complaint, follow-up in case more information is needed, and the initiation or coordination of subsequent actions. In the event of violations, the compliance officer informs the human rights officer. The latter involves the Group human rights coordinators and site human rights coordinators as required when determining the action to be taken. The effectiveness of the grievance mechanism is reviewed annually and on an ad hoc basis if MTU has reason to expect a significant change or deterioration in the risk situation within its own operations or at direct suppliers.

MTU assesses whether its workforce is aware of the grievance mechanism and reporting channels and trust them as a way to raise their concerns or needs and have them addressed. This is ensured by communicating openly about the grievance mechanism and the rules of procedure, including to third parties, e.g. through information on the MTU website and the Policy Statement on the Protection of Human Rights. The information is clear and formulated in an understandable manner; additionally, the grievance mechanism (see *Business conduct policies and corporate culture (G1-1)*) states that MTU does not tolerate any form of retaliation against individuals utilizing these channels.

Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions (S1-4)

MTU Aero Engines AG is committed to effectively manage its material impacts, risks, and opportunities related to its own workforce through targeted actions. The main initiatives center around the following:

- Effective health and safety measures to ensure a secure working environment
- Promoting a holistic understanding and empowerment in dealing with diversity and inclusion
- Effective grievance mechanisms and human rights risk management system
- Promoting work-life balance through flexible working hours, mobile working, and similar measures
- Continuous investment in training and development opportunities to support employee development

Health and safety:
To minimize the risk of injury or accidents during working hours and avoid potential negative impacts on its workforce as well as promote positive impacts, MTU operates an occupational safety management system, adheres to strict occupational safety standards, and conducts preventive measures to avoid accidents. MTU encourages its workforce to report unsafe situations in order to improve constantly. Occupational health and safety (H&S) is part of MTU's integrated management system (IMS). Occupational health and safety processes are regularly reviewed and developed. The occupational health and safety management systems at MTU Aero Engines AG (Munich), MTU Maintenance Berlin-Brandenburg GmbH, MTU Maintenance do Brasil Ltda., MTU Maintenance Hannover GmbH, MTU Maintenance Australia Pty. Ltd., MTU Maintenance Serbia d.o.o., and MTU Maintenance Service Center Ayutthaya Ltd. are externally certified to ISO 45001, ensuring compliance with international standards and enhancing safety culture. The safety culture should continue to be promoted as a result of planned actions, such as the introduction of safety briefings and training sessions on developing a safety mindset.

Gender equality and equal pay for work of equal value:
To avoid a potentially negative impact in the form of a diminished sense of belonging and limited development opportunities for women due to there being a low proportion of women in a traditionally male-dominated, technical industry such as aviation, MTU continuously takes targeted action to promote gender diversity.

MTU has been committed to the promotion of women and gender diversity for many years—including in cooperation with the Women's Career Index (FKI). This annual index enables a systematic assessment of progress and serves as a basis for concrete actions. The fact that MTU once again made the top 10 in the FKI 2025 confirms this continuous commitment. MTU also supports the Women in STEM category of FKI's Impact of Diversity initiative. In 2025, a project was launched to embed support for diversity and equal opportunities in the company's corporate culture. Based on company-specific storytelling, targeted actions were developed that have a structural and strategic effect in line with corporate objectives.

Moreover, MTU is involved in educational initiatives aimed specifically at young female talent. These include membership in the MINTvernetzt alliance, participation in Girls' Day, and support for the MTU Studien-Stiftung foundation. The focus is not only on recruiting new employees, but also on the targeted mentoring of high-potential female employees and intensive support for their professional development. Among other things, MTU participates in the cross-mentoring program and actively supports the Network of Engine Women, the in-house women's network. Internal communication campaigns and the appearance at the herCAREER career fair also help MTU reach out to women and get them interested in aviation.

Actions taken, to provide or enable remedy in relation to an actual material impact:
- Actions to improve grievance mechanisms and respect for human rights among the company's own workforce: In the event of actual negative impacts, for example in connection with discrimination, MTU has a systematic process for handling complaints. This process makes it possible to take remedial action quickly and effectively to remedy such incidents and prevent them from occurring in the future.

Additional actions or initiatives in place with the primary purpose of delivering positive impacts:
- MTU has a positive impact on the health and safety of its employees through an implemented occupational safety management system, strict occupational safety standards, and a proactive approach to accident prevention. The mandatory annual participation of all employees in safety training raises awareness of this issue, which also promotes safety in the workplace. Training for employees who work in production is in some cases provided monthly to ensure the highest level of safety. MTU meets high standards of technical machine safety at its workplaces.
- MTU can strengthen the community and inclusion of persons with disabilities within its own workforce by further developing internal guidelines, implementing actions from the Inclusion Roadmap 2025, and adjusting the design of offices as appropriate at the various sites (e.g. accessibility). In general, this has potential positive impacts on the company's own workforce, as it has a positive effect on employees' professional and personal prospects. In the long term, this can foster a sense of belonging and understanding and help bring about a more inclusive and supportive working environment for persons with disabilities.
- MTU is currently working with employees and managers at all sites to develop corporate values that will serve as a binding framework for respectful collaboration in the future. The aim is to embed a values-based corporate culture, strengthen the integrity of the organization, and promote diversity in order to support sustainable growth and the OneMTU mentality.

- MTU promotes work-life balance by offering flexible work options, such as flexible hours, educational leave, mobile working, sabbaticals, etc. These initiatives cater to the diverse life phases and needs of employees.
- MTU attaches great importance to the development of its employees and invests systematically in training and developing their talents. The company offers extensive training programs in aviation and specialized fields (e.g., safety training), supported by an online learning portal for self-directed learning. This ensures employees have the resources to enhance their skills and advance their careers.

With the help of the various roles within MTU, including the Executive Board for strategic direction, the department heads for implementation in their areas, and the HR department for employee development and training, these actions can be efficiently followed up. This is accomplished through internal and external audits, benchmarking, and stakeholder feedback to assess and ensure the success of these measures.

At MTU, necessary and appropriate actions in response to actual or potential negative impacts on the workforce are determined through e.g. a systematic risk assessment. Feedback is gathered regularly from employees to identify common issues and compare practices against legal requirements and industry standards in the aviation sector. By continuously monitoring and adjusting its strategies, MTU ensures that its actions remain effective and up-to-date, safeguarding the well-being of its workforce.

To mitigate the material risk of not being able to react flexibly and quickly to unexpected market changes due to a lack of HR and succession planning, MTU is developing a roadmap for strategic HR planning and to ensure continuity in management positions. Effective implementation is continuously reviewed and adjusted as part of the HR strategy.

MTU aims to ensure that its business practices do not cause or contribute to any material negative impacts on its workforce. By implementing a range of actions, including effective grievance mechanisms, a continuous monitoring and reporting system, and various other initiatives, MTU strives to maintain a positive and supportive environment for its employees. The company fosters continuous dialogue with stakeholders to proactively identify and address potential issues.

MTU provides significant resources, including specialized experts (HR sustainability manager, equal treatment officers, social counseling), financial investments (company doctor, occupational integration management, health management, MTU Study Foundation, etc.), and technological tools (e-learning platform, e.g. for training in conflict management, equal opportunities, and inclusion) in order to effectively manage MTU's material impacts. Stakeholder engagement and continuous improvement guided by international standards should ensure the effectiveness and transparency of MTU's sustainability efforts.

The actions mentioned above are described in the following tables.

Increased training in health and safety, investment in safer equipment, and improvement of behavior-based safety

Key actions taken and outcomes achieved	MTU has implemented a number of actions to improve health and safety in the workplace. Among other things, it continued its Safety Culture@MTU project. Short talks on the subject of safety ("Safety Talks") were introduced and training sessions were held to improve the safety mindset. In addition, the company held themed action days (e.g. on occupational health and safety or handling industrial trucks). At its German sites, MTU provides occupational and emergency medicine and offers preventive programs on nutrition, exercise, and physiotherapy. If illnesses or accidents occur, internal case managers support the reintegration process. A working group with safety officers continuously improves safety standards in order to achieve ongoing improvements in behavior-based safety and reducing unsafe situations.
Key actions planned and time horizons for implementation	MTU will continue the Safety Culture@MTU project until June 2027. MTU also plans to continue its ongoing information campaigns and action days for occupational health and safety in the next reporting period.
Contribution to the policy objectives and requirements	Management manual Responsibility in occupational health and safety and environmental protection / procedural instructions Documentation and reporting of accidents
Scope	This applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Progress	The progress of actions is monitored with the integrated management system (IMS). The actions taken to inform employees and raise their awareness, such as action days, were very well received. The number of safety officers increased compared to the previous year. In the future, the focus will continue to be on behavior-related occupational safety, e.g. through the Safety Culture@MTU project.

The employment and inclusion of people with disabilities

Key actions taken and outcomes achieved	MTU has taken various actions at its German sites to promote inclusion and support for people with disabilities. This includes appointing inclusion officers, establishing counseling centers and the work of a committed health management team. A particular focus is on accessibility in new buildings and renovation projects, as well as in digital media, for example by providing subtitles. MTU attaches great importance to encouraging people with severe disabilities to apply and offers comprehensive support in this regard. The job advertisements are worded accordingly and applicants have the opportunity to include a representative for severely disabled persons in the application process. These representatives support the individuals concerned during the recruitment process and in their day-to-day work. Certified Disability Management Professionals (CDMP) are available in Munich and Hannover to support integration management for the affected employee. These actions have increased the number of applications by and appointments of people with severe disabilities and promoted openness to inclusion-related issues. All employees, including managers, continuously have their awareness of an inclusive corporate culture raised.
Key actions planned and time horizons for implementation	The actions implemented in the reporting year are to be continued on an ongoing basis until December 2026.
Contribution to the policy objectives and requirements	Corporate works agreement on disease prevention and the integration of severely disabled individuals
Scope	This applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Progress	MTU has not reached the planned quota of severely disabled employees within its own workforce in Germany. The aim is to recruit more candidates in order to achieve the statutory quota of 5% severely disabled employees.

Actions to promote gender diversity

Key actions taken and outcomes achieved	MTU has taken various actions to promote gender diversity and equal opportunities. As part of in-house HR sustainability management and in cooperation with the Women's Career Index (FKI), progress is regularly assessed and targeted actions derived. MTU's support for the Impact of Diversity initiative underlines its commitment to women in STEM professions. In 2025, a company-wide project was launched to develop a holistic storytelling approach to diversity and equal opportunities within the company and to embed effective actions structurally in the corporate culture. MTU is also involved in educational initiatives such as Girls' Day, MINTvernetzt, and the MTU Studien-Stiftung foundation to promote young female talent at an early stage. For the professional development of women, MTU offers the cross-mentoring program, supports the in-house Network of Engine Women, and uses targeted communication measures and trade fair appearances to attract and retain female talent for the long term.
Key actions planned and time horizons for implementation	MTU has identified and prioritized relevant diversity dimensions in order to specifically establish support structures that promote diversity and equal opportunities. In addition, company-specific diversity storytelling is being developed and rolled out across the organization. MTU is drawing up a roadmap for sustainably embedding diversity and will implement it step by step. The actions are designed to strategically integrate diversity and make it effective in the long term. They will be implemented along defined milestones starting in 2026 and will be gradually embedded in the company.
Contribution to the policy objectives and requirements	The actions support the implementation of the corporate goals "Women in management positions" and "Women in senior management positions."
Scope	This applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Progress	Diversity dimensions relevant to MTU were identified in the 2025 fiscal year.

Improving grievance mechanisms and respecting human rights within MTU's own workforce

Key actions taken and outcomes achieved	MTU has taken actions to protect the human rights of its own employees and improve the grievance mechanism. These actions include the introduction of comprehensive risk management, which is led by a human rights officer and site-specific coordinators. In addition, reporting channels such as iTrust have been set up to enable employees to report complaints — for example, about discrimination — confidentially and anonymously. In addition, MTU offers training and awareness programs for all employees to inform them about the Code of Conduct, antidiscrimination policies and human rights. In addition, MTU's intranet is used to regularly provide employees with updates and important information.
Key actions planned and time horizons for implementation	The actions implemented in the reporting year will be continued on an ongoing basis.
Contribution to the policy objectives and requirements	These actions are based on the corporate works agreement, the Code of Conduct and the Policy Statement on the Protection of Human Rights. The focus here is on respect for human rights, ensuring equal opportunities, and preventing discrimination.
Scope	The actions apply to all MTU Aero Engines AG sites.
Progress	No new actions were implemented with regard to grievance mechanisms in the 2025 reporting year. The existing activities were continued.

Promoting work-life balance within own workforce

Key actions taken and outcomes achieved	MTU has implemented actions to promote its employees' work-life balance. These include flexible working time models, flextime accounts, part-time and job-sharing options, hybrid working, and support for families with childcare and care services. The company also offers sabbaticals, educational leave, time off for personal reasons, parental leave, and partial retirement. Taking these actions has created a working environment that enables employees to balance their professional obligations with their private lives.
Key actions planned and time horizons for implementation	MTU plans to continuously improve work-life balance and take a range of additional actions, such as the ongoing development of flexible working time arrangements.
Contribution to the policy objectives and requirements	Implementation without specific policies.
Scope	This applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Progress	No new actions were implemented in the 2025 reporting year. The existing activities were continued.

Training and development opportunities

Key actions taken and outcomes achieved	MTU is implementing a number of actions to promote its employees' development, including transition coaching for managers, the First Leadership Program (FLP) for developing newly appointed managers, the use of the Gallup Strengths Finder to support the development of individuals with high potential, as well as the creation of a People Development Instrument Map to harmonize existing activities and identify requirements for future talent and management development. In addition, the process for identifying potential was refined in conjunction with a development program for Development Pool Candidates and the MTU competency model was revised to bring visibility to key skills and behaviors for the success of the organization. This creates a clear framework that makes expectations transparent and provides targeted support for development. Moreover, there is a comprehensive training program that is updated on an ongoing basis and the offer of mentoring programs to ensure the continuous professional development of employees. These actions contribute to the ongoing qualification of MTU's employees.
Key actions planned and time horizons for implementation	MTU plans to continue developing its training programs in Germany in line with business requirements. In addition, the refined potential process and the development program for Development Pool Candidates 2026 are being implemented.
Contribution to the policy objectives and requirements	Actions relating to the topic of training and development support the implementation of the "training days per employee" corporate target (STI).
Scope	This applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Progress	The number of Gallup Strengths Finder talent assessments carried out with subsequent debriefing sessions as well as the number of FLP rounds increased compared to the previous year.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S1-5)

In line with MTU's strategy, relevant targets are defined and performance criteria are derived and discussed with the Executive Board. The performance criteria are also discussed in the Supervisory Board.

Regular meetings and feedback/review sessions enable MTU to track progress, identify obstacles, and make necessary adjustments. The Corporate Sustainability Board discusses the progress of sustainability management topics every two months. This committee recommends targets that are decided by the Executive Board and (where relevant for Executive Board remuneration) also by the Supervisory Board. Employee engagement includes the annual PulseCheck, the results of which are presented to the Executive Board. The procedure and questions for the PulseCheck are discussed and agreed on with the Works Council. MTU places great emphasis on learning and continuous improvement in its target-setting and performance tracking.

The following strategic directions can be derived from MTU's management process:

- Ensuring compliance with human rights at the company's own sites
- Ensuring a high level of health and safety in the workplace
- Promoting diversity and equal opportunities
- Providing active and targeted employee development
- Ensuring a high level of employee satisfaction and of employer attractiveness
- Enabling a healthy work-life balance for all employees

Within the framework of the sustainability statement for fiscal year 2025, MTU is focusing on the following three targets, which were defined in accordance with the minimum requirements of ESRS in order to address material impacts, risks, and opportunities in connection with its own workforce:

Employee training and development (ESG STI): The short-term incentive focuses on training days to ensure the continuous development and qualification of employees. The aim is to increase participation in training courses in order to upskill employees and foster a culture of continuous learning.

Women in management positions (ESG LTI): MTU is committed to increasing the proportion of women in management positions. This long-term incentive is aimed at enhancing gender diversity within the leadership team and fostering an inclusive and diverse corporate culture. The LTI target looks at the proportion of female managers from foremen to Executive Board level.

Women in senior management positions: The aim is to significantly increase the proportion of women in senior management positions at MTU. This goal will be pursued by setting specific quotas for female representation and actively promoting women into management positions. The first management level (division level, senior manager) and second management level (department level, manager) below the Executive Board are regarded as top management positions.

Employee training and development (ESG STI)

Relationship to policy objectives	The goal of continuous further education and training for MTU's own employees is based on the requirements of the corporate works agreement.
Objectives and period	MTU's target is an average of 3.0 training days per employee in the period from January 1 to December 31, 2025.
Scope	This applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Base year and value	The targets are set and progress is measured in absolute values for the reporting period without reference to previous years.
Methodologies and assumptions	The target includes all completed trainings at German sites from January 1 to December 31, 2025, stated in days per employee pursuant to data taken from the SAP portal. The target was set without the direct involvement of stakeholders.
Changes in targets and corresponding metrics	No adjustment was made to the defined targets in the 2025 reporting year.
Target achievement	For the 2025 reporting year, the ESG STI metric was an average of 3.49 training days per employee.

Women in management positions (ESG LTI)

Relationship to policy objectives	The target for women in management positions is based on the Policy Statement on the Protection of Human Rights at MTU in order to promote nondiscrimination, equal opportunities, training and qualification of women, and gender diversity.
Objectives and period	Tranche 1: For the period of fiscal years 2024 to 2027, the target is for women to hold 16% of management positions by 2027. Tranche 2: For the period of fiscal years 2025 to 2028, the target is for women to hold 17% of management positions by 2028.
Scope	This applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Base year and value	The target for tranche 1 was set in 2024, for tranche 2 in 2025.
Methodologies and assumptions	The target represents the relative proportion of women in management positions across all management levels (as of December 31). The target was set without the direct involvement of stakeholders.
Changes in targets and corresponding metrics	No adjustment was made to the defined targets for tranche 1 in the 2025 reporting year. The target for tranche 2 was set for the first time in 2025.
Target achievement	For the 2025 reporting year, the ESG LTI metric, which applies for both tranche 1 and tranche 2, came to 17.26% of management positions filled by women.

Women in senior management positions (FüPoG II)	
Relationship to policy objectives	The target for women in senior management positions is based on the Policy Statement on the Protection of Human Rights in order to promote gender diversity, nondiscrimination, equal opportunities, and the training and qualification of women at MTU.
Objectives and period	In the 2022 fiscal year, new targets were set for the top two management levels in accordance with Germany's Second Act on Equal Participation of Men and Women in Management Positions (FüPoG II). The target for the second management level was increased in the 2024 reporting year: / 15% / 3 women in the first management level below the Executive Board / 22% / 26 women in the second management level The deadline for achieving the targets is December 31, 2027.
Scope	This applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH
Base year and value	The new target was set in 2022 in accordance with the requirements of FüPoG II and the target for the second management level was updated in 2024.
Methodologies and assumptions	The target represents the relative proportion and absolute number (in accordance with legal requirements) of women in management positions at the first and second level below the Executive Board. The measurement of progress relates to the 2025 reporting year and is based on the reporting date of December 31. The target was set without the direct involvement of stakeholders.
Changes in targets and corresponding metrics	No adjustment was made to the defined targets in the 2025 reporting year.
Target achievement	For the 2025 reporting year, a share of 13.04% of women was achieved for the first management level and a share of 15.20% for the second level.

Characteristics of the undertaking's employees (S1-6)

The metrics presented in the following tables on employees at MTU meet the requirements of ESRS S1-6 and include both permanent and temporary employees. Permanent employees comprise both blue- and white-collar workers with a permanent contract (full-time or part-time in accordance with national law or practice). They also include managers (apart from members of the Executive Board), employees on maternity leave, and employees with long-term illnesses or in temporary part-time employment due to parental leave. Temporary employees have a limited/fixed-term contract, full-time or part-time in accordance with national law or practice. At MTU these include temporary blue- and white-collar workers as well as substitute contracts (e.g. for permanent employees on maternity leave or with long-term illnesses). Temporary employees contribute to the flexibility of MTU's labor capacities in a volatile market environment, supporting MTU's ability to deliver in time-limited projects, during peak workloads in production, and when coping with fluctuations. In the context of ESRS S1-6, it should be noted that at MTU, apprentices, interns, working students, and doctoral candidates are not considered employees. Beyond this, MTU does not have any employment relationships with non-guaranteed hours employees (e.g. workers who are not guaranteed a minimum or fixed number of working hours). All data relates to the headcount at the end of the reporting period. MTU continued on its growth path in 2025, which meant that the number of employees increased compared to the 2024 fiscal year.

Further information on the number of employees at MTU, broken down by national and international locations, can be found in the *Group structure, locations and organization section under The MTU Group in the combined management report*.

Total workforce by number of employees and breakdown by gender

	2025	2024
Total number of employees	**12,670**	**11,953**
Male	10,410	9,900
Female	2,259	2,053
Other	1	0
Not reported	0	0

The following table shows the total number of employees by gender and country for countries where MTU employs 50 or more employees and the sum of those represents at least 10% of the total number of employees (significant employment).

Number of MTU employees in countries with significant employment

Country	2025	2024
Germany	9,672	9,241
Poland	1,410	1,299

Number of MTU employees by employment relationship and breakdown by gender

	Permanent employees		Temporary employees		Non-guaranteed hours employees	
	2025	2024	2025	2024	2025	2024
Total number of employees	**11,933**	**11,330**	**737**	**623**	**0**	**0**
Male	9,835	9,399	575	501	0	0
Female	2,097	1,931	162	122	0	0
Other	1	0	0	0	0	0
Not reported	0	0	0	0	0	0

MTU's employer attractiveness is reflected in the employee turnover rate and the total number of departing employees in 2025. The turnover rate is calculated by dividing the number of employees who have left MTU by the average total number of employees in the fiscal year. Reasons for leaving include resignations by employees or dismissals by the employer, mutually agreed resignations, and natural turnover (e.g. due to retirement). In the 2025 reporting year, the calculation was changed to the ratio of departures to the average number of employees. In the previous year, the number of departures was set in relation to headcount at the end of the reporting year. The change in the calculation formula is intended to improve consistency with internal reporting. The reported value for 2024 has been updated. Compared to the previous year, the adjusted calculation method results in only a slight change, so that the rounded value still stands at 4%.

Employee turnover

	2025	2024
Turnover rate (%)	4%	4%
Total number of employees who have left (headcount)	447	497

Collective bargaining coverage and social dialogue (S1-8)

MTU recognizes the right of all employees to workers' representation. The corporate culture at MTU with regard to workers' representation is characterized by a trusting and constructive dialogue with the respective representatives. Even in contentious discussions, the goal remains to maintain a viable collaboration for the benefit of the company and the employees. The company neither favors nor disadvantages employees based on their membership or nonmembership in a union or workers' representation.

A total of 77.9% (2024: 78.5%) of MTU employees at sites in countries in the European Economic Area (EEA) are covered by collective agreements. MTU has three collective bargaining agreements in the EEA.

Regular exchanges between the MTU Works Council and corporate management ensure effective representation of employees. At sites in the EEA, 98.7% (2024: 99.7%) of MTU employees have workers' representation.

The following table shows the coverage rates for collective bargaining agreements and workers' representation for countries with significant employment.

Collective bargaining coverage and social dialogue (2025 and 2024)

Coverage rate	Collective bargaining coverage Employees in the EEA for countries with significant employment > 50 employees, representing > 10% of all employees	Social dialogue Workplace representation in the EEA for countries with significant employment > 50 employees, representing > 10% of all employees
0–19%	Poland	
20–39%		
40–59%		
60–79%		
80–100%	Germany	Germany, Poland

MTU does not currently have an agreement with its employees for representation by a European Works Council (EWC), a Societas Europaea (SE) Works Council, or a Societas Cooperativa Europaea (SCE) Works Council.

MTU is making use of the phase-in option to omit the datapoints with regard to its own employees in non-EEA countries in the Disclosure Requirement ESRS S1-8 for the fiscal year 2025 sustainability statement.

Diversity metrics (S1-9)

Gender distribution at top management levels

	Headcount		%	
	2025	2024	**2025**	2024
Total number of employees (top management levels)	**181**	**170**		
Male	155	144	86%	85%
Female	26	26	14%	15%
Other	0	0	0%	0%
Not reported	0	0	0%	0%

Distribution of employees by age group

	Headcount		%	
	2025	2024	**2025**	2024
Total number of employees	**12,670**	**11,953**		
Employees under 30	2,136	2,055	17%	17%
Employees between 30 and 50	7,515	6,935	59%	58%
Employees over 50	3,019	2,963	24%	25%

Adequate wages (S1-10)

All MTU employees in EEA countries are paid an adequate wage in comparison to European minimum wage directives. A wage is deemed adequate if the basic salary plus all guaranteed and fixed payments does not fall below a specified benchmark for an adequate wage. All MTU employees in non-EEA countries receive an adequate wage in line with the applicable national minimum wage or living wage benchmark. Living wage benchmarks are internationally recognized reference values for a living wage.

Health and safety metrics (S1-14)

MTU is committed to maintaining a robust health and safety management system to ensure the well-being of its workforce. This is in line with its social responsibility and is expressed in strict occupational safety standards, health management, and a preventive approach. This requirement is implemented by the following management systems: the Integrated Management System (IMS) and the occupational health and safety management system according to ISO 45001 for the following sites: MTU Aero Engines AG (Munich), MTU Maintenance Berlin-Brandenburg GmbH, MTU Maintenance do Brasil Ltda., MTU Maintenance Hannover GmbH, MTU Maintenance Australia Pty. Ltd., MTU Maintenance Serbia d.o.o., and MTU Maintenance Service Center Ayutthaya Ltd. MTU discloses the extent to which all MTU employees are covered by the health and safety management system, which corresponds to the Integrated Management System of MTU Aero Engines or ISO 45001 (management manual; see policy description under *Policies related to own workforce (S1-1)*). In the 2025 reporting year, the calculation of the coverage rate was changed so that in the future, it will take into account apprentices, trainees, working students, and interns in addition to all employees as defined in ESRS S1-6. The stated value for 2024 has been recalculated. Compared to the previous year, the adjusted calculation method results in only a slight change, so that the rounded value still stands at 97%.

Health and safety metrics

Category	2025	2024
Health and safety management system coverage ratio[1)]	97%	97%
Number of fatalities – employees	0	0
Number of fatalities – value chain workers at MTU sites[2)]	0	0
Number of work-related accidents	76	64
Rate of work-related accidents	3.7	3.3

[1)] The coverage rate refers to MTU's employees

[2)] Value chain workers with activities on MTU premises.

MTU is making use of the phase-in option to omit all datapoints related to non-employees and the datapoints on cases of work-related ill-health and on number of days lost to injuries, accidents, fatalities, and work-related ill-health in the Disclosure Requirement ESRS S1-14 for the fiscal year 2025 sustainability statement.

Remuneration metrics (pay gap and total remuneration) (S1-16)

Equal opportunities are reflected in the compensation system, which is designed to ensure gender-equitable pay that is nondiscriminatory and independent of gender and gender identity. For calculating the gender pay gap, the gross annual remuneration and the gross hourly wage extrapolated from this are taken into account. The gross annual remuneration comprises employees' annual income before deduction of taxes and social security contributions. The (unadjusted) gender pay gap (i.e. without regard to individual impact drivers such as age or the value of the role within the company) is calculated at the Group level and is based on the following formula:

$$\frac{\text{(Average gross hourly wage of male employees – Average gross hourly wage of female employees)}}{\text{Average gross hourly wage of male employees}} \times 100$$

Gender pay gap

	2025	2024
Gender pay gap	2.9%	2.3%

In addition to its commitment to equal pay, MTU is also committed to fair remuneration and providing transparent information. In terms of fair remuneration, MTU discloses the ratio of the annual total remuneration of the highest paid individual to the median annual total remuneration of all employees. Members of the Executive Board, including the highest-paid individual, are not taken into account in the median remuneration. The calculation of the MTU annual total remuneration ratio is based on the gross amount subject to wage tax for employees and the highest paid individual. At MTU, the CEO is regarded as the highest-paid individual. Further information on management remuneration can be found in the *Management compensation report* section of the Annual Report.

Ratio of the median of the annual total remuneration of all employees to the annual total remuneration of the highest-paid individual

	2025	2024
Total remuneration ratio	1: 50	1: 41

Incidents, complaints and severe human rights impacts (S1-17)

As part of its commitment to transparency and accountability, MTU aims to provide a clear picture of complaints, work-related incidents, and severe human rights incidents affecting its workforce. During the reporting period, 16 (2024: 9) incidents of discrimination were registered. The reported cases involved cases of sexual harassment, bullying, ageism, and racism. Those reported cases of discrimination that were deemed proven following an investigation led to consequences under employment law in every case. Furthermore, MTU received 15 (2024: 4) complaints through internal grievance mechanisms, separate from the incidents reported above; these mainly related to dissatisfaction with management behavior, dissatisfaction with career progression, and insults.

In the 2025 reporting year, the method for calculating cases of discrimination and complaints was changed so that in the future, both confirmed and unconfirmed cases that correspond to the characteristics of discrimination will be recorded as cases of discrimination. Confirmed and unconfirmed cases are not reported separately. In the future, all complaints received that are not related to discrimination but include work-related violations of dignity (e.g. insults) will be recorded as complaints. The stated value for 2024 has been recalculated for both metrics. As a result of the adjusted methodology, there was a reduction in cases of discrimination by two cases and a reduction in complaints by one case in the previous year.

Incidents, complaints, and penalties

	2025	2024
Number of reported incidents (confirmed and unconfirmed) of discrimination, incl. harassment	16	9
Number of complaints filed through reporting channels for own workforce	15	4
Amount of fines, penalties, and compensation		

Severe incidents and penalties related to human rights

	2025	2024
Number of severe human rights incidents reported	0	0
Amount of fines, penalties, and compensation for severe human rights incidents		

Workers in the value chain (S2)

Material impacts, risks and opportunities and their interaction with strategy and business model (S2 SBM-3)

Due to MTU's business model and the associated opportunities to exert influence, there was a particular focus on production materials when assessing the materiality of topics in the upstream value chain. This covers the entire process, starting with workers in mines, through processing in smelters and in the casting and forging processes, to the further processing of the products. The quality and availability of data in the upstream value chain varies considerably, which is partly due to a lack of transparency in the lower tiers of the upstream value chain. The materiality assessment also took into account other workers in the value chain, such as those working for customers. However, no material impacts, opportunities, or risks outside the upstream value chain were identified, which is why the further disclosures focus on workers in the upstream value chain.

Given the nature of the material impacts, there are various particularly vulnerable groups that could be affected, such as women, persons with disabilities, and children. However, MTU could not identify any actual impacts that specifically concentrate on one of these groups. MTU does not yet have processes in place for the detailed analysis of vulnerable groups in the upstream value chain.

As described under *Interests and views of stakeholders (SBM-2)*, MTU has only a limited choice of potential suppliers for production materials due to the quality requirements and expertise needed. Due to the limited flexibility in the selection of suppliers, there may be potential negative impacts associated with the business model. MTU is aware of its responsibility and sets out clear requirements for its direct suppliers regarding human rights and social standards. These should be cascaded up to the lower tiers of the upstream value chain (for more information, see *Policies related to value chain workers (S2-1)*).

The majority of MTU's direct suppliers are based in Europe and the U.S., with only a small proportion based in other regions. For the lower tiers of the upstream value chain, however, there is a lack of transparency with regard to geographical areas. For direct suppliers, the risk of potential negative impacts regarding child labor and forced labor is classified as nonmaterial due to the required qualifications of the workforce and the countries of origin. In the lower tiers of the upstream value chain, there is a general risk of child labor and forced labor in the extraction of raw materials in the mines. However, as the raw materials can come from different regions with different legal requirements concerning child labor and forced labor, lack of transparency means that it is not possible to conclusively assess the risk. In the materiality assessment, a distinction was made between direct (tier 1) and indirect suppliers (tiers 2 to n). This is due partly to gaps in the data and lack of transparency, but also partly to the different opportunities to exert influence.

In the materiality assessment process, specific impacts, opportunities, and risks related to the workers were taken into account based on the processing steps in the value chain. This included an assessment of whether the production step poses a particular risk of negative impacts on human rights and/or working conditions. For example, forging and casting were classified as physically demanding jobs with a high potential for injury. For the direct suppliers, potential negative impacts on local workers were identified in relation to working conditions, equal opportunities, and equal treatment. The impacts associated with equal pay and working hours are considered to be rather minor due to the countries of production, although no in-depth information is currently available on this. Due to the production processes, it can be assumed that there is a high proportion of men. Inclusion of persons with disabilities is not possible in all areas of the companies. Since no in-depth information is available here either, the topics have been assessed as material in order to emphasize their importance. Furthermore, based on the transparency achieved in 2024, the topics of working conditions, equal opportunities, and equal treatment were also identified as material for the lower tiers of the upstream value chain. Since most of the indirect suppliers lack transparency, no conclusions regarding the countries of production can be drawn. Given the activities in the lower tiers of the upstream value chain, it can be assumed until further information becomes available that hard work, long working hours, and unfair pay are prevalent. Moreover, potential negative impacts as a result of discrimination, in particular on the basis of

origin, sex, and ethnicity, are to be assumed. In the coming years, targeted work will be done to further develop data quality and availability in order to be able to make more detailed statements about the upstream value chain.

When the risk analysis was carried out (see *Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions (S2-4)*), no material impacts were identified as a result of individual incidents or specific business relationships. The material impacts identified are based on aggregated statements from the risk management process or scientific articles and are therefore to be classified as widespread or systemic.

No material opportunities, risks, or positive impacts were identified.

Policies related to value chain workers (S2-1)

MTU has implemented a Policy Statement on the Protection of Human Rights that defines basic principles on human rights and working conditions as well as responsibilities for their protection (see *Policies related to own workforce (S1-1)*). MTU has committed itself to the principles of the UN Global Compact and regards the protection of human rights as an essential component of its sustainable business conduct and part of its social, environmental, and corporate responsibility. The commitments include compliance with the following standards:

- United Nations Universal Declaration of Human Rights
- Core Labor Standards of the International Labour Organization (ILO)
- 10 Principles of the UN Global Compact
- UN Guiding Principles on Business and Human Rights and the UN Declaration on Human Rights
- Sustainable Development Goals of the United Nations (SDG 5/8)

Building on the policy statement, MTU has developed a specific Supplier Code of Conduct that addresses topics including human trafficking, forced labor, and child labor. Those topics are also included in the risk assessment with focus on social topics.

To meet the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), MTU has developed a strategy to consider human rights issues in the upstream value chain, with a focus on tier 1 suppliers. To comply with the due diligence demands, the following policies are a central component of the MTU procurement organizations:

- Supplier Code of Conduct
- Terms and conditions of purchase
- Manual for the implementation of human rights risk management

The policies for workers in the upstream value chain explicitly address topics such as working time, adequate wages, freedom of association, the existence of works councils, collective bargaining, including the percentage of employees covered by collective bargaining agreements, as well as health and safety, gender equality and equal pay for work of equal value, employment and inclusion of persons with disabilities, measures against violence and harassment in the workplace, diversity, and data privacy. Particular focus is placed on tier 1 suppliers in this context. For detailed information on the content, goal, scope, responsibilities, and availability of the individual policies for stakeholders, see the tables below.

In the event of human rights violations or other breaches of MTU's social standards within the upstream value chain, affected parties have the option of using the MTU grievance mechanism (see *Business conduct (G1)*) for more information on the MTU reporting channels and the policies set out in the rules of procedure for complaints and whistleblowing and the corporate works agreement on the protection of whistleblowers). If MTU becomes aware of incidents via the established communication channels or other sources of information, an investigation is initiated and, in the event that human rights violations are confirmed, remedial action is taken. For those cases, MTU does not have standardized measures because its intent is to solve the problems in the interest of the affected party. Further information on remediation can be found under

Processes to remediate negative impacts and channels for value chain workers to raise concerns (S2-3), while actions to prevent and mitigate the risk of human rights violations are described under *Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions (S2-4)*. In addition to the reference to MTU's own complaints channel, the Supplier Code of Conduct also requires suppliers to implement a grievance mechanism. As well as ensuring the anonymity of the affected party, this mechanism must also preclude discrimination or other negative effects from arising as a result of reports. In order to comply with future EU regulations such as the Corporate Sustainability Due Diligence Directive (CSDDD), MTU plans to expand the area of application of corporate due diligence obligations with regard to human rights, with a particular focus on the lower tiers of the upstream value chain.

In the reporting year, MTU was not informed of any cases of non-respect of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, or the OECD Guidelines for Multinational Enterprises that involve value chain workers reported in its upstream and downstream value chain.

Supplier Code of Conduct

Content	The Supplier Code of Conduct of MTU Aero Engines AG sets out its expectations of the upstream value chain and covers a broad range of requirements in the areas of human rights, working conditions, employee rights, the environment, and integrity in business conduct. This includes topics such as the prohibition of child labor, slavery, human trafficking, forced and compulsory labor, compliance with labor standards (freedom of association, the right to collective bargaining, prohibition of discrimination, equal pay, and compliance with a minimum wage), occupational health and safety, the creation of a grievance mechanism, the reduction of greenhouse gas emissions, energy efficiency, the use of renewable energy, resource-conserving measures, chemical management, and governance matters such as corruption and bribery, money laundering, terrorism financing, fair competition, antitrust laws, and the avoidance of conflicts of interest. The inclusion of these topics means the Supplier Code of Conduct is in line with the E1, S2, and G1 ESRS standards.
Target	The Supplier Code of Conduct outlines MTU's requirements regarding human rights, labor rights and conditions, environmental protection, and integrity in business conduct. It forms an essential basis for cooperation between MTU and its upstream value chain and has been integrated as a contractual component.
Associated material impacts, risks, and opportunities	The policy covers all material impacts at direct suppliers and, with regard to the topics in the impacts, risks, and opportunities identified, is intended to affect the higher upstream value chain by way of transfer by the direct suppliers.
Monitoring	Compliance with the required standards is monitored by an ESG assessment carried out by an external service provider. Violations of the principles can be reported at any time through the iTrust reporting channel. In addition, compliance is monitored through regular on-site visits by MTU employees to suppliers of OEM production materials.
Scope	The Supplier Code of Conduct is a contractual component of cooperation with direct suppliers and is intended to have a cascading effect on the lower tiers of the upstream value chain. The scope covers all regions and activities of these suppliers.
Organizational level responsible	Responsibility is held by the management of the respective purchasing department; if necessary in collaboration with the human rights officer or the compliance officer.
Third-party standards or initiatives	/ UN Global Compact, derived from the Universal Declaration of Human Rights / International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work / Rio Declaration on Environment and Development / United Nations Convention against Corruption / UN Guiding Principles on Business and Human Rights (UNGPs)
Availability	The policy is publicly available on the MTU website: *https://www.mtu.de/fileadmin/EN/10_Responsibility/Reports_Documentation/06_Code_of_Conduct_Lieferanten_EN.pdf**

Terms and conditions of purchase (TCP)

Content	In addition to compliance with the Supplier Code of Conduct and provisions on data privacy, this policy also covers a wide range of other topics, including requirements for suppliers regarding conflict minerals. These relate to MTU's collaboration with suppliers, but are not relevant in the context of this report.
Target	The TCP are the basis for clarifying fundamental issues relating to orders. They set out the contractual conditions between MTU and its suppliers and support MTU in safeguarding fundamental interests and placing requirements on the supplier, especially in the case of one-off procurement transactions.
Associated material impacts, risks, and opportunities	The policy covers all material impacts at direct suppliers as well as the identified material impact on human rights in the lower tiers of the upstream value chain through the required cascading effect in the Supplier Code of Conduct.
Monitoring	Contractual assurance by the supplier
Scope	The terms and conditions of purchase regulate fundamental topics for all purchasing processes and are used for every order. The scope covers all regions and activities of direct suppliers.
Organizational level responsible	Responsibility is held by the management of the respective purchasing department.
Third-party standards or initiatives	/ UN Global Compact, derived from the Universal Declaration of Human Rights / International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work / Rio Declaration on Environment and Development / United Nations Convention against Corruption / UN Guiding Principles on Business and Human Rights (UNGPs)
Availability	The policy is publicly available on the MTU website: *https://www.mtu.de/fileadmin/EN/9_Privacy-Statement_Terms-Conditions/AGB-EN/Terms_and_Conditions_of_Purchase_of_German_MTU_Sites_17.06.2025_01.pdf**

Manual for the implementation of human rights risk management at MTU (including corresponding environmental obligations)

Content	The policy describes the actions and responsibilities that MTU has put in place to identify potential and actual human rights violations, define and implement preventive and remedial actions, and ensure internal and external communication of the results.
Target	The policy is designed to meet the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). The aim of this policy is to reduce or prevent human rights- or environment-related risks and violations arising from MTU's business activities along the upstream value chain. The policy also describes actions and responsibilities to promote more sustainable business activities.
Associated material impacts, risks, and opportunities	All material impacts at direct suppliers are covered.
Monitoring	The approach described in this policy for fulfilling the human rights and environmental due diligence obligations under the LkSG is reviewed annually and as needed. This applies in particular if MTU expects a significantly changed or expanded risk situation along the upstream value chain. The review is generally carried out in consultation between the human rights officer and the human rights coordinators Group.
Scope	The scope of this policy covers MTU Aero Engines AG and the controlled companies of the MTU Group with regard to the requirements of the LkSG along the upstream value chain and the company's own business operations.
Organizational level responsible	The Legal, Compliance, Intellectual Property Management & Corporate Audit department is responsible for the policy. This responsibility aims to ensure that the policy is monitored and implemented. All divisions are responsible for implementing the policy.
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Processes for engaging with value chain workers about impacts (S2-2)

As part of the International Aerospace Environmental Group (IAEG), MTU gains insights into the key findings of the IAEG Sustainability Assessment Program, which focuses on risks in the upstream value chain. Even though MTU is not an active partner within this program, the insights gained are relevant for identifying areas for improvement within the aerospace industry, defining potential mitigation actions as part of the initiative, and measuring the effect through a reassessment.

These insights are incorporated into, for example, the materiality assessment. The knowledge gained from this program is shared twice a year by IAEG with its members within the framework of an IAEG working group dealing with sustainability in the upstream value chain.

Participation in the working group takes place at subject-matter level for sustainability in the upstream value chain, with responsibility for integrating the findings lying with the purchasing management team.

Further information on stakeholder dialogue, including with actors in the upstream and downstream value chain, outside the specific requirements of ESRS S2, can be found under *Interests and views of stakeholders (SBM-2)*.

Processes to remediate negative impacts and channels for value chain workers to raise concerns (S2-3)

MTU has implemented a grievance mechanism to effectively address potential material negative impacts on working conditions, equal opportunities, and other work-related rights of workers in the value chain. This procedure provides workers with a clearly defined reporting channel through which they can report concerns and potential violations anonymously and securely.

The reports received are carefully examined so that individual and targeted remedial action can be taken. Appropriate actions are defined and implemented as part of an overall assessment of all the circumstances of the individual case. The actions can range from clarifying communication through the use of contractually agreed rights to the termination of the contractual relationship. MTU's human rights officer and the responsible human rights coordinators track the supplier's implementation of the actions.

MTU provides its workforce with the opportunity to report their concerns directly to the company and to have them addressed through various channels, including reports to the compliance officer by e-mail or post, as well as a web-based whistleblower system (iTrust), which is available in several languages. It is also possible to submit a complaint anonymously. The system is available at all times via the MTU website to all MTU employees, third parties, and other stakeholders, such as suppliers and their workers. These channels were set up by MTU itself.

In addition to the publicly accessible website, which contains a full set of information on potential complaints channels, the options for reporting possible violations are included in the Supplier Code of Conduct. In addition, the Code of Conduct requires the implementation of a dedicated complaints channel at the supplier, which enables workers or other stakeholders to report potentially illegal practices in the workplace or misconduct.

The human rights officer has oversight, ensuring the effectiveness of the reporting channels. The issues raised and addressed are tracked and monitored by the HRO in collaboration with the compliance officers to ensure that the processing is reliable and thus increase trust in the reporting channels. The compliance officer is responsible for the receipt confirmation of a complaint, follow-up in case more information is needed, and the initiation or coordination of subsequent actions. In the event of violations, the compliance officer informs the affected purchasing organization and the human rights officer. The latter involves the Group human rights coordinators and site human rights coordinators as required when determining the action to be taken.

The effectiveness of the grievance mechanism is reviewed annually and on an ad hoc basis if MTU has reason to expect a significant change or deterioration in the risk situation within its own operations or at direct suppliers. MTU assesses whether value chain workers are aware of the grievance mechanism and reporting channels and trust them as a way to raise their concerns or needs and have them addressed. This is ensured by communicating openly about the grievance mechanism and the rules of procedure, including to third parties, e.g. through information on the MTU website and the Policy Statement on the Protection of Human Rights. Efforts are made to formulate information in a clear and comprehensible way. In addition, the rules of procedure for complaints and whistleblowing (see *Business conduct policies and corporate culture (G1-1)* for further information) explicitly state that MTU will not tolerate any form of retaliation against individuals who use these reporting channels. This is also a minimum requirement for the supplier's own complaints channel.

Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions (S2-4)

MTU has taken the following actions in the upstream value chain to identify and minimize potential negative impacts from human rights violations and noncompliance with MTU's social standards:

- Risk analysis
- ESG assessment
- Contractual safeguarding
- Knowledge management for purchasers
- Supplier visits

Most of the actions listed result from the implementation of the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains and therefore primarily relate to the identified material impacts, risks, and opportunities that affect direct suppliers. Actions that relate to material impacts, risks, and opportunities in the higher upstream value chain are reviewed and, if necessary, implemented as part of the implementation of the CSDDD.

Since no material opportunities, risks, or positive impacts on workers in the value chain were identified, no actions were taken to manage these impacts, risks, or opportunities.

An annual risk analysis is conducted for direct suppliers of fully consolidated Group companies using a standardized tool, taking into account the likelihood of occurrence and the extent of damage. This is based on defined ESG-relevant criteria such as product groups and their sourcing countries. Building on this, other criteria such as the ESG assessment of a third-party provider are included in the evaluation in order to map a supplier-specific risk in relation to sustainability. In the coming years, the existing risk management system will be reviewed regarding the requirements of emerging regulations such as the CSDDD and adapted where necessary.

In order to obtain more information about suppliers, MTU requires an ESG assessment by an external provider from key suppliers. Key suppliers are defined on the basis of an increased ESG risk and/or purchasing volume. In addition to environmental, human rights, and ethical issues, this also covers sustainable procurement. The suppliers are required to make statements relating to these issues in a questionnaire and must support them with evidence in order to validate the information provided and to be able to reliably assess the suppliers' sustainability activities. The ESG assessment supports the monitoring of the contents of the MTU Supplier Code of Conduct and helps identify material impacts and risks at the supplier level. The area of application was expanded in 2024 compared to the previous year in order to cover a broader population. As a result of this expansion, MTU gained increased access to ESG assessments of suppliers in the 2025 reporting year.

The content of the Supplier Code of Conduct is a binding component of the contract templates and the terms and conditions of purchase. This means that fundamental requirements on human rights and environmental issues are included in the negotiations before the contract is signed. The Code of Conduct is based on international standards and defines social and environmental requirements, respect for human rights, and integrity in business conduct, including the prohibition of corruption and bribery. By signing the contract, each supplier commits to adhering to these principles and passing them on to their subcontractors.

In the event of serious violations such as corruption, extortion, or child labor in the execution of orders for MTU, the company reserves the contractual right to terminate the collaboration with immediate effect. In addition to the contractual requirements, MTU purchasers receive regular training on the topic of ESG, the requirements in this field, and possible preventive measures. The aim of the training is to ensure that the content can be implemented by the suppliers. It also creates an understanding of the importance of the issues among the people involved. MTU employees generally visit the production sites of all OEM production material suppliers several times a year, which means that serious violations of the Supplier Code of Conduct are also monitored.

As described above for the policies, the current actions are focused mainly on direct suppliers. However, as part of the implementation of future EU regulations such as the CSDDD, reasonable actions for the lower tiers of the upstream value chain are also examined and, if necessary, included in the catalogue of actions.

Severe human rights issues or other incidents connected to the upstream and downstream value chain have not been reported. Violations of the Supplier Code of Conduct can be reported at any time via the grievance mechanism (see *Processes to remediate negative impacts and channels for value chain workers to raise concerns (S2-3)* for further details). In the event of incidents in the upstream value chain, corrective actions are initiated and followed up by the responsible persons defined in the risk management system. There are no predefined remedial actions, as these are adapted, developed, and implemented depending on the case.

In the purchasing organizations, the sustainability coordinators take charge of the material impacts, risks, and opportunities identified, develop policies for their management, and define actions for their implementation. This is usually done in coordination with other divisions.

Purchasing management is regularly informed about the current status of the actions, their implementation, and the impacts on the upstream value chain and is involved in the further development of the actions and policies. The respective purchasers are responsible for communicating with suppliers and for the specific implementation of the actions, with the professional support of the sustainability coordinators. In addition, progress in implementing the actions is regularly reviewed by purchasing management.

The effectiveness of the actions has not yet had to be verified, as no violations are known to date. Once the rollout of the ESG assessment has been completed, the annual update of the results will enable a well-founded analysis of the development of sustainability issues at the supplier level.

Risk analysis

Key actions taken and outcomes achieved	An annual risk analysis is conducted for direct suppliers of fully consolidated Group companies using a standardized tool, taking into account the likelihood of occurrence and the extent of damage. The analysis is based on defined ESG-relevant criteria such as product groups and their procurement countries. The risk analysis is integrated into the existing risk process for suppliers. Additionally, key suppliers are screened for compliance with sustainability matters using an ESG assessment tool and a scorecard to systematically record relevant aspects. The risk management process includes preventive and, if necessary, corrective actions. The risk analysis is used to identify suppliers who may pose a risk of disregarding human rights or social standards and serves as a basis for initiating preventive actions.
Key actions planned and time horizons for implementation	The actions implemented in the reporting year will be continued on an ongoing basis. A possible extension of these requirements could include compliance with due diligence obligations in the lower tiers of the upstream value chain. This is planned as part of the implementation of the CSDDD, whereby the area of application and timeframe are based on EU legislation.
Contribution to the policy objectives and requirements	Monitoring process for the Supplier Code of Conduct
Scope	All direct suppliers of the fully consolidated sites in the past fiscal year, regardless of their activity and geographical location

ESG assessment

Key actions taken and outcomes achieved	MTU requires an ESG assessment from a third-party provider, which must be renewed annually. The statements in the questionnaire must be supported by appropriate evidence, the content of which is checked by the assessment provider. The aim of the ESG assessment is to ensure a reliable assessment of the sustainability performance of suppliers. The current expansion of the scope is intended to improve and expand the data basis for assessing social topics and human rights in the upstream value chain.
Key actions planned and time horizons for implementation	The actions implemented in the reporting year will be continued on an ongoing basis.
Contribution to the policy objectives and requirements	Compliance with the Supplier Code of Conduct and identification of material impacts and risks in the upstream value chain.
Scope	Key direct suppliers that are significant for MTU based on revenue and risk-oriented criteria, for OEM and MRO production materials and in general purchasing, including new suppliers regardless of activity or geographical location.
Progress	The scope of affected suppliers was expanded further in order to cover a broader population. This creates an optimized database for the assessment of social issues and human rights in the upstream value chain.

Contractual safeguarding

Key actions taken and outcomes achieved	By signing the contract, each supplier commits to complying with the content of the Supplier Code of Conduct and to passing it on to their subcontractors. In addition, MTU's terms and conditions of purchase include a clause regarding compliance with the Supplier Code of Conduct. The aim is to guarantee minimum standards at MTU through contractual agreements. In the event of noncompliance with these standards, MTU has put measures in place that, in the case of serious violations, can extend as far as termination of the contract.
Key actions planned and time horizons for implementation	A possible extension of these requirements could include compliance with due diligence obligations in the upstream value chain. This is planned as part of the implementation of the CSDDD requirements by mid-2029.
Contribution to the policy objectives and requirements	Contractual basis for ensuring compliance with the Supplier Code of Conduct and the requirements of the terms and conditions of purchase.
Scope	All orders in the fiscal year, irrespective of the activities and geographical location of the direct supplier

Knowledge management for purchasers

Key actions taken and outcomes achieved	MTU's purchasers are given specific training on the Supplier Code of Conduct. Additionally, MTU offers specialized corporate responsibility trainings, specifically tailored to the purchasing department's requirements. The aim of the trainings is to sensitize participants and raise their awareness of sustainability standards in the upstream value chain and their background.
Key actions planned and time horizons for implementation	The development of MTU-specific training courses on working conditions and human rights in the supply chain and thus the replacement of the current solution via a third-party provider is planned for the next three years. The actions implemented in the reporting year will be continued on an ongoing basis.
Contribution to the policy objectives and requirements	Basis for the monitoring process for compliance with the Supplier Code of Conduct
Scope	Purchasers for production and general material at the following sites: / MTU Aero Engines AG (Munich) / MTU Aero Engines Polska sp. z o.o. / MTU Maintenance Australia Pty. Ltd. / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Canada Ltd. / MTU Maintenance do Brasil Ltda. / MTU Maintenance Fort Worth Inc. / MTU Maintenance Hannover GmbH / MTU Maintenance Lease Services B.V. / MTU Maintenance Serbia d.o.o. / MTU Maintenance Service Center Ayutthaya Ltd.
Progress	In the reporting year, additional training courses were introduced on sustainable procurement. These courses are offered by an external provider and are completed in the form of an e-learning. A platform for knowledge management was also set up. Here, buyers can find out about the background to the implementation of current and planned sustainability issues in the upstream value chain and find working documents and guidelines in one place. In addition, information events on sustainability topics were held for purchasers on a selective basis in the reporting year.

Supplier visits	
Key actions taken and outcomes achieved	As part of the business relationships with OEM production suppliers, MTU employees generally visit the production sites of all suppliers several times a year. These visits serve as an additional control mechanism to identify obvious violations of the Supplier Code of Conduct.
Key actions planned and time horizons for implementation	No expansion of the actions is currently planned. The actions implemented in the reporting year will be continued on an ongoing basis.
Contribution to the policy objectives and requirements	Monitoring process for the Supplier Code of Conduct
Scope	OEM production suppliers (tier 1) regardless of geographical location

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S2-5)

For the upstream value chain, no quantitative targets can be reported that meet the requirements of the ESRS. Nevertheless, the implementation of actions and their progress are regularly monitored and actions for improvement are defined. However, these are not based on fixed targets.

Due to the risk situation and the general maturity of the topic of sustainability, no quantitative targets could be defined for the policies and actions implemented to manage and promote the material impacts, risks, and opportunities identified in the purchasing departments in the past (see statements under *Interests and views of stakeholders (SBM-2)*). However, qualitative targets were set for the implementation of sustainability criteria in the procurement processes. Some of the objectives from the purchasing organization's roadmap adopted in the reporting year focus on increasing transparency in the upstream value chain and collecting data. In this way, MTU is preparing to formulate concrete quantitative targets in the future and to be able to track their progress.

Product quality and flight safety

Within the framework of this sustainability statement, MTU has identified the topic of "product quality and flight safety" as an entity-specific topic that is essential for the long-term success of the company and the safety of its customers.

Material impacts, risks and opportunities and their interaction with strategy and business model

In the aviation industry, ensuring product quality and flight safety is of vital importance. To minimize potential impacts on flight safety, defect-free product quality as a key corporate goal is an integral part of MTU's strategy and business model. Derived from its "Quality Vision Zero Defects", MTU assesses the topic of product quality and flight safety as material (see *Description of the process to identify and assess material impacts, risks and opportunities (IRO-1)* for further information on how this criterion is taken into account in the double materiality assessment).

Policies related to product quality and flight safety

MTU's integrated management system (IMS) serves to comply with aviation regulations, customer requirements, and MTU's internal requirements and to implement them as a management system with clear roles and responsibilities. MTU is a development, manufacturing, and maintenance organization approved under aviation law. This means that compliance with all requirements is monitored by the authorities and that MTU's corporate processes and IMS have been approved. The main principle of the IMS in this context is: "Safety takes priority in what we do." The regulations are binding for all employees and managers within the scope and are documented as policies in the MTU management manual. The IMS forms the basis and consists of the subareas of quality, occupational safety, and environmental protection. The IMS and its components support customer satisfaction, process orientation, and continuous improvement in all phases of development, manufacturing, and maintenance. With regard to the quality subarea, the requirements of the EN/AS9100 and EN/AS9110 standards are met, among others, and therefore also the requirements of the underlying ISO 9001 standard. The certifications in place during the reporting year covered, with regard to the requirements of ISO 9001, the processes for the activities of 99.9% of the employees and 87.5% of the sites.

Corporate Quality, which is responsible for the operational implementation, reports directly to the Chief Operating Officer (COO) and submits quarterly reports on quality aspects and flight incidents to the Executive Board. The IMS includes a safety management system (SMS) in accordance with the International Civil Aviation Organization (ICAO) standard. This defines how to handle safety-related incidents at MTU's sites and in air traffic. Appropriate organizational structures and responsibilities, such as a Flight Safety Board and a Flight Safety Manager, have also been established.

Management manual

Content	The management manual is the overarching document in the IMS for quality, environmental protection, and occupational health and safety, serving as the basis for further regulations (process descriptions, standards, and work instructions) across all business units of MTU. The relevant topic for this section of the report is product quality and flight safety.
Target	Supports the objective derived from MTU's "Quality Vision Zero Defects" for product quality and flight safety for the entire product lifecycle of an engine.
Associated material impacts, risks, and opportunities	In the aviation industry, ensuring product quality and flight safety is of vital importance. The management manual is the overarching document in the IMS and must be properly implemented in order to avoid deviations and associated risks. Noncompliance with the IMS could potentially lead to a flight incident.
Monitoring	To ensure compliance with quality and safety requirements, MTU has established comprehensive inspection and monitoring processes.
Scope	For the MTU sites covered by the CSRD scope of consolidation, the IMS is valid at the following MTU sites: / MTU Aero Engines AG (Munich) / MTU Aero Engines Polska sp. z o.o. / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Canada Ltd. / MTU Maintenance Fort Worth Inc. / MTU Maintenance Hannover GmbH / MTU Maintenance Serbia d.o.o.
Organizational level responsible	Corporate Quality and the Chief Operating Officer (COO) are responsible for product quality and flight safety.
Third-party standards or initiatives	Standards of the International Civil Aviation Organization (ICAO) The implementation of the IMS is validated and confirmed at the sites by independent and accredited inspection bodies. More information is available online on the MTU website: *https://www.mtu.de/en/engines/quality/approvals-certifications**
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

To ensure compliance with quality and safety requirements, MTU has implemented comprehensive testing and monitoring processes throughout the entire value chain. Components undergo thorough testing, based on their criticality, and are monitored in the production process. Annual internal quality audits and quality audits by customers and authorities provide evidence that MTU meets uniformly high standards and is in conformance with regulatory requirements. A defined process aims to ensure that all customer complaints regarding inadequate quality of MTU products are followed up and analyzed and that suitable actions are defined and implemented to eliminate the causes of defects. The effectiveness of these actions is closely monitored in the IMS through defined processes and reporting.

Actions and resources in relation to material sustainability matters

MTU continuously monitors the quality of its products and services. The company is continuously developing its quality management system and the associated regulations. MTU also draws ideas from industry initiatives, such as from its involvement in AESQ (Aero Engine Supplier Quality Group), an international quality group for the engine industry, or from the regular sharing of experience and information between quality managers. Continuous development focuses first and foremost on the regulations and internal quality reporting.

Continuous development of the integrated management system	
Key actions taken and outcomes achieved	Regular site-specific training on quality aspects is held for employees and managers. A continuous educational program tailored to target groups and needs is available in the form of face-to-face or virtual training. This includes, for example, mandatory IMS training for new employees, various (in some cases mandatory) web-based training for all employees, and in-depth training for MTU safety personnel, which was rolled out for the German sites as a first step. In the reporting year, MTU continued the development of the IMS in light of new regulatory requirements from the European aviation authority. For instance, in the reporting year, work began on rolling out an information security management system (ISMS) for the production organization. In addition, the quality management system was further developed in order to implement the current AS13100 quality management standard, a revised edition of which was published in the reporting year. MTU is committed to meeting both existing and new requirements on flight safety and product quality by implementing these actions and the associated continuous development of the IMS. The aim is to meet customers' and regulatory authorities' expectations and also to achieve its own ambition of innovative and safe solutions in all phases of development, manufacturing, and maintenance.
Key actions planned and time horizons for implementation	MTU continuously develops its quality management, its internal quality reporting, and the digitalization of quality processes.
Contribution to the policy objectives and requirements	Supports the objective derived from MTU's "Quality Vision Zero Defects" for product quality and flight safety. The continuous development of the IMS contributes to achieving this target.
Scope	All MTU employees at the MTU sites according to the line "Scope" in the table "Management manual," unless otherwise specified.

Tracking the effectiveness of policies and actions through targets

MTU has set itself internal quantitative targets in the area of quality management, for example for error rates or costs caused by errors, but these cannot be published as part of the sustainability statement as they contain sensitive information. MTU has additionally set itself qualitative targets for quality management / product quality and flight safety as part of its Sustainability Program 2025+ and in line with its "Quality Vision Zero Defects":

- Implementation of innovative and, at the same time, recognized standards
- Commitment to the further development of state-of-the-art standards
- High level of employee training and support through the use of digital solutions
- Recognized and standardized methods for systematic error prevention, analysis, and sustainable remediation

MTU uses continuous data analysis—for example, of customer complaints—as operational indicators for achievement of the qualitative targets for customer satisfaction, product quality, and flight safety.

Governance information

Business conduct (G1)

Business conduct policies and corporate culture (G1-1)

MTU's corporate culture is characterized by trust, mutual respect, as well as compliance with legal requirements and adherence to ethical principles. As a company in the aviation industry, MTU attaches particular importance to the safety of products and processes. To meet the high standards that MTU sets itself, an open no-blame and speak-up culture is a central component of the corporate culture and part of the shared responsibility of all employees. This is crucial for ensuring that any irregularities or anomalies that are identified are communicated early and openly.

MTU promotes a learning-oriented safety culture in which errors are seen as opportunities for improvement. To strengthen open communication, the company relies on practical training formats, regular feedback processes, company-wide surveys, and a confidential whistleblower channel. In addition, programs are offered for junior employees that promote critical thinking, initiative, and sustainable responsibility—and thus embed the speak-up culture.

MTU's compliance management system (CMS) is designed to ensure compliance with legislation and internal policies. It is intended to promote ethical conduct and prevent misconduct. It encompasses risk identification, preventive measures, and continuous monitoring to maintain regulatory compliance and support corporate integrity, and is characterized by a continuous improvement process.

Raising MTU employees' awareness of compliance-related issues is part of the preventive actions. MTU has established a training concept on relevant business conduct topics. This includes both role-specific expectations—for example, for managers—and fundamental business conduct principles in line with MTU's Code of Conduct, including requirements for business and contractual relationships with third parties, trade compliance, data security, and potential conflicts of interest. The training program includes basic training on the MTU Code of Conduct and other training courses, some of which are function-specific.

MTU's long-term business success is based on compliance with the applicable laws and regulations and the company's own internal policies. The company's policies are in line with the United Nations Convention against Corruption and condemn corruption of any kind.

The Code of Conduct serves as the Group-wide policy for lawful business conduct and demands responsible and ethical behavior from both employees and management. Compliance with the Code of Conduct is supported, in particular, by the whistleblower protection policy, which, as a corporate works agreement, covers the fundamentals of the whistleblower reporting office, and by the rules of procedure for complaints and whistleblowing, which create transparency regarding the available reporting channels.

Corporate works agreement on Code of Conduct for employees

Content	MTU's internal Code of Conduct (also available to the public in an abridged version) emphasizes the importance of integrity and responsibility across all business areas. Employees are obligated to comply with legal requirements and internal rules while adhering to ethical standards of conduct. In addition, the Code of Conduct highlights the importance of respectful and fair interactions among colleagues as well as with business partners and customers. Besides describing MTU's commitment to human rights, equal opportunities, safe working conditions, and environmental sustainability, the Code also covers fair competition, trade compliance, and prevention of insider trading, and outlines enforcement actions and consequences for violations.
Target	The main objective of the Code of Conduct is to establish clear policies and standards for ethical behavior and decision-making for MTU's workforce. It is designed to ensure consistency, integrity and compliance with laws and regulations. At the same time, the Code of Conduct aims to foster a positive work environment, protect MTU's reputation, and build trust with stakeholders.
Associated material impacts, risks, and opportunities	Supporting the potential positive impact through the MTU-specific framework with regard to combating corruption and bribery.
Monitoring	It is the responsibility of every MTU manager to ensure that all employees are aware of this policy and comply with its provisions. MTU regularly trains its employees and managers across all hierarchies on the Code of Conduct. When new employees are taken on, MTU informs them about the Code of Conduct and requires them to sign a declaration committing to uphold it. The Code of Conduct is subject to oversight by the Works Council.
Scope	The corporate works agreement applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH / eMoSys GmbH / 3D.aero GmbH The Code of Conduct applies throughout the Group.
Organizational level responsible	MTU's Executive Board is responsible for implementing the Code of Conduct. As part of compliance-related regular reporting, the compliance officer regularly reports to the Executive Board on adherence to the Code.
Availability	The policy is accessible to MTU employees via the document management system and can be viewed publicly in an abridged version: *https://www.mtu.de/fileadmin/EN/10_Responsibility/Reports_Documentation/MTU_Verhaltensgrundsaetze_en_2604_150.pdf**

Rules of procedure for complaints and whistleblowing

Content	Communication and transparency about the available reporting channels for complaints and reports, which can be used to report any information on possible violations of laws and/or regulations, including human rights or environmental risks or violations in MTU's own operations and throughout the entire value chain. The grievance mechanism is available to MTU employees, external individuals, and external organizations alike.
Target	Transparency and easy access to the various reporting channels
Associated material impacts, risks, and opportunities	Supporting the potential positive impact through the MTU-specific framework with regard to combating corruption and bribery.
Monitoring	It is the responsibility of every MTU manager to ensure that all employees are aware of this policy and comply with its provisions.
Scope	The rules of procedure for complaints and whistleblowing applies worldwide, regardless of the person involved.
Organizational level responsible	The Group compliance officer is responsible for implementing the rules of procedure.
Availability	The policy is publicly available on the MTU website: *https://www.mtu.de/fileadmin/EN/10_Responsibility/Reports_Documentation/MTU_Verfahrensordnung_Beschwerden_und_Hinweise_2024_01.pdf**

Whistleblower protection policy

Content	The corporate works agreement sets out the fundamentals of the whistleblower reporting office along the reporting office's process steps (including receiving reports, processing and investigation, deriving actions, information and communication) and basic requirements for confidentiality, investigation, and information.
Target	Documentation of MTU requirements and process steps for whistleblowers in accordance with the requirements for the internal reporting office procedure pursuant to Section 16 of the German Whistleblower Protection Act (HinSchG).
Associated material impacts, risks, and opportunities	Supporting the potential positive impact through the MTU-specific framework with regard to combating corruption and bribery.
Monitoring	It is the responsibility of every MTU manager to ensure compliance with the policy. Process monitoring is the responsibility of the compliance function.
Scope	The corporate works agreement applies to all employees of the following MTU Group companies: / MTU Aero Engines AG (Munich) / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Hannover GmbH / eMoSys GmbH / 3D.aero GmbH
Organizational level responsible	The Group compliance officer is responsible for implementing the policy.
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

MTU Aero Engines AG's globally accessible iTrust whistleblowing system provides a mechanism for employees and stakeholders to report any suspected misconduct or violations of regulations. It includes protecting whistleblowers from retaliation and promotes a culture of transparency and accountability within the organization. MTU's iTrust system is a platform that employees and stakeholders can use to report compliance concerns and potential misconduct securely, confidentially, and anonymously. MTU's procedures for investigating business conduct incidents, including incidents of corruption and bribery, promptly, independently, and objectively, build on the following key elements:

/ Anonymous reporting and communication through iTrust whistleblowing system
/ FAQ with detailed information on the practical function of the iTrust whistleblowing system
/ Confidential investigation and feedback to whistleblowers
/ Time off work for whistleblowers or affected persons for the duration of the investigation or organizational protective measures during the ongoing investigation, if necessary
/ Regular training and professional development for compliance function employees

In accordance with the principles for the protection of whistleblowers, reports are processed and investigated in accordance with MTU Aero Engines AG's Group-wide rules of procedure for complaints and whistleblowing. The identity of the whistleblowers and the content of the report are treated confidentially. A grievance mechanism is effective only if the individuals providing the information are protected against any disadvantages or reprisals arising from the report. MTU does not tolerate retaliatory measures. It appreciates the reports and the associated interest in protecting the company and its stakeholders by addressing any potential wrongdoing. MTU's compliance function is the recipient of any reports from the whistleblowing system. Compliance function employees regularly take part in external training and professional development events and subject-specific conferences. The Group compliance officer is responsible for implementing the policy.

Prevention and detection of corruption and bribery (G1-3)

As a member of the UN Global Compact, a global multi-stakeholder initiative, MTU is committed to complying with the Ten Principles, which include the protection of human rights, fair working conditions, environmental protection, and anti-corruption. In addition, the company participates in topic-specific initiatives that focus on anti-corruption, such as TRACE International.

As part of its company-wide strategy, MTU pursues the objective of consistently preventing corruption and bribery through a zero-tolerance management approach to anti-corruption. From the perspective of the management bodies, the CMS and the associated whistleblower system are intended to ensure that legal provisions and internal policies are complied with and that potential misconduct is uncovered (see *Business conduct policies and corporate culture (G1-1)* for more information on the whistleblower system). To minimize corruption risks, the compliance officer reviews all sales-related consultancy contracts for potential risks before they are concluded or renewed involving external service providers as needed. In addition, the Corporate Audit organizational unit assesses the appropriateness and effectiveness of MTU's CMS and internal control system through comprehensive audits and supports the compliance organization in uncovering misconduct within the company—for example, by reviewing processes and controls. MTU follows the IDW AsS 980 assurance standard published by the Institute of Public Auditors in Germany and the Good Practice Guidance on Internal Controls, Ethics, and Compliance issued by the Organisation for Economic Co-operation and Development (OECD). MTU has also signed the standards issued by the Aerospace and Defense Industries Association of Europe (ASD), which aim to prevent corruption and bribery and encourage fair competitive conditions. In Germany, this initiative is supported by the German Aerospace Industries Association (BDLI). The standards are also set out in contracts with sales consultants as binding criteria. In line with MTU's zero-tolerance management approach on corruption and bribery, any allegations or suspicions are taken seriously and are thoroughly investigated. MTU cooperates fully with law enforcement agencies and regulatory bodies during the investigation. The compliance officer is responsible for handling allegations or incidents of corruption and bribery, irrespective of the management level involved. A systematic process has been established through which the compliance officer and the Compliance Board provide information to the Executive Board and the Audit Committee. This includes the regular monthly report to the Executive Board on current compliance issues, the quarterly Compliance Board meetings, and ad hoc reporting as required.

MTU's Group-wide training plan is in line with the Group policies and in fiscal year 2025 included both cross-functional basic training on the Code of Conduct and topic-specific training on combating bribery and corruption for functions-at-risk.

The basic training course on the Code of Conduct was offered in the reporting year as a more modern form of web-based training, with gamification approaches and focuses on increasing awareness and building competencies for decisions in the event of ethical dilemmas in daily tasks. The participants in the training are taken on a journey through typical risky business situations in a realistic and practical way and have to resolve these through ethical decisions in order to achieve the training goal. At the same time, various examples of corruption are used to shed light on the global perspective and the particular danger posed by working with public officials. The training certificates are valid for a maximum of three years, ensuring that knowledge is regularly refreshed.

Training title	Type	Scope	Depth
Code of Conduct	/ Web-based training or e-info (PDF) / Duration approx. 45 min	/ Bookable for all employees throughout the Group / Part of the onboarding for new hires / Newly introduced training certificate valid for three years	/ MTU values, including resolving ethical conflict situations, including under pressure, that could lead to corruption or bribery / Detailed information on corruption and public authorities
Anti-bribery / anti-corruption	/ In-person or virtual training, 3–4 times per year / Duration approx. 60 min	/ Bookable for all employees throughout the Group / Employees in functions-at-risk are a particular target group	/ In-depth training on anti-bribery and anti-corruption to raise awareness in particular among employees in functions-at-risk

MTU attaches great importance to the continuous training and development of its employees, especially in functions-at-risk. In line with the preventive approach of the compliance organization, the definition of functions-at-risk at MTU in the area of corruption and bribery covers around a quarter of all employees. This definition includes individuals who are classified as having functions-at-risk due to their tasks and responsibilities in areas such as purchasing and sales, accounting, IT, the legal department, or the compliance organization. Among the group of affected individuals are also senior employees such as general managers, executives, and members of the Executive Board, and the MTU Works Council. The level of coverage achieved reflects a high level of training. MTU is aiming for a permanent target range of 90–95%, as minor deviations cannot be fully compensated for as of the reporting date due to ongoing onboarding, absences, changes of function, and technical and organizational factors.

Percentage of employees in functions-at-risk covered by training programs

	2025	2024
Percentage of training coverage for functions-at-risk	93%	71%

The members of the Supervisory Board of MTU Aero Engines have not yet been included in the aforementioned educational program. Both the Executive Board and the Supervisory Board are recipients of regular and ad hoc reports from the MTU compliance function and are therefore particularly aware of the issues of anti-corruption and anti-bribery. The members of the Supervisory Board also undertake their own training on compliance-specific topics and are supported in this by MTU where necessary. For further information, see the qualification matrix of the Supervisory Board and the declaration of conformity with the recommendations of the GCGC in the *section of the combined management report headed Corporate governance statement*.

Incidents of corruption or bribery (G1-4)

No convictions for violations of anti-corruption and anti-bribery laws were reported in the reporting period. Furthermore, no incidents were recorded with actors in the value chain in which MTU or its employees were involved.

Convictions and fines

	2025	2024
Number of convictions for violations of anti-corruption and anti-bribery laws	0	0
Amount of fines for violations of anti-corruption and anti-bribery laws		

Tracking the effectiveness of policies and actions through targets

For the sustainability matter of business conduct, no quantitative targets can be reported that meet the requirements of the ESRS. The effectiveness of the actions and guidelines is monitored through structured reporting processes, regular internal audits, and the evaluation of complaints and incidents.

Foreign trade

Within the framework of this sustainability statement, MTU has identified the topic of "foreign trade" as an entity-specific topic.

Material impacts, risks and opportunities and their interaction with strategy and business model

Compliance with foreign trade regulations is essential for MTU. Violations of customs and export control regulations can lead to a situation where goods that require authorization due to their sensitive nature are being used by sanctioned natural and legal persons or for unauthorized purposes. This contradicts not only national economic, security, and foreign policy interests and the fundamental approach of UN peacekeeping, but also MTU's corporate identity. Noncompliant actions within the value chain can result in liability, fines, and U.S. secondary sanctions as well as reputational damage and negative impacts on the protection of human rights.

Policies related to foreign trade

Compliance with customs laws and export regulations is explicitly laid out in the internal Group Export Control Directive and is mandatory. Furthermore, harmonized company-wide process standards have been established for this purpose. These require, among other things, a check for export control regulations and existing licensing requirements before shipping any documents or components.

The relevant legal basis are the applicable national laws as well as the provisions of U.S. (re-)export control. In Germany, these are in particular the Foreign Trade and Payments Act (AWG), the Foreign Trade and Payments Ordinance (AWV), and the Export List (AL). At the U.S. level, it is primarily the U.S. Export Administration Regulations (EAR), the International Traffic in Arms Regulations (ITAR), and the regulations of the Office of Foreign Assets Control (OFAC) that apply. In addition, the requirements of EU law must be complied with, which are based in particular on Regulation (EU) No. 2021/821 on dual-use goods (Dual-Use Regulation), various embargo and terrorism regulations, and Directive 2009/43/EC on simplifying terms and conditions of transfers of defense-related products within the Community. The latter plays a central role in the implementation and further development of internal compliance programs (ICPs).

Export control regulations prohibit business with certain countries or persons as well as deliveries of sensitive goods, the transfer of high technologies, and military services without express official approval. This is primarily intended to prevent the proliferation of nuclear, biological, and chemical (NBC) weapons, the delivery of military goods or goods suitable for military purposes to crisis regions, the support of persons on sanctions lists, and human rights violations, as well as to safeguard sovereign security interests. Customs regulations require a precise description, complete listing, and accurate declaration of the value of the goods to be imported or exported by MTU. In addition, anti-boycott laws may prohibit participation in boycotts of other countries and restrict the disclosure of information about business activities and individuals.

Export control regulations are enforced as part of the content of contracts or within the general terms and conditions of purchase for MTU's contractual partners. Foreign trade (export control law, coordination of customs regulations), which reports to the General Counsel, is responsible for ensuring the implementation of foreign trade regulations. Foreign trade reports quarterly and, if necessary, on an ad hoc basis to the person on the Executive Board responsible for exports.

Foreign trade guidelines

Content	MTU's internal and site-/country-specific regulations on customs and export control regulations form the basis for foreign trade processes at MTU. In the area of export control, the Group Export Control Policy and further secondary guidelines apply. The internal export control directives cover the following topics: / Export control in the operational structure / Review of planned export projects / Export control regulations for IT systems/tools including cloud systems / Regulations for purchasing transactions / Export control training / MTU compliance with U.S. export control / Sanctions list check In the area of customs, the internal guidelines cover the following topics: / Customs clearance / Classification of goods in the customs tariff / Dispatch processing / Weapons of war control / Customs training The internal process landscape maps the export control processes for legal certainty within the company. In addition, there are work and organizational instructions that naturally vary from site to site.
Target	The main objective of the customs and export control regulations is to establish standards and processes for compliant behavior by MTU employees. It is designed to ensure consistency, integrity and compliance with laws and regulations.
Associated material impacts, risks, and opportunities	Supporting the avoidance of potential negative impacts on the protection of human rights through the MTU-specific framework related to compliance with export control regulations.
Monitoring	It is the responsibility of every MTU manager to ensure that all employees are aware of these regulations and comply with their provisions. MTU regularly trains its employees and managers across all hierarchies on export control regulations. When new employees are taken on, MTU informs them about the regulations by way of an awareness training.

Foreign trade guidelines

Scope	The scope applies to the following sites in accordance with the internal regulations. Group Export Control Policy: / MTU Aero Engines AG (Munich) / MTU Aero Engines North America Inc. / MTU Aero Engines Polska sp. z o.o. / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Canada Ltd. / MTU Maintenance Fort Worth Inc. / MTU Maintenance Hannover GmbH / MTU Maintenance Lease Services B.V. / MTU Maintenance Serbia d.o.o. In addition, there are work and organizational instructions relating to export control and customs that naturally vary from site to site. The secondary guidelines apply at the respective sites from the scope specified in the Group Export Control Policy.
Organizational level responsible	Overall responsibility for compliance with the foreign trade guidelines lies with the person designated to the authorities as "export officer" (a member of the Executive Board or a managing director of a site). The tasks arising from this responsibility are delegated to the export control and customs officers at the sites. They have the right to report directly to the respective responsible Executive Board member or the site management. Their tasks are coordinated holistically by foreign trade.
Availability	The policy is not publicly available and can be accessed only via the document management system for MTU employees.

Actions and resources in relation to material sustainability matters

Training on foreign trade is function-specific and, depending on the area of application, can be web-based, provided as e-info, or delivered in the form of face-to-face training at an individually defined frequency. These training courses address the legally compliant actions by employees who are entrusted with tasks relevant to customs and export control law within MTU.

In the area of export control, all employees and managers must attend general awareness training on an annual basis and must complete role-specific training every three years. Basic content on customs law topics is taught to employees in the form of face-to-face training, including how to meet the certification requirements for Authorized Economic Operator (AEO) status and site-/country-specific requirements.

Regular training courses on customs and export control	
Key actions taken and outcomes achieved	Regular export control training courses are held to inform employees about the key legal requirements and promote responsible behavior. These training courses provide basic knowledge of German, European, and U.S. export control regulations, embargoes, and sanctions lists as well as specific specialist knowledge. Regular customs training courses are held to inform employees about the legal requirements and aspects of supply chain security to protect people and the environment and to promote compliance with them. This supports compliance with legal requirements and strengthens sustainable, responsible corporate action.
Key actions planned and time horizons for implementation	No further actions are currently planned.
Contribution to the policy objectives and requirements	The customs and export control training courses result in the acquisition of knowledge or the consolidation of existing knowledge, which enables employees to comply with customs and export control requirements.
Scope	The scope applies to the following sites in accordance with the internal regulations on training in foreign trade (customs and export control): / MTU Aero Engines AG (Munich) / MTU Aero Engines North America Inc. / MTU Aero Engines Polska sp. z o.o. / MTU Maintenance Berlin-Brandenburg GmbH / MTU Maintenance Canada Ltd. / MTU Maintenance Fort Worth Inc. / MTU Maintenance Hannover GmbH / MTU Maintenance Lease Services B.V. / MTU Maintenance Serbia d.o.o. A further internal training requirement in export control and customs applies to the MTU Aero Engines AG Munich site.

Tracking the effectiveness of policies and actions through targets

MTU has set itself internal quantitative targets in the area of customs and export control, but these cannot be published as part of the sustainability statement as they contain sensitive information.

Appendix

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ESRS G1	Business conduct	G1-1 Business conduct policies and corporate culture	206
		G1-3 Prevention and detection of corruption and bribery	209
		G1-4 Incidents of corruption or bribery	210

List of phased-in disclosure requirements

ESRS	Disclosure requirement	Description	Use of the exemption
		Strategy, business model and value chain	
ESRS 2	SBM-1 40 (b) and (c)	Revenue by significant ESRS sectors	Yes
		Material impacts, risks and opportunities and their interaction with strategy and business model	
ESRS 2	SBM-3 48(e)	Anticipated financial effects	Yes
ESRS E1	E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Yes
ESRS E5	E5-6	Anticipated financial effects from resource use and circular economy-related risks and opportunities	Yes
		Characteristics of non-employees	
ESRS S1	S1-7	All datapoints	Yes
		Collective bargaining coverage and social dialogue	
ESRS S1	S1-8	Datapoints related to own employees in non-EEA countries	Yes
		Social protection	
ESRS S1	S1-11	All datapoints	Yes
		Persons with disabilities	
ESRS S1	S1-12	All datapoints	Yes
		Training and skills development	
ESRS S1	S1-13	All datapoints	Yes
		Health and safety	
ESRS S1	S1-14	Datapoints related to cases of work-related ill-health and the number of days lost to injuries, accidents, fatalities, and work-related ill health	Yes
		Health and safety	
ESRS S1	S1-14	Datapoints related to non-employees	Yes
		Work-life balance	
ESRS S1	S1-15	All datapoints	Yes
ESRS S2	All disclosure requirements	All disclosure requirements	No

List of datapoints from other EU regulations

Disclosure requirement and related datapoint	Materiality	Section in the sustainability statement
ESRS 2 GOV-1 paragraph 21 (d) Board's gender diversity	Mandatory	The role of the administrative, management and supervisory bodies (GOV-1)
ESRS 2 GOV-1 paragraph 21 (e) Percentage of board members who are independent	Mandatory	The role of the administrative, management and supervisory bodies (GOV-1)
ESRS 2 GOV-4 paragraph 30 Statement on due diligence	Mandatory	Statement on due diligence (GOV-4)
ESRS 2 – SBM-1 paragraph 40 (d) i Involvement in activities related to fossil fuel activities	Mandatory	Not applicable
ESRS 2 – SBM-1 paragraph 40 (d) ii Involvement in activities related to chemical production	Mandatory	Not applicable
ESRS 2 – SBM-1 paragraph 40 (d) iii Involvement in activities related to controversial weapons	Mandatory	Not applicable
ESRS 2 – SBM-1 paragraph 40 (d) iv Involvement in activities related to cultivation and production of tobacco	Mandatory	Not applicable
ESRS E1-1 paragraph 14 Transition plan to reach climate neutrality by 2050	Material	Transition plan for climate change mitigation (E1-1)
ESRS E1-1 paragraph 16 (g) Undertakings excluded from Paris-aligned benchmarks	Material	Transition plan for climate change mitigation (E1-1)
ESRS E1-4 paragraph 34 GHG emission reduction targets	Material	Targets related to climate change mitigation and adaptation (E1-4)
ESRS E1-5 paragraph 38 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	Material	Energy consumption and mix (E1-5)
ESRS E1-5 paragraph 37 Energy consumption and mix	Material	Energy consumption and mix (E1-5)
ESRS E1-5 paragraphs 40 to 43 Energy intensity associated with activities in high climate impact sectors	Material	Energy consumption and mix (E1-5)
ESRS E1-6 paragraph 44 Gross Scope 1, 2, 3 and Total GHG emissions	Material	Gross Scope 1, 2, 3 and Total GHG emissions (E1-6)
ESRS E1-6 paragraphs 53 to 55 Gross GHG emissions intensity	Material	Gross Scope 1, 2, 3 and Total GHG emissions (E1-6)
ESRS E1-7 paragraph 56 GHG removals and carbon credits	Material	GHG removals and GHG mitigation projects financed through carbon credits (E1-7)
ESRS E1-9 paragraph 66 Exposure of the benchmark portfolio to climate-related physical risks	Material	Use of the exemption

Disclosure requirement and related datapoint	Materiality	Section in the sustainability statement
ESRS E1-9 paragraph 66 (a) Disaggregation of monetary amounts by acute and chronic physical risk	Material	Use of the exemption
ESRS E1-9 paragraph 66 (c) Location of significant assets at material physical risk	Material	Use of the exemption
ESRS E1-9 paragraph 67 (c) Breakdown of the carrying value of its real estate assets by energy-efficiency classes	Material	Use of the exemption
ESRS E1-9 paragraph 69 Degree of exposure of the portfolio to climate-related opportunities	Material	Use of the exemption
ESRS E2-4 paragraph 28 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil	Not material	--/--
ESRS E3-1 paragraph 9 Water and marine resources	Not material	--/--
ESRS E3-1 paragraph 13 Dedicated policy	Not material	--/--
ESRS E3-1 paragraph 14 Sustainable oceans and seas	Not material	--/--
ESRS E3-4 paragraph 28 (c) Total water recycled and reused	Not material	--/--
ESRS E3-4 paragraph 29 Total water consumption in m^3 per net revenue on own operations	Not material	--/--
ESRS 2 – SBM-3 – E4 paragraph 16 (a) i	Not material	--/--
ESRS 2 – SBM-3 – E4 paragraph 16 (b)	Not material	--/--
ESRS 2 – SBM-3 – E4 paragraph 16 (c)	Not material	--/--
ESRS E4-2 paragraph 24 (b) Sustainable land/agriculture practices or policies	Not material	--/--
ESRS E4-2 paragraph 24 (c) Sustainable oceans/seas practices or policies	Not material	--/--
ESRS E4-2 paragraph 24 (d) Policies to address deforestation	Not material	--/--
ESRS E5-5 paragraph 37 (d) Nonrecycled waste	Not material	--/--
ESRS E5-5 paragraph 39 Hazardous waste and radioactive waste	Not material	--/--
ESRS 2 – SBM-3 – S1 paragraph 14 (f) Risk of incidents of forced labor	Material	Material impacts, risks and opportunities and their interaction with strategy and business model (S1 SBM-3)

Disclosure requirement and related datapoint	Materiality	Section in the sustainability statement
ESRS 2 – SBM-3 – S1 paragraph 14 (g) Risk of incidents of child labor	Material	Material impacts, risks and opportunities and their interaction with strategy and business model (S1 SBM-3)
ESRS S1-1 paragraph 20 Human rights policy commitments	Material	Policies related to own workforce (S1-1)
ESRS S1-1 paragraph 21 Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8	Material	Policies related to own workforce (S1-1)
ESRS S1-1 paragraph 22 Processes and measures for preventing trafficking in human beings	Material	Policies related to own workforce (S1-1)
ESRS S1-1 paragraph 23 Workplace accident prevention policy or management system	Material	Policies related to own workforce (S1-1)
ESRS S1-3 paragraph 32 (c) Grievance/complaints handling mechanisms	Material	Processes to remediate negative impacts and channels for own workforce to raise concerns (S1-3)
ESRS S1-14 paragraph 88 (b) and (c) Number of fatalities and number and rate of work-related accidents	Material	Processes to remediate negative impacts and channels for own workforce to raise concerns (S1-3)
ESRS S1-14 paragraph 88 (e) Number of days lost to injuries, accidents, fatalities or illness	Material	Use of the exemption
ESRS S1-16 paragraph 97 (a) Unadjusted gender pay gap	Material	Remuneration metrics (pay gap and total remuneration ratio) (S1-16)
ESRS S1-16 paragraph 97 (b) Excessive CEO pay ratio	Material	Remuneration metrics (pay gap and total remuneration ratio) (S1-16)
ESRS S1-17 paragraph 103 (a) Incidents of discrimination	Material	Incidents, complaints and severe human rights impacts (S1-17)
ESRS S1-17 paragraph 104 (a) Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	Material	Incidents, complaints and severe human rights impacts (S1-17)
ESRS 2 SBM-3 – S2 paragraph 11 (b) Significant risk of child labor or forced labor in the value chain	Material	Material impacts, risks and opportunities and their interaction with strategy and business model (S2 SBM-3)
ESRS S2-1 paragraph 17 Human rights policy commitments	Material	Policies related to value chain workers (S2-1)
ESRS S2-1 paragraph 18 Policies related to value chain workers	Material	Policies related to value chain workers (S2-1)
ESRS S2-1 paragraph 19 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	Material	Policies related to value chain workers (S2-1)
ESRS S2-1 paragraph 19 Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8	Material	Policies related to value chain workers (S2-1)

Disclosure requirement and related datapoint	Materiality	Section in the sustainability statement
ESRS S2-4 paragraph 36 Human rights issues and incidents connected to its upstream and downstream value chain	Material	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions (S2-4)
ESRS S3-1 paragraph 16 Human rights policy commitments	Not material	--/--
ESRS S3-1 paragraph 17 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD Guidelines	Not material	--/--
ESRS S3-4 paragraph 36 Human rights issues and incidents	Not material	--/--
ESRS S4-1 paragraph 16 Policies related to consumers and end-users	Not material	--/--
ESRS S4-1 paragraph 17 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	Not material	--/--
ESRS S4-4 paragraph 35 Human rights issues and incidents	Not material	--/--
ESRS G1-1 paragraph 10 (b) United Nations Convention against Corruption	Material	Business conduct policies and corporate culture (G1-1)
ESRS G1-1 paragraph 10 (d) Protection of whistleblowers	Material	Business conduct policies and corporate culture (G1-1)
ESRS G1-4 paragraph 24 (a) Fines for violation of anti-corruption and anti-bribery laws	Material	Incidents of corruption or bribery (G1-4)
ESRS G1-4 paragraph 24 (b) Standards of anti-corruption and anti-bribery	Material	Incidents of corruption or bribery (G1-4)

List of material impacts, risks and opportunities

ESRS	Type	Time horizon	Value chain	Description
E1	Negative impact	Short- / medium- / long-term	Downstream	MTU has a negative impact on climate change, as the use of its products in the downstream value chain causes the emission of CO_2 and other emissions that impact the climate and contribute to global climate change.
E1	Negative impact	Short- / medium- / long-term	Downstream	MTU has shareholdings in companies in the aviation sector over which it has no operational control. The business activities of these companies lead to greenhouse gas emissions that have a negative impact on the environment by contributing to global climate change.
E1	Negative impact	Long-term	Upstream	The procurement of goods whose production consumes a lot of energy and the lack of transparency regarding the energy mix of suppliers lead to an actual negative impact on the environment. This applies in particular to suppliers of production materials for whom MTU does not have the option of an alternative source of supply and has only limited influence on reducing emissions. This impact relates to direct OEM and MRO suppliers in the upstream value chain.
E1	Negative impact	Long-term	Upstream	The procurement of goods whose production consumes a lot of energy in lower tiers of the supply chain and the lack of transparency regarding the energy mix of suppliers in lower tiers of the supply chain lead to an actual negative impact on the environment. MTU has no influence on the reduction of emissions or only limited reduction levers for the indirect supply chain due to the lack of transparency in lower tiers of the supply chain. This impact relates to direct OEM and MRO suppliers in the upstream value chain.
E1	Negative impact	Short- / medium- / long-term	Own operations	MTU has a negative impact on climate change, as the energy consumption from fossil sources for production, maintenance, and administrative activities in its own operations leads to greenhouse gas emissions that contribute to global climate change.
E1	Negative impact	Short- / medium- / long-term	Own operations	MTU has a negative impact on the environment due to the high energy consumption of nonrenewable fossil fuels such as natural gas and kerosene for the production, maintenance, and testing of engines in its own business operations. This leads to the depletion of nonrenewable resources.
E1	Negative impact	Short- / medium- / long-term	Downstream	MTU has a negative impact on the environment due to the high energy consumption of nonrenewable fossil fuels such as kerosene during the use phase of its products. This leads to the depletion of nonrenewable resources.
E1	Negative impact	Short- and medium-term	Upstream	MTU generates an actual negative impact on the environment through the procurement of products with high energy consumption and an unknown energy mix from direct suppliers in the OEM and MRO businesses, which leads to the emission of greenhouse gases. The production processes at direct suppliers are energy-intensive. MTU has only limited transparency with regard to the production sites and limited detailed information on the production processes. This impact relates to direct OEM and MRO suppliers in the upstream value chain.
E1	Risk	Long-term	Own operations	One risk for MTU could be that it fails to meet its climate targets due to its expected growth and high locked-in GHG emissions, resulting in poor ESG ratings. This could result in negative perceptions among customers, weakening MTU's reputation and potentially impacting financial performance through losses such as declining revenue.
E1	Risk	Long-term	Downstream	One risk for MTU could be the increasing price of greenhouse gas emissions through emissions trading (e.g. EU-ETS), which leads to higher ticket prices. This results in reduced demand from MTU customers (airlines), which could impact MTU's financial performance through losses due to declining revenue in the OEM and MRO businesses.
E1	Risk	Long-term	Downstream	One risk for MTU could be that a change in customer behavior due to negative perceptions of conventional flight could lead to lower demand for flights. This results in reduced demand from MTU customers (airlines), which could impact MTU's financial performance through losses due to declining revenue in the OEM and MRO businesses.

ESRS	Type	Time horizon	Value chain	Description
E5	Positive impact	Short- / medium- / long-term	Own operations / downstream	MTU's long-standing expertise in the maintenance, repair, and overhaul (MRO) of engines and the resulting high quality of customer-specific or needs-based engine MRO services has a positive impact on resource use. In addition, MTU's MRO business helps increase products' service life through only irrepairable parts being replaced while the rest of the engine is reused.
S1	Positive impact	Short- and medium-term	Own operations	MTU generates an actual positive impact on the job security of its own workforce by offering its employees permanent contracts (95% in Germany in 2024). The assessment of this impact was based on the percentage of employees with permanent contracts at MTU's German sites from the 2024 fiscal year, as no data was available for 2025 at the time the 2025 DMA was carried out.
S1	Positive impact	Short- / medium- / long-term	Own operations	MTU generates an actual positive impact on its employees in the area of working hours, as the introduction of a flexible working time model makes it possible to organize working hours according to workload, thus avoiding extensive overtime.
S1	Positive impact	Short-term	Own operations	MTU generates an actual positive impact on its own workforce by paying fair wages, as competitive salaries ensure financial stability and improve employees' overall quality of life.
S1	Positive impact	Short-term	Own operations	MTU generates an actual positive impact on its own workforce by providing appropriate information through the established works councils and through regular dialogue with associations and other workers' representatives. This supports employees' general awareness and understanding of their rights.
S1	Positive impact	Short-term	Own operations	MTU generates an actual positive impact on its own workforce by facilitating comprehensive collective bargaining agreements for its employees, leading to equal treatment of employees, better labor relations, and a reduction in workplace conflict.
S1	Positive impact	Short-term	Own operations	MTU generates an actual positive impact on its employees in terms of work-life balance by promoting family-related time off and implementing systems that facilitate flexible working practices, such as flexible working hours for employees and working from home, as well as childcare support for employees at MTU's headquarters in Munich. This enables the employees affected by the measures to better fulfill their personal and professional responsibilities.
S1	Positive impact	Short-term	Own operations	MTU generates an actual positive impact on the health and safety of its employees through an implemented occupational safety management system, strict occupational safety standards, and a proactive approach to accident prevention. The mandatory annual participation of all employees in safety training raises awareness of this issue, which also increases safety in the workplace. Training for employees who work in production is in some cases provided monthly to ensure the best possible level of safety. MTU has a high standard in terms of technical machine safety at the workplaces.
S1	Negative impact	Short- / medium- / long-term	Own operations	MTU generates a potential negative impact through its business model as a manufacturing and production company. All employees (especially those working in production) are exposed to the risk of injuries or accidents during working hours. This can have negative impacts on well-being, health, and satisfaction within the company.
S1	Negative impact	Medium- and long-term	Own operations	As women held only 16.7% of positions within the company in 2023, a feeling of underrepresentation could arise among them in the long term. This underrepresentation could have a negative impact on overall workforce morale and the well-being of female employees, as they may lack a sense of belonging. This could have a potential negative impact on MTU employees, especially female employees.
S1	Positive impact	Short-term	Own operations	MTU generates an actual positive impact on its own workforce by offering a comprehensive training program for all employees as well as additional skills development programs for specific target groups, such as the First Leadership Program (FLP) or the European Consortium for Advanced Training in Aerospace (ECATA). This improves employees' skills and competencies, promotes their further development, and leads to career opportunities. It also supports change, strengthens personal responsibility, and promotes trust.

ESRS	Type	Time horizon	Value chain	Description
S1	Positive impact	Medium- and long-term	Own operations	MTU could strengthen the community and inclusion of persons with disabilities within its own workforce by implementing actions in the Inclusion Roadmap 2025, improving internal guidelines, and adjusting the design of offices as appropriate at the various sites (including accessibility). In general, this has a potential positive impact on the company's own workforce, as it has a positive effect on employees' professional and personal prospects. In the long term, this could foster a sense of belonging and understanding and help bring about a more inclusive and supportive working environment for persons with disabilities.
S1	Negative impact	Short-term	Own operations	In the 2024 fiscal year, MTU recorded six confirmed cases of discrimination and harassment that had an actual negative impact on the health of the employees concerned. The assessment of this impact was based on the number of confirmed cases from the 2024 fiscal year, as no data was available for 2025 at the time the 2025 DMA was carried out.
S1	Positive impact	Medium-term	Own operations	Development of the corporate values: In view of MTU's continuous growth and increasing internationalization, the company is currently revising its corporate values in collaboration with employees and managers at all sites. The aim is to maintain a contemporary and value-based corporate culture that strengthens integrity, promotes diversity, and enables more inclusive collaboration. This initiative has the potential to have a positive impact on employees by promoting respectful cooperation, increasing psychological safety, and supporting the development of individual potential.
S1	Risk	Long-term	Own operations	Without adequate long-term strategic HR planning, the company's ability to react quickly to unexpected changes in the market or the economy may be limited. If this planning is not carried out correctly, unfavorable decisions can be made, leading to inefficient use of resources and financial losses. Without appropriate succession planning, it might not be possible to realize the planned revenue growth, which would jeopardize MTU's strategic goals.
S2	Negative impact	Short- / medium- / long-term	Upstream	MTU generates a potential negative impact on the workforce of its suppliers, which could be caused by the working conditions in their operations. Poor working conditions and physically demanding work in the factories of direct suppliers, particularly in the casting and forging processes, are associated with a high probability of long-term injuries as well as with potentially long working hours and unfair wages. All supplier employees were considered as a stakeholder group in this analysis. This impact relates to direct OEM suppliers in the upstream value chain.
S2	Negative impact	Short- / medium- / long-term	Upstream	MTU generates a potential negative impact on workers resulting from reports of poor working conditions in the mining industry. These reports highlight serious safety and health risks for workers, long working hours, and inadequate pay conditions. Furthermore, there is currently no transparency regarding the lower tiers of the supply chain. All supplier employees were considered as a stakeholder group in this analysis. This impact relates to indirect OEM and MRO suppliers in the upstream value chain.
S2	Negative impact	Short- / medium- / long-term	Upstream	MTU generates a potential negative impact on workers in the supply chain in terms of equal treatment and equal opportunities for all. In some cases, the nature of the activities does not allow for the inclusion of persons with disabilities. In addition, the proportion of women in production roles is strikingly low. All supplier employees were considered as a stakeholder group in this analysis. This impact relates to direct OEM and MRO suppliers in the upstream value chain.
S2	Negative impact	Short- / medium- / long-term	Upstream	MTU generates a potential negative impact on workers in the supply chain in terms of equal treatment and equal opportunities for all. Reports point to cases of discrimination based on origin, gender, and ethnicity. All supplier employees were considered as a stakeholder group in this analysis. This impact relates to indirect OEM and MRO suppliers in the upstream value chain.
S2	Negative impact	Short- / medium- / long-term	Upstream	MTU generates a potential negative impact on workers in the supply chain in terms of other work-related rights. This includes concerns such as forced labor and child labor in parts of the supply chain. All supplier employees were considered as a stakeholder group in this analysis. This impact relates to indirect OEM and MRO suppliers in the upstream value chain.
MTU-specific	Negative impact	Short- / medium- / long-term	Downstream	In the aviation industry, ensuring product quality and flight safety is of vital importance. MTU has a Group-wide integrated management system (IMS), the proper implementation of which is essential for compliance with the requirements of flight safety and of the safety management system (SMS). Failure to comply could potentially lead to an incident or accident, with potential negative impacts for passengers and end-users.

ESRS	Type	Time horizon	Value chain	Description
MTU-specific	Negative impact	Short- / medium- / long-term	Downstream	Violations of export control regulations during shipment or data transfer processes can result in sensitive items being used by unauthorized persons or for unauthorized purposes, which strongly contradicts the economic, security, and foreign-policy interests of the respective states as well as the United Nations' fundamental approach to peacekeeping. The noncompliant activities of customers and sales employees in the downstream value chain can have potential negative impacts with regard to human rights.
G1	Positive impact	Short- / medium- / long-term	Own operations	MTU generates an actual positive impact on its employees through its corporate policies, which are designed to encourage employees to raise concerns without fear of repercussions and ensure that appropriate action is taken. MTU strives to build a culture that is open to change, promotes innovative thinking, and encourages employees to make independent decisions. This contributes to a safe and healthy corporate culture.
G1	Positive impact	Short- / medium- / long-term	Own operations	MTU is committed to upholding its high standards against corruption and bribery worldwide, even in regions with less developed institutional frameworks. By enforcing strict anti-corruption and anti-bribery practices in its operations, MTU potentially contributes positively to the anti-corruption and anti-bribery practices of its business partners and business regions. This commitment promotes improved competitive conditions and raises awareness of the importance of corruption-free business decisions, which potentially has a positive impact on local economies and market integrity.

MDR-M disclosures

ESRS	Metric	Methodology
ESRS 2 General disclosures		
ESRS 2	Average gender ratio of the Executive Board and Supervisory Board	The average gender ratio of the Executive Board and Supervisory Board is calculated by determining the number of days in the fiscal year on which each member was a member of the respective body. The total number of days for female members is then set in relation to the corresponding number of days for male members and shown as a percentage.
ESRS 2	MTU workforce by number of employees and region	Employee information (headcount) is reported as of December 31. The primary data is provided by the IT environment or, in the case of smaller sites, by local HR business partners. Number of employees is based on the employee definition according to disclosures from S1-6 and corresponding metrics.
ESRS E1 Climate change		
E1-1	Taxonomy-aligned capital expenditure that contributes to the transition plan for climate change mitigation	The amount of taxonomy-aligned capital expenditures that contributed to the transition plan for climate change mitigation is determined on the basis of the reporting requirements in accordance with the EU taxonomy. This is the share that contributes to the ecoRoadmap, Claire technology agenda: Development of sustainable propulsion concepts, and ecoTransition actions described in the transition plan.
E1-3	Significant CapEx and OpEx on actions to achieve GHG emission reduction targets	The KPIs regarding the significant CapEx and OpEx for the implementation of climate change mitigation actions in the reporting year are based on the asset additions and the expenses according to the income statement as of December 31. These were allocated accordingly to the actions described to achieve the GHG emission reduction targets. The disclosures on taxonomy-eligible and taxonomy-aligned CapEx and OpEx in this context were determined based on the reporting requirements under the EU taxonomy.
E1-5	Energy consumption and mix	To calculate the energy mix, the energy mix data for the relevant energy sources is taken for each site and multiplied by the site's energy consumption. The total energy consumption is determined based on meter readings and/or invoices from energy suppliers. Estimation methods were used for sites and energy sources for which no primary data could be collected. MTU's energy consumption is calculated taking into account all available activity data per square meter and per activity type (e.g. production, warehouse, and office). This factor is used for the estimated energy consumption of subsidiaries that do not have energy consumption data according to their site activity. If data is not available in time, MTU uses the previous month's or year's data or calculates the consumption data using the mean value of the available data.
E1-5	Generation of self-used energy	The amount of energy generated is recorded based on meter readings.
E1-5	Energy intensity per million euros of net revenue	The energy intensity metric represents MTU's total energy consumption in MWh per net revenue in millions of euros. The KPI is based on MTU's energy consumption in high climate impact sectors. Since MTU's entire business operations fall under the industry sector "30.30 Manufacture of air and spacecraft and related machinery" and are therefore in a high climate impact sector, the total energy consumption is reported for this KPI and divided by the net revenue (from contracts with customers/in accordance with IFRS 15) recorded in MTU's financial statements, which include only fully consolidated subsidiaries.
E1-6	Scope 1 emissions	The calculation of Scope 1 emissions includes the direct emission sources within the company. The data used to calculate the Scope 1 emissions is based on MTU's energy consumption data. To calculate the emissions, the activity data collected is multiplied by the corresponding emission factors. Further information on the calculation methods can be found under *Gross Scope 1, 2, 3 and Total GHG emissions (E1-6)*.
E1-6	Scope 2 emissions	To calculate the Scope 2 GHG emissions, MTU follows both location-based and market-based methods. For location-based emissions, MTU uses average energy generation emission factors specific to the MTU sites. For market-based emissions, MTU quantified the GHG emissions from generators with whom MTU has contractual agreements for bundled and unbundled electricity. If no data on contractual instruments is available, MTU takes account of the emission factor of the corresponding residual mix, if available. Further information on the calculation methods can be found under *Gross Scope 1, 2, 3 and Total GHG emissions (E1-6)*.
E1-6	Scope 3 emissions	MTU bases its calculation of Scope 3 GHG emissions on data from certain activities within its upstream and downstream value chain. Further information on the calculation methods can be found under *Gross Scope 1, 2, 3 and Total GHG emissions (E1-6)*.

ESRS	Metric	Methodology
E1-6	MTU's total emissions	The metric comprises the sum of MTU's gross GHG emissions in the reporting year.
E1-6	GHG intensity based on net revenue	GHG intensity per million euros of net revenue is determined on the basis of MTU's total emissions and net revenue (from contracts with customers/in accordance with IFRS 15) in tCO_2e per million euros in the reporting year.
E1-6	Share of purchased energy with bundled and unbundled attributes for energy generation	The share of purchased energy with bundled and unbundled attributes for energy generation is determined on the basis of the contracts for the procurement of energy. The figure is calculated as the ratio of the amount of energy purchased (electricity and district heating) with bundled or unbundled attributes for energy generation to the total amount of energy purchased (electricity and district heating).
E1-7	Metrics on carbon credits used	These metrics describe the amount of carbon credits canceled by financing projects to reduce and remove GHG emissions outside of MTU's value chain in the reporting year. The measurement is expressed in metric tons of CO_2 equivalents (tCO_2eq). When data is collected for this KPI, projects with a focus on reducing GHGs outside of MTU's value chain must first be identified. Every project to reduce GHGs is considered a reduction project (e.g. through reforestation or urban tree planting) or an extraction project (e.g. direct capture from the air). The carbon credits are based on existing contractual agreements and the receipt of carbon certificates. Finally, the data on the amount of carbon credits canceled for the reporting year per project is recorded in metric tons of CO_2e.
E1-7	Carbon credits planned to be canceled in the future	The stated quantity of carbon credits is calculated from the sum of contracts in place in the reporting year for the purchase and retirement of carbon credits in subsequent years.
Entity-specific	Scope 3.11 emissions intensity	The emissions intensity (in %) is based on the lifecycle emissions from the use of commercial OEM products manufactured by MTU in the narrowbody and widebody segments. For the emissions calculation (numerator), the annual use phase emissions are determined and totaled over the expected product service life. The emission factors are SAF adjusted: They take into account a progressive SAF share (SAF ramp-up) over the coming years in accordance with the standard industry scenario paths according to ICAO, LTAG. The intensity is determined by dividing the corresponding Scope 3.11 total emissions by the total sum of available seat kilometers (ASK = kilometers × available seats) for the corresponding year.
ESRS E5 Resource use and circular economy		
E5-5	Durability of key MTU products	This KPI measures the durability of MTU's products compared to the industry average. The MTU average is calculated by averaging the age of all aircraft equipped with MTU key products (HPC, LPT, TCF) that have been taken out of service up to the reporting year. The regional, narrowbody, and widebody jet market segments are taken into account. An assessment of business jets is not possible due to a lack of data. The industry average is calculated in the same way, taking into account the age of all aircraft in the abovementioned market segments taken out of service up to the reporting year. The durability index is calculated as the ratio of the MTU average to the industry average. The data on the date of retirement and the corresponding age of the aircraft are taken from the commercial Cirium® database. The following engine types were taken into account in the calculation: MTU average: PW1000G (PW1100G-JM, PW1500, PW1900), PW2000, PW4000, PW6000, V2500, JT8D-200, CF6, GEnx, GE9X, GP7200 Industry average: All engine programs in the MTU average as well as CF34, CFM56, GE90, Trent, LEAP
E5-5	Recyclable content in products and packaging	This KPI evaluates the recyclability of MTU's products and their packaging. The assessment follows the definition of recycling outlined in the EU Waste Framework Directive (2008/98/EC), excluding energy recovery and reprocessing into fuels or backfilling materials. The recyclability of MTU's products is determined at the component level and allocated on a mass-based approach to modules (HPC, LPT, TCF) and product level. Components made of metal alloys are considered 100% recyclable, while the recyclability of other materials was determined through literature research and discussions with experts. For materials whose recyclability could not be determined, a value of 0% was assumed. The total recyclability of MTU's products is determined by dividing the recyclable content of all products sold by the total weight of products sold. The same calculation method also applies to the recyclability assessment of materials used to package the products sold, including the packaging in circulation that is owned by MTU. The packaging's rate of recyclable content is determined with the aid of the MTU packaging catalogue, among other things. This contains the item numbers of the materials used for the packaging of MTU products, the material type, and the weight. Using this information, the recyclability of the respective materials is first determined on the basis of literature research and discussions with experts. The recyclable weight is then calculated by multiplying the recyclability of each item of packaging by its respective weight and the quantity ordered. The total recyclable content is thus the ratio of total recyclable material to total packaging weight.

ESRS	Metric	Methodology
ESRS S1 Own workforce		
S1-6	Total workforce by number of employees and breakdown by gender	Employee information (headcount) is reported as of December 31. The primary data is provided by the HR IT environment or, in the case of smaller sites, by local HR business partners. In some EU Member States, it is possible for persons to legally register themselves as having a third, often neutral, gender, which is categorized as "other" in the table. It should be noted that the gender category "other" is not applicable in the following countries with MTU sites, as it is not possible to legally register a third gender there: Brazil, China, Poland, Serbia, Singapore, and the U.S. (state of Texas).
S1-6	Number of MTU employees in countries with significant employment	Employee information (headcount) is reported as of December 31. The primary data is provided by the HR IT environment or, in the case of smaller sites, by local HR business partners. The number of employees is reported for countries with significant employment, i.e. having 50 or more employees and representing at least 10% of the total number of employees; the reporting therefore refers to 2 out of 11 countries with MTU sites.
S1-6	Number of MTU employees by employment relationship and breakdown by gender	The number of permanent and temporary employees is reported as of December 31. Temporary employees have a fixed-term contract (full-time or part-time in accordance with national law or practice) and include both temporary blue- and white-collar workers as well as substitute contracts (e.g. for permanent employees on maternity leave or with long-term illnesses). Similar to the definition of permanent employees, employees on maternity leave and employees with long-term illnesses are also included in the definition. The primary data is provided by the HR IT environment or, in the case of smaller sites, by local HR business partners. In some EU Member States, it is possible for persons to legally register themselves as having a third, often neutral, gender, which is categorized as "other" in the table. It should be noted that the gender category "other" is not applicable in the following countries with MTU sites, as it is not possible to legally register a third gender there: Brazil, China, Poland, Serbia, Singapore, and the U.S. (state of Texas).
S1-6	Employee turnover	The total number of employees leaving the company is reported in terms of headcount as of December 31 representing the aggregate of the number of employees who have left voluntarily or due to dismissal, retirement, or death. Employees with contractually fixed-term employment contracts are taken into account if they leave early. As a basic population, the number of employees (permanent and temporary) in the fiscal year is used as a reference value in the calculation. The primary data is provided by the HR IT environment or, in the case of smaller sites, by local HR business partners.
S1-8	Collective bargaining coverage and social dialogue	The percentage of employees in the EEA covered by collective bargaining agreements is calculated by dividing the number of employees covered by collective bargaining agreements by the total number of employees in the EEA. The percentage of employees in the EEA covered by workers' representation is calculated by dividing the number of employees working at MTU sites with workers' representatives by the total number of employees in the EEA. Only EEA countries with significant employment (> 50 employees, representing > 10% of all employees) are considered. The number of employees is reported as of December 31. The primary data is provided by the HR IT environment or, in the case of smaller sites, by local HR business partners.
S1-9	Gender distribution at top management levels	The top management levels comprise the management levels below the Executive Board: Level 1 at MTU mid-level with first-level managers (OFK) and Level 2 at MTU department level with second-level managers (FK). The number is the headcount and is reported as of December 31. The primary data is provided by the HR IT environment or, in the case of smaller sites, by local HR business partners. In some EU Member States, it is possible for persons to legally register themselves as having a third, often neutral, gender, which is categorized as "other" in the table. It should be noted that the gender category "other" is not applicable in the following countries with MTU sites, as it is not possible to legally register a third gender there: Brazil, China, Poland, Serbia, Singapore, and the U.S. (state of Texas).

ESRS	Metric	Methodology
S1-9	Distribution of employees by age group	The number is the headcount and is reported as of December 31. The primary data is provided by the HR IT environment or, in the case of smaller sites, by local HR business partners.
S1-10	Adequate wages	Primary data on the remuneration components relevant to the annual total remuneration regarding the guaranteed remuneration components for each employee is extracted from MTU's payroll system or, for countries with smaller sites, requested from payroll service providers. The respective hourly rates were analyzed for each payroll cycle if required (change in the minimum wage or remuneration during the year).
S1-14	Health and safety metrics	To calculate the metrics for occupational health and safety, the underlying number of employees (in contrast to the disclosures in accordance with ESRS S1-6, including interns, apprentices, trainees, and working students) is reported as of December 31. The primary data is provided by the MTU HR IT environment or, in the case of smaller sites, by local HR business partners. In determining the coverage rate with health and safety management systems, sites are considered covered if they are covered by either the IMS or the occupational health and safety management system in accordance with ISO 45001. For the German sites, coverage is provided by both systems. The following sites are certified in accordance with the ISO 45001 standard: MTU Aero Engines AG (Munich), MTU Maintenance Berlin-Brandenburg GmbH, MTU Maintenance do Brasil Ltda., MTU Maintenance Hannover GmbH, MTU Maintenance Australia Pty. Ltd., MTU Maintenance Serbia d.o.o., and MTU Maintenance Service Center Ayutthaya Ltd. The certifications are reviewed annually by an external body. The number of work-related accidents, including fatalities, is documented by the occupational safety managers at the site level in accordance with the standardized classification scheme (categories 1–5, from near miss to fatality) and investigated in cooperation with the affected employee and the responsible management level. Fatalities as a result of work-related injuries are recorded as category 5 accidents. They must be reported immediately to local and Group management. The primary data for the January 1–December 31 reporting period is provided by the local occupational safety departments, which are responsible for the accuracy of the data. The rate of work-related accidents is calculated by dividing the respective number of cases in categories 3 and 4 by the total working hours of the employees (in contrast to the disclosures in accordance with ESRS S1-6, including interns, apprentices, trainees, and working students) and standardized to one million working hours (corresponds to 500 full-time employees in the period of one year). A category 3 case corresponds to an accident at work with an injury that results in one to three days' absence from work; a category 4 case corresponds to an accident at work with an injury resulting in more than three days' absence from work. Due to legal requirements for data privacy and data protection, MTU cannot obtain and report any data for the indicators on work-related ill health.
S1-16	Gender pay gap	The gross hourly wages of all male and female employees are based on the gross annual amount subject to payroll tax, which is divided by the annual working hours (adjusted for the reporting period from January 1–December 31 if the payroll period differs). Primary data on the remuneration components relevant to the annual total remuneration for each employee is extracted from MTU's payroll system or, for countries with smaller sites, requested from payroll service providers. The indicator is calculated at the Group level. Hourly wages at sites outside Germany are converted into euros accordingly.
S1-16	Ratio of the median of the annual total remuneration of all employees to the annual total remuneration of the highest-paid individual	The calculation of the median total remuneration of employees follows the definition of ESRS S1-6 (i.e. members of the Executive Board are not included as employees) and is based on the gross annual amount subject to payroll tax (for different payroll periods, adjusted to the January 1–December 31 reporting period). To ensure the comparability of the remuneration data, it was extrapolated to an annual working time of 2,080 hours. Primary data on the remuneration components relevant to the annual total remuneration for each employee is extracted from MTU's payroll system or, for countries with smaller sites, requested from payroll service providers. The indicator is calculated at the Group level. The annual gross wage or equivalent for the sites outside Germany is converted into euros accordingly.
S1-17	Incidents, complaints, and penalties	The data includes all work-related incidents of discrimination reported or identified in the January 1–December 31 reporting period, as well as all complaints as defined in S1-17 103. According to S1-17 103 (b), complaints include reports of actual or suspected violations as well as concerns, indications, or allegations addressed to the company that relate to potential negative impacts on employees, regardless of whether they originate from employees, suppliers, business partners, or external stakeholders. The data contains both internal and external complaints as well as incidents that are reported to the company via standardized reporting channels or other communication channels. Available reporting channels for complaints are: (i) the internet-based whistleblower system, which has been set up as a central portal for reports or complaints and offers both employees at MTU and third parties, such as employees of suppliers, the opportunity to submit information about suspected unlawful behavior, anonymously if desired. Complaints reported via the internet-based reporting system will be assessed by the compliance officer directly. Additionally, complaints may be reported via (ii) direct communication channels to the responsible management level or the equal treatment officer. Reports submitted via the National Contact Point for the OECD Guidelines at the German Federal Ministry for Economic Affairs and Climate Action are also taken into account, provided MTU is aware of the report. Complaints raised and incidents reported are assessed by the Group Compliance Office in consultation with the General Equal Opportunities Office.

ESRS	Metric	Methodology
S1-17	Severe incidents and penalties related to human rights	The data includes severe human rights violations (e.g. forced labor, human trafficking, or child labor) reported or identified in the January 1–December 31 reporting period that relate to MTU's own workforce. Incidents reported or identified are assessed by the Compliance Office directly.
Entity-specific	Women in management positions (ESG LTI)	The LTI target covers all management levels from foremen to Executive Board level and measures the relative proportion of women in management positions for all employees at the MTU Aero Engines AG sites in Munich and the subsidiaries MTU Maintenance Berlin-Brandenburg GmbH and MTU Maintenance Hannover GmbH.
Entity-specific	Women in senior management positions	Senior management positions are considered to be the highest levels of management. They comprise the management levels below the Executive Board: Level 1 at MTU mid-level with first-level managers (OFK) and Level 2 at MTU department level with second-level managers (FK). Targets for this indicator apply to all employees of MTU Aero Engines AG in Munich, MTU Maintenance Berlin-Brandenburg GmbH, and MTU Maintenance Hannover GmbH. The target covers both the relative proportion and the absolute number of female managers.
ESRS G1 Business conduct		
G1-3	Percentage of employees in functions-at-risk covered by training programs	The calculation of the training coverage of functions-at-risk is based on the total number of employees in functions-at-risk with valid training certificates for participation in one of the two training formats in the reporting year, standardized to the total number of employees in functions-at-risk. Employees are considered based on the definition set out in *Characteristics of the undertaking's employees (S1-6)*. In addition, apprentices, interns, working students, and trainees are considered. Due to their tasks and responsibilities, the functions-at-risk include purchasing and sales, accounting, IT, the legal department, and compliance. The group of individuals affected also includes senior employees, such as members of management, the Executive Board, and the Works Council. The allocation of the employee headcount to the functions-at-risk is checked for double counting. The number of employees and valid training certificates relate to the January 1–December 31 reporting period.
G1-4	Convictions and fines	The data includes reported convictions for corruption or bribery incidents and the amount of fines for incidents directly involving MTU or MTU employees in the January 1–December 31 reporting period. Primary data is reported quarterly by each MTU site to the Group compliance officer.

Other disclosures

Disclosures under takeover law

The following disclosures are made pursuant to Section 315a in conjunction with Section 289a of the German Commercial Code (HGB) (takeover-related disclosures). Items included in Section 315a of the German Commercial Code (HGB) that are not met at MTU Aero Engines AG are not mentioned here.

Composition of subscribed capital

The company's subscribed capital (capital stock) amounts to €53,824,489 and is divided into 53,824,489 non-par-value shares. The shares are registered shares. All shares have equal rights and each share entitles the holder to one vote at the Annual General Meeting.

Restrictions on voting rights and the transfer of share ownership

As of December 31, 2025, MTU held 38,546 treasury shares (previous year: 39,243). No voting rights are exercised in respect of treasury shares. The articles of association of MTU Aero Engines AG do not contain any restrictions on voting rights or the transfer of share ownership. The Executive Board has no knowledge of any agreement between shareholders that could give rise to any such restrictions.

Rules governing the appointment and dismissal of members of the Executive Board and amendments to the company's articles of association

The rules for the appointment and dismissal of members of the Executive Board are based on Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 31 of the German Codetermination Act (MitbestG) in conjunction with Article 5 of the company's articles of association.

All amendments to the articles of association require a resolution by the Annual General Meeting with a majority of at least three quarters of the voting stock attending, pursuant to Section 179 of the German Stock Corporation Act (AktG). The right to add amendments of a purely formal nature, for instance changes to the share capital as the result of utilization of the authorized capital, is devolved to the Supervisory Board under the terms of Article 13 of the articles of association.

Authorizations conferred on the Executive Board, especially concerning the issue and purchase of shares

Authorized capital

In accordance with Article 4 (5) of the articles of association, the Executive Board is authorized until April 20, 2026, to increase the company's capital stock by up to €16.0 million, with the approval of the Supervisory Board, by issuing, either in a single step or in several steps, new registered non-par-value shares in return for cash and/or contributions in kind (Authorized Capital 2021). The Authorized Capital 2021 was adopted in the Annual General Meeting on April 21, 2021; the same resolution cancelled the Authorized Capital 2019.

Conditional capital

Conditional capital 2015

In accordance with Article 4 (6) of the articles of association, the company's capital stock may be conditionally increased by up to €3,375,511 through the issue of up to 3,375,511 new registered non-par-value shares. The purpose of this conditional capital increase is to issue shares to owners or creditors of convertible bonds and/or bonds with warrants in accordance with the authorization granted to the company under a resolution passed by the Annual General Meeting on April 15, 2015. Shares were issued at a conversion price or warrant exercise price determined on the basis of this authorization.

Until April 14, 2020, the Executive Board was authorized to issue, with the approval of the Supervisory Board, bearer and/or registered convertible bonds and/or bonds with warrants (collectively referred to as "bonds") with a total nominal value of up to €500 million. Partially utilizing this authorization for a conditional capital increase, MTU issued a convertible bond with a nominal amount of €500 million in 2019. and then converted in the years that followed; the remaining amount was repaid in 2023.

Conditional capital 2019

In accordance with Article 4 (7) of the articles of association, the company's capital stock may be conditionally increased by up to €1,600,000 through the issue of up to 1,600,000 new registered non-par-value shares (Conditional Capital 2019). The purpose of this conditional capital increase was to issue shares to owners or creditors of convertible bonds and/or bonds with warrants in accordance with the authorization granted to the company under a resolution passed by the Annual General Meeting on April 11, 2019.

The Executive Board was authorized until April 10, 2024, with the prior approval of the Supervisory Board, convertible bonds and/or bonds with warrants with a total nominal value of up to €600 million, and to grant the owners of convertible bonds and/or bonds with warrants the right or option to convert them into non-par-value shares of the company representing a stake in the capital stock of up to €2,600,000 under the conditions established for the issue of convertible bonds or bonds with warrants. On the basis of this authorization for a conditional capital increase, MTU issued a convertible bond with a nominal value of €500 million in 2016, which was partially repurchased in 2019 and subsequently converted in the following years; the remaining amount was repaid in 2023. More details are provided in *Note 28. Financial liabilities*.

The aforementioned authorization for the Executive Board to issue bonds with a total nominal value of up to €600 million was canceled at the Annual General Meeting on April 21, 2021, to the extent that such authorization had not been used for the €500 million convertible bond issued in 2019. As a result of this, the Conditional Capital 2019 in the previous amount of €2,600,000 was also partially withdrawn and now only comprises a partial amount of €1,600,000.

Conditional capital 2021

Further, in accordance with Article 4 (8) of the articles of association, the company's capital stock may be conditionally increased by up to €2,600,000 through the issue of up to 2,600,000 new registered non-par-value shares (Conditional Capital 2021). The purpose of this conditional capital increase is to issue shares to owners or creditors of convertible bonds and/or bonds with warrants in accordance with the authorization granted to the company under a resolution passed by the Annual General Meeting on April 21, 2021.

The Executive Board was authorized until April 20, 2026, with the prior approval of the Supervisory Board, convertible bonds and/or bonds with warrants with a total nominal value of up to €600 million, and to grant the owners of convertible bonds and/or bonds with warrants the right or option (and also obligation) to convert them into non-par-value shares of the company representing a stake in the capital stock of up to €2,600,000 under the conditions established for the issue of convertible bonds or bonds with warrants.

Resolution concerning the authorization to purchase and use treasury shares pursuant to Section 71 (1) no. 8 of the German Stock Corporation Act (AktG) and to exclude subscription rights

Under the resolution adopted at the Annual General Meeting of April 10, 2024, the company received the following authorizations:

a) The company is authorized to purchase treasury shares accounting for a proportion of up to 10% of the company's capital stock when the resolution is passed or – if such value is lower – the company's capital stock when the authorization is exercised, during the period from May 8, 2024 through May 7, 2026, pursuant to Section 71 (1) no. 8 of the German Stock Corporation Act (AktG). At no point in time may the value of the acquired shares, together with other treasury shares in the company's possession or which are attributed to it pursuant to Section 71a et seq. of the German Stock Corporation Act (AktG), exceed 10% of the company's capital stock. At the discretion of the Executive Board, the shares may be purchased through the stock exchange or by means of a public offer to buy addressed to all shareholders (or – where permitted by law – through a public invitation to submit an offer to sell).

   The consideration paid for the acquisition of these shares must not exceed or fall below the stock market price by more than 10%, not taking into account any ancillary transaction costs. In the case of a sale through the stock exchange, the reference for the quoted share price as defined above is the average value of share prices in the closing auction of Xetra trading (or a comparable successor system) on the last three trading days prior to the purchase of the shares. In the case of shares purchased by means of a public offer to buy addressed to all shareholders (or a public call to submit a sell offer), the reference for the quoted share price is the average value of share prices in the closing auction of Xetra trading (or a comparable successor system) on the last three trading days prior to publication of the offer. In the event of substantial fluctuations in the share price, the Executive Board is authorized to publish a new public offer to buy or a public call to submit a sell offer based on a recalculated average value of share prices computed as outlined in the previous sentence.

   The volume of the offer may be limited in the event of acquisition by way of a public offer to all shareholders (or a public invitation to submit offers). If the overall acceptance of the offer (or the total number of offers) exceeds this volume, the shareholders' right to tender may be excluded insofar as the purchase is made in proportion to the shares offered by each shareholder. Preferential treatment may be given to small packages (up to 100 shares) offered for sale. Further conditions may be imposed in the offer or invitation to submit offers.

b) The Executive Board is authorized to sell the purchased treasury shares in a manner other than through the stock exchange or by means of a public offer addressed to all shareholders on the condition that the shares are sold in return for cash payment at a price that is not significantly below the stock market price of the same class of shares in the company at the time of sale. However, this authorization shall apply only on the condition that the shares sold excluding subscription rights pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) do not exceed a total amount of 10% of the company's capital stock when this authorization becomes effective or – if such value is lower – when this authorization is exercised. This limit of 10% of the capital stock shall also include option rights and/or conversion rights on shares of the company which are issued during this authorization, i.e., since May 8, 2024, excluding subscription rights in mutatis mutandis application of Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG), as well as the issue or sale of treasury shares without subscription rights pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG).

c) The Executive Board is authorized to use the purchased treasury shares in a manner other than through the stock exchange or by means of an offer addressed to all shareholders if the treasury shares are issued to program participants in conjunction with the company's stock option programs and those participants are, or were, employees or service providers of the company or one of its affiliated companies. If shares are to be used by issuing them to active or former members of the MTU Executive Board under the terms of the company's share-based compensation programs, the Supervisory Board is authorized to transact this issue.

d) Furthermore, the Executive Board is authorized to use the purchased treasury shares as partial or complete payment in conjunction with business combinations or the acquisition, whether direct or indirect, of companies, parts of companies or holdings in companies.

e) The Executive Board is also authorized, with the consent of the Supervisory Board, to use the purchased treasury shares to satisfy exchange or conversion rights or obligations relating to convertible bonds, bonds with warrants, profit participation certificates or income bonds (or combinations of such instruments) issued by the company or by a dependent affiliated company.

f) The Executive Board is moreover authorized, with the consent of the Supervisory Board and without any requirement for a further resolution to be passed by the Annual General Meeting, to redeem purchased treasury shares in whole or in part. They may be redeemed in a simplified procedure without any capital reduction and by adapting the arithmetic value of the outstanding portion of non-par-value shares to that of the company's stock capital. The redemption may be limited to a defined fraction of the purchased shares. The authorization to redeem shares may be used on one or more occasions. If the simplified procedure is employed, the Executive Board is authorized to amend the number of non-par-value shares stated in the articles of association.

g) The above-stated authorizations may be exercised on one or more occasions, in whole or in part, individually or in combination. They may also be exercised by Group companies as defined in Section 17 of the German Stock Corporation Act (AktG).

h) The subscription rights of shareholders in respect of these treasury shares are excluded insofar as the shares are utilized in the manner stated above in subsections b) to e). Furthermore, in the event of an offer to buy treasury shares directed at all shareholders, subscription rights for fractional amounts may be excluded with the approval of the Supervisory Board.

Material agreements relating to change of control subsequent to a takeover bid

The convertible bond issued by MTU Aero Engines AG in September 2019 contains the following provisions with regard to a change of control: In the event of a change of control, the bond terms grant bondholders the right to exercise their conversion right within a specific period of time at an adjusted conversion rate. In the event of a change of control, bondholders can redeem their bonds prematurely at the terms described in more detail in the bond conditions. A "change of control" comprises the acquisition of control or a mandatory offer under Section 35 (2) sentence 1 and Section 14 (2) sentence 1 of the German Securities Trading Act (WpHG). If one or more persons within the meaning of Section 29 (2) and Section 30 of the Securities Acquisition and Takeover Act (WpÜG) acquire(s) 50% of the voting rights of MTU Aero Engines AG, this shall represent an "acquisition of control."

In June 2022, MTU Aero Engines AG agreed a revolving credit facility with a banking syndicate, which provides for a right of termination for the lenders in the event that one or more persons assume(s) control of MTU Aero Engines AG or acquire(s) more than 50% of the company's issued capital.

In April 2024, MTU Aero Engines AG entered into promissory note loan agreements with a bank, which provides for a right of termination for the lenders in the event that one or more persons assume(s) control of MTU Aero Engines AG or acquire(s) more than 50% of the company's issued capital.

The corporate bond issued on September 13, 2024 provides that, in the event of acquisition of 50% or more of the shares (by holding the shares pursuant to Section 33 of the German Securities Trading Act [WpHG] or through attribution pursuant to Section 34 WpHG) and a simultaneous rating downgrade, MTU Aero Engines AG will fix an optional redemption date when bondholders can redeem all or some of their bonds.

MTU Aero Engines AG has risk and revenue sharing agreements with an engine manufacturer containing clauses that allow the risk and revenue sharing agreement to be converted into a long-term supplier contract in the event that a material competitor of the contracting party acquires control of 25% or more of the company's voting rights or assets.

In addition, MTU Aero Engines AG has a cooperation agreement with another engine manufacturer. Under this agreement, that manufacturer is entitled to terminate the contract for cause in the event that one of its competitors acquires more than 50% of the company's voting rights. MTU Aero Engines AG has further cooperation agreements with the same engine manufacturer. Under these agreements, that manufacturer is entitled to terminate the contract for cause in the event that one of its competitors acquires more than 30% of the company's voting rights.

MTU Aero Engines AG also has equity investments in various joint ventures with other engine manufacturers, the purpose of which is to cooperate in the development and production of aircraft engines. According to the provisions of the corresponding agreements, MTU Aero Engines AG's share in the joint venture may be withdrawn and its participation in the accompanying cooperation agreements terminated if MTU Aero Engines AG is taken over by a competitor of the partners in these consortia.

It is standard market practice to confer contractual rights of this kind. Should an event meeting any of the above definitions of change of control take place, the exercise of rights ensuing from these agreements could have a substantial impact on MTU's net assets, financial position or results of operations.

Severance payments on premature termination of contracts of service with members of the Executive Board in the event of a change of control or changes of shareholders of MTU Aero Engines AG

Under the contracts of service for members of the Executive Board in effect since January 1, 2021, a change of control is deemed to have occurred if a shareholder, alone or on the basis of the voting rights attributable to that shareholder pursuant to Section 33 of the German Securities Trading Act (WpHG), acquires the majority of the voting rights in the company and this results in material disadvantages for the Executive Board. Material disadvantages are, in particular, if the Executive Board member is dismissed, if the member's responsibilities and duties are significantly altered, or if the Executive Board member is asked to accept a reduction in remuneration or to agree to premature termination of the respective contract of service. In such case, each member of the Executive Board shall have a special right of termination, which is to be exercised within a period of six months, with a period of notice of three months to the end of a month. If a member of the Executive Board makes use of the special right of termination, or if the Executive Board member's contract of service is terminated by mutual consent within nine months of the change of control, the Executive Board member receives a severance payment corresponding to the benefits still to be awarded up to the end of the contract term originally agreed. For the calculation of the severance payment, 100% target fulfillment is agreed for the variable compensation components.

The severance payments to an Executive Board member, including in the event of a change of control, are limited by the severance payment cap.

No comparable agreements have been made with regard to other employees.

Corporate governance statement

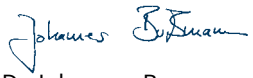
The corporate governance statement forms part of the combined management report of the MTU Group and MTU Aero Engines AG. In accordance with Section 317 (2) sentence 6 of the German Commercial Code (HGB), auditing of the disclosures in accordance with Sections 289f and 315d of the German Commercial Code (HGB) is limited to determining whether the disclosures have been made.

Declaration of conformity with the German Corporate Governance Code by the Executive Board and Supervisory Board of MTU Aero Engines AG, in accordance with Section 161 of the German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board of MTU Aero Engines AG declare that the recommendations of the Government Commission on the German Corporate Governance Code, as published in the amended version of April 28, 2022, by the Federal Ministry of Justice in the official section of the Federal Gazette, have been and are being complied with in their entirety.

Munich, December 2025

On behalf of the Executive Board



Dr. Johannes Bussmann
Chief Executive Officer

On behalf of the Supervisory Board

Gordon Riske
Chairman

The declaration of conformity is published on *MTU's website under About us > Corporate governance > Guidelines and reports > Compliance statement*.

Responsible corporate management

Responsible corporate management is very important to MTU Aero Engines AG. The company therefore complies with all the recommendations of the German Corporate Governance Code (GCGC). The term "corporate governance" stands for the management and oversight of a company in accordance with the principles of responsibility and long-term value creation. MTU sees good corporate governance as a natural responsibility that embraces every area of the company. That comprises mutual trust and efficient collaboration between the Executive Board and the Supervisory Board, respect for the shareholders' interests and open and transparent communication with all stakeholders. As a company with global operations, MTU acts in compliance with the relevant national and international standards. In Germany, where the company has its headquarters, these standards are laid down principally in the Stock Corporation Act (AktG), the Codetermination Act (MitbestG) and the GCGC.

The Executive Board and Supervisory Board closely examined the GCCG during the past fiscal year. This report has been compiled in compliance with the applicable version of the GCGC dated April 28, 2022. A full description of management practices that extend beyond statutory requirements is also provided in this section of the Annual Report.

Corporate management

Accepting responsibility – not only for its products and processes, employees, customers and partners, but in equal measure for the environment and society as a whole – forms an integral part of MTU's corporate culture. Alongside long-term business targets, its corporate strategy therefore gives appropriate consideration to ecological and social objectives. MTU is committed to sustainable development; its contribution – where possible – goes beyond the minimum statutory requirements. The principal focus areas of MTU's social commitment are environmental protection, a fair human resources policy, and community outreach projects in the neighborhoods of its sites. These commitments are publicly documented on MTU's *website at www.mtu.de under Responsibility*.

The company has a Code of Conduct, which has to be observed by all employees. The Code of Conduct can be downloaded from the company's *website at www.mtu.de under About us > Corporate governance > Compliance > Our compliance culture*.

MTU attaches great importance to maintaining an open, ongoing dialogue with its stakeholders. The company communicates with these groups via many channels, including the intranet and internet, social media, brochures, employee and customer magazines as well as at events. The aim is to generate broad public acceptance of the company and its products and services.

MTU insists on the finest quality for its products and services. Compliance with quality standards is verified by the relevant authorities and through internal and external audits. The quality standards are published on the *MTU website under Engines > Quality*.

Trust-based cooperation among governing bodies

MTU is a stock corporation organized under German law. Its governing bodies are the Executive Board, the Supervisory Board and the Annual General Meeting. The close cooperation between the Executive Board and the Supervisory Board is based on trust and on intensive, ongoing sharing of information. The Annual General Meeting, in particular, offers shareholders the opportunity to put questions to MTU executives and to exercise their voting rights.

Working procedures of the Executive Board

The goal of the Executive Board in managing MTU is to create, on its own responsibility and in the company's interest, sustainable added value, taking into account the interests of its shareholders, employees and other stakeholders. The Executive Board works as a team, with its members bearing joint responsibility. The members of the Executive Board regularly discuss important events and actions within their respective remits. Their differing qualifications and professional experience are complementary. The company's Executive Board consisted of four members in 2025, and temporarily of five members during the periods from April 1 to June 30 and from July 15 to August 31.

The Supervisory Board is briefed by the Executive Board in a regular, timely and comprehensive manner on the situation of the company, especially in thematically pre-planned meetings of the Supervisory Board and Audit Committee at intervals throughout the fiscal year. The meetings address the company's strategy, the status of planning, the achievement of targets, the company's risk situation and its risk management activities. In accordance with its rules of procedure, the Executive Board coordinates decisions of a material strategic nature with the Supervisory Board, ensures that such decisions are implemented and discusses the progress made. To ensure the flow of information on the company's results of operations, financial position and net assets, the Executive Board has set up a process in which the Supervisory Board receives reports on a monthly basis. Any deviations from the planned operational performance are explained in detail to the Supervisory Board without delay. Furthermore, the Chairman of the Supervisory Board is

briefed regularly and in person on the company's current situation, significant business transactions and important pending decisions.

The Executive Board also receives regular reports on topics including compliance, i.e., on the measures taken to comply with laws and regulations as well as with company guidelines and the topics of the non-financial reporting.

Material decisions by the Executive Board, especially the adoption of operational plans, require the approval of the Supervisory Board. The Supervisory Board provides information on its work in the *Report of the Supervisory Board* in this Annual Report. MTU Aero Engines AG Executive Board's rules of procedure, along with the list of transactions requiring Supervisory Board approval, are published on the company's *website at www.mtu.de under About us > Corporate governance > Guidelines and reports > Articles of association*.

In line with the recommendation of the GCGC, the Supervisory Board has set an age limit for the members of the Executive Board. Appointment or extension of the appointment to the Executive Board is only possible up until the age of 65.

Working procedures of the Supervisory Board

In line with statutory requirements, the Supervisory Board comprises six shareholder representatives and six employee representatives. It appoints the Executive Board and monitors and advises it in the management of the company's business.

Fundamental strategic and economic decisions by the Executive Board require Supervisory Board approval. All Supervisory Board members are qualified for these tasks and perform their duties properly. The company regularly provides support in the training of Supervisory Board members and is prepared to assume the related costs. In 2025, the members of the Supervisory Board and the Executive Board completed an event organized by the company on the use of artificial intelligence in committee work. Supervisory Board members undertook their other training independently in 2025.

All members of the Supervisory Board make sure that they have sufficient time to perform their tasks. The statutory limits on the number of mandates and the upper limit of two supervisory board mandates for members of the executive board of a publicly listed company and five supervisory board mandates for other members recommended by the GCGC are taken into account.

In compliance with the GCGC, in 2025 only one former member of the Executive Board of MTU Aero Engines AG, namely Dr. Rainer Martens, had a seat on the Supervisory Board; the GCGC recommends no more than two. The Supervisory Board is responsible for regularly assessing the independence of its own members, especially the shareholder representatives. As a matter of principle, it considers the employee representatives to be independent. It considers that the Supervisory Board is independent if the majority of its members and the majority of the shareholder representatives are considered to be independent. In its present composition, this applies to all twelve members of the Supervisory Board. In this way, independent advice and oversight of the Executive Board is ensured by both the full Supervisory Board and its committees.

The Supervisory Board's rules of procedure provide for the establishment of committees. The Supervisory Board of MTU has four committees: an Audit Committee, a Personnel Committee, a Mediation Committee and a Nomination Committee. The members of the Audit Committee are Ute Wolf (Chair), Dr. Christine Bortenlänger, Josef Mailer and Claudia Sowa-Frank. The members of the Personnel Committee and the Mediation Committee are Gordon Riske (Chair) and Ute Wolf, plus the employee representatives Josef Mailer and Daniele Frijia. The members of the Nomination Committee are Gordon Riske (Chair) and Ute Wolf. The Chair of the Audit Committee, Ute Wolf, has many years of professional and management experience in various German and foreign industrial companies, most recently as CFO of Evonik AG. As a result she has a special understanding of the areas of accounting and auditing within the meaning of Section 100 (5) AktG and therefore meets the requirements for an independent financial expert. Dr. Christine Bortenlänger, who is a member of the Audit Committee, is, in accordance with the same provision, qualified as an independent financial expert in the area of auditing thanks to many years as a member of the Management Board of Bayerische Börse AG and as a Managing Director of the public stock exchange in Munich, as well as many years of experience as a member of various supervisory boards and audit committees. Both committee members have in-depth knowledge and experience of internal control processes, in other words, risk and compliance management, the internal control system and internal auditing.

Further details can be found in the section headed *The Supervisory Board*. In addition, the resumes of the Supervisory Board are published on the company's *website under About us > Corporate governance > Supervisory Board*.

In consultation with the Executive Board, the Supervisory Board ensures long-term succession planning for appointments to the Executive Board. To this end, the Supervisory Board regularly reviews the present term of all Executive Board contracts, taking into account the age of each member, the competency profile of potential candidates and other aspects relevant for appointments to the MTU Aero Engines AG Executive Board.

The Supervisory Board's rules of procedure contain binding provisions for dealing with conflicts of interest. Such conflicts must be disclosed and, where appropriate, may result in termination of the member's term of office. In addition, the Supervisory Board must explicitly state such potential conflicts of interest when submitting the nominations to the Annual General Meeting. There were no conflicts of interest in the reporting period. With the exception of a consulting agreement between a Supervisory Board member and a supplier of the company, there were no consulting agreements, contracts for services or similar contractual agreements between members of the Supervisory Board and MTU Aero Engines AG or any of its subsidiaries, or with customers, suppliers, lenders or other business partners in 2025. If there are any discussions or resolutions affecting this supplier in future – this was not the case during the reporting period – the Supervisory Board member concerned will not take part in them.

The Supervisory Board has defined specific targets for its composition in a competence profile and drawn up a qualifications matrix showing the current status. Importance is attached to diversity. The competence profile forms the basis for all nominations submitted to the Annual General Meeting. It is published on MTU's website. Nominations submitted by the Supervisory Board to the Annual General Meeting take account of all objectives and also strive to comply with the competence profile for the Supervisory Board as a whole.

MTU's Supervisory Board should be made up of personalities who, in their entirety, provide a range of competences which ensure comprehensive and effective consultancy to and supervision of the Executive Board with regard to the whole gamut of MTU's business activities, including its strategy and approach to new societal and technological challenges. In the opinion of the Supervisory Board, essential elements of this range of competences should include:

- Leadership and governance in a two-tier corporate governance system
- CEO experience in publicly listed companies
- Aerospace industry
- Capital market knowledge & value creation & M&A
- Profound knowledge in financial reporting (including sustainability reporting, along with the auditing thereof)
- Profound knowledge in auditing of the annual accounts (including sustainability reporting, along with the auditing thereof)
- Supply chain & operations
- Risk management & compliance
- Marketing & sales
- International experience in respect to relevant markets
- Sustainability (ESG)
- Future-oriented technologies / Digitalization & IT

In addition to the following qualifications matrix, the resumes of the Supervisory Board members contain details of their main experience and competencies. These are available on *MTU's website under About us > Corporate governance > Supervisory Board*.

Qualifications matrix for the Supervisory Board of MTU Aero Engines AG

		Gordon Riske	Josef Mailer	Dr. Christine Bortenlänger	Kai Eisenblätter	Daniele Frijia	Dr.-Ing. Marc Haltrich	Anita Heimerl	Dr. Detlef Kayser	Dr. Rainer Martens	Claudia Sowa-Frank	Dr. Peter Weckesser	Ute Wolf
Professional competence	Leadership and governance in a two-tier corporate governance system	•	•	•		•			•	•	•	•	•
	CEO experience in publicly listed companies	•											
	Aerospace industry		•		•		•	•	•	•		•	
	Capital market knowledge & value creation & M&A	•		•					•	•		•	•
	Supply Chain & Operations		•				•		•	•	•	•	•
	Risk management & compliance	•		•					•		•	•	•
	Marketing & sales			•									
	International experience in respect to relevant markets	•							•	•		•	
	Sustainability (ESG)	•		•		•			•	•	•	•	•
	Future-oriented technologies						•			•			
	Digitalization & IT	•				•			•			•	•
Financial expertise	Expert in financial reporting (including sustainability reporting and auditing thereof))												•
	Expert in auditing of the annual accounts (including sustainability reporting and auditing thereof)			•									•
Term of office	Initial appointment	5/2022	10/2015	4/2018	5/2023	8/2022	5/2023	7/2018	5/2025	1/2021	5/2023	5/2025	5/2023
End of term of office		2026	2028	2027	2028	2028	2028	2028	2029	2029	2028	2029	2027
Personal suitability	Independence	•	•	•	•	•	•	•	•	•	•	•	•
	Time availability	•	•	•	•	•	•	•	•	•	•	•	•
	No overboarding	•	•	•	•	•	•	•	•	•	•	•	•
Diversity/ internationality	Gender	M	M	W	M	M	M	W	M	M	W	M	W
	Year of birth	1957	1964	1966	1974	1981	1967	1964	1965	1961	1987	1968	1968
	Nationality	D / USA	D	D	D	D	D / CAN	D	D	D	D	D	D
	International experience	•					•		•	•	•	•	•

In the past financial year, directors' and officers' liability insurance was in effect for the members of MTU's Executive Board and Supervisory Board. The compensation of the members of the Executive Board and Supervisory Board is based on clear and transparent criteria. These are described in the section headed Management compensation report, and on *MTU's website under About us > Corporate governance > Guidelines and reports > Management compensation report*.

The Supervisory Board regularly assesses how effectively the Supervisory Board as a whole and its committees perform their tasks. In fiscal year 2025, the Supervisory Board conducted a self-assessment of the work in plenary session and committees, with support from an external consultant, in the form of a one-day workshop. Special attention was paid to strategic challenges, the organization of and information provision to the Supervisory Board, the use of artificial intelligence in Supervisory Board work, committee activities, cooperation with the Executive Board and management, the discussion culture and conflict resolution potential. In addition, a work program for the Supervisory Board was established for 2026 and 2027, and discussions were held on approaches for monitoring and advising the Executive Board in greater depth, and on long-term succession planning for the Executive Board. The results were presented at the meeting of the Supervisory Board and the Audit Committee on December 9, 2025. They form the basis for the ongoing development of the work of the Supervisory Board and for its competence profile. The Supervisory Board considered its work to be efficient and only adopted a few specific measures to improve the organization of its work.

The above-mentioned effectiveness review with support from an external consultant also examined the activities of the Audit Committee. The members of the Audit Committee considered the work of the committee to be conducted efficiently and adopted some specific measures to enhance the organization of its work.

Diversity

The diversity of its employees plays a key role in MTU's success. Therefore, diversity is very important to MTU.

In accordance with the German law on equal participation of women and men in leadership positions, MTU has set itself goals for its German sites. In accordance with Section 111 (5) of the German Stock Corporation Act (AktG), the supervisory boards of publicly listed companies and companies that are subject to the German Codetermination Act (MtibestG) are required to set target quotes for women on their supervisory and executive boards. In addition, under Section 76 (4) of the German Stock Corporation Act (AktG) the Executive Board is required to set a target quota for women at the two management levels directly below the Executive Board.

Diversity also plays an important role in the composition of the Supervisory Board. In compliance with both the German Stock Corporation Act (AktG) and the GCGC, the supervisory boards of listed companies subject to the German Codetermination Act (MitbestG) must comprise at least 30% women and at least 30% men. The Supervisory Board has four female members: Dr. Christine Bortenlänger, Anita Heimerl, Claudia Sowa-Frank and Ute Wolf. The other eight members are men. Two women are employee representatives and two are shareholder representatives. Female representation on the Supervisory Board in 2025 was therefore 33.3% and male representation was 66.6%.

In addition, the Supervisory Board has set the following goal: International focus is very important for MTU as a global corporation. At least one member of the Supervisory Board should therefore meet the criterion of "internationality." It is already the case that various members of MTU's present Supervisory Board trained or have spent a large part of their professional lives abroad. The members of the Supervisory Board should continue to contribute an international perspective.

The Supervisory Board takes the above-mentioned goals into account when submitting proposals for election by the Annual General Meeting. The same applies to the Nomination Committee, which is responsible for preparing the vote of the Supervisory Board. Since the main criterion for any proposal is still the company's interest, the Supervisory Board proposes the most suitable candidates.

The Supervisory Board's rules of procedure set an age limit for members. Their terms on the Supervisory Board automatically end at the end of the Annual General Meeting following the member's 75th birthday. Moreover, a general limit of twelve years has been set for membership of the Supervisory Board.

The Supervisory Board also places value on fostering diversity in appointments to the Executive Board. The members of the Executive Board have diverse qualifications and work experience, which contribute to their work. In accordance with the provisions of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (GCGC), the Supervisory Board set a target quota of 25% for female members of the Executive Board.

With the appointment of Katja Garcia Vila as a member of the MTU Executive Board with responsibility for Finance and IT (CFO) with effect from July 1, 2025, a quota of 50% female members was achieved. The Supervisory Board has appointed Katja Garcia Vila to

the company's Executive Board for a three-year term of office. In addition, in March 2025, the Supervisory Board extended Dr. Silke Maurer's contract by five years until the end of January 2031. Dr. Maurer was appointed as Chief Operating Officer (COO) on February 1, 2023 when she took over OEM Operations. MTU's Executive Board therefore consists of two men and two women.

For the management levels below the Executive Board, the Executive Board had set a target quota of 15% (three women) for the first management tier and 22% (26 women) for the second tier, to be achieved by December 31, 2027. As of December 31, 2025, the proportion of women in the first management tier was 13.04% (three women) and the proportion in the second tier was 15.20% (19 women).

MTU is continuing to pursue its goal of increasing diversity within the company. To achieve this, MTU invests extensively in the development of its staff and offers a wide range of options for improving their work-life balance, such as flexible working hours, support services for families and options for working remotely. A full description of diversity management at MTU Aero Engines AG can be found in the company's latest ESG fact book.

Accounting

MTU prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRSs). The Executive Board is responsible for the financial statements and reports. Financial reporting comprises, in particular, the consolidated financial statements and the Group management report (including the Sustainability Statement). In addition, the financial reporting and the audit include sustainability reporting, together with the audit thereof. The annual financial statements of MTU Aero Engines AG are compiled in accordance with the provisions of the German Commercial Code (HGB). An internal control system, coupled with the application of uniform accounting policies, should ensure that the results of operations, financial position, net assets and cash flows of all Group companies are accurately presented. In addition, MTU has a differentiated system in place to identify and monitor business and financial risks.

Risk management and control system

The aim of the Executive Board is to ensure that the company has an appropriate and effective risk management and control system. To this end, the Group's risk and opportunity situation and how it is determined are evaluated at an Executive Board meeting at least once a quarter; moreover, the status of the internal control system is regularly discussed and an overall assessment of its appropriateness and effectiveness is made. Based on this, the Executive Board has not found any indication that either the overall entire risk management system or the overall internal control system are not appropriate or effective. MTU takes findings and suggestions for optimization resulting from audits by the internal Group Audit function and external audits as an opportunity to make continuous improvements to the risk management system and internal control system. The systems are described in the section headed Internal control and risk management system.

The Executive Board reports to the Supervisory Board in a regular and timely manner on existing opportunities and risks, and how they are developing. The Audit Committee of the Supervisory Board discusses risk management. In accordance with Section 107 (3) of the German Stock Corporation Act (AktG), the Audit Committee is explicitly responsible for monitoring the appropriateness and effectiveness of the risk management system, the internal control and auditing systems, the financial reporting process and the audit of the financial statements, and in particular, for assessing the auditors' independence.

Compliance

The corporate culture at MTU is characterized by trust and mutual respect. The observance of legal and ethical rules and principles plays a central role in this respect. The resulting binding requirements for employees are documented in MTU's Code of Conduct, which was revised, agreed and introduced jointly by the Executive Board and the Group Works Council in 2022. MTU's Code of Conduct embodies the corporate culture and reflects MTU's resolve to comply strictly with the relevant laws and internal regulations. It is a Group-wide guide to lawful and ethical business relations.

Nevertheless, the risk can never be entirely ruled out that unauthorized behavior of isolated individuals might lead to contravention of the law. MTU does everything in its power to minimize this risk as far as possible, and is committed to preventing acts of misconduct, such as corruption, in the first place through corresponding rules and regular and targeted training, and – in the event of suspicion – to uncovering, clarifying and pursuing any such acts.

Compliance is an important aspect of all management functions at MTU. Within their areas of responsibility, managers ensure that all employees are familiar with and observe the requirements of the Code of Conduct. Reinforcement is provided by internal training.

The central contact for the prevention of white-collar crime in the company is the Compliance Officer, who is a member of the corporate management and is entitled to report directly to the CEO. The duties of the Compliance Officer focus, first and foremost, on preventing corruption and failure to comply with cartel and insider regulations. The Compliance Officer advises the Executive Board, the managers and managing directors of the individual sites along with the employees, draws up training concepts and guidelines and makes recommendations on compliance checks. In addition, the Compliance Officer leads investigations into cases of suspected non-compliance and coordinates the measures taken. The Compliance Officer also acts as the contact for reporting misconduct in accordance with the German Whistleblower Protection Act (Hinweisgeberschutzgesetz). Employees from all sites, and third parties such as customers and suppliers, can report suspected non-compliance issues to the Compliance Officer in confidence. As well as being able to contact the Compliance Officer personally through various channels, they have access to iTrust, a web-based whistleblower system that also allows anonymous reports.

Reports on the Compliance Officer's activities are presented to the Supervisory Board's Audit Committee. The Audit Committee then informs the plenary meetings of the Supervisory Board via a summary of its own meetings. It supervises the Executive Board's compliance activities, including monitoring the measures and training programs implemented by the Compliance Officer and proposing revisions to the compliance rules.

Extensive information, Annual General Meeting, Directors' Dealings

In keeping with the principles of good corporate governance, MTU continually provides extensive and timely information on the company's activities and any major developments in its business situation for shareholders, shareholder associations, financial analysts, the media and other interested parties. MTU strives to ensure that all stakeholders are kept informed in equal measure. The Chair of the Supervisory Board also regularly speaks to investors about issues specific to the Supervisory Board and topics relevant to corporate governance; both areas were covered in a number of virtual meetings in 2025. The company publishes an extensive range of information on its *website at www.mtu.de*. It publishes quarterly information on its business activities. Any new developments that are not public knowledge but are likely to have a significant impact on the MTU share price are disclosed in the form of ad-hoc releases in accordance with statutory requirements.

Information is also posted on the MTU website whenever members of the Executive Board or Supervisory Board or related persons have purchased or sold MTU shares, debt instruments or share-based derivatives. Section 19 of the European Market Abuse Regulation stipulates that these persons must disclose such transactions if their value in a single calendar year reaches or exceeds €20,000 (€50,000 from January 1, 2026). The total number of shares in MTU Aero Engines AG, Munich, held by members of the company's Executive Board and Supervisory Board as of December 31, 2025, was less than 1% of the company's capital stock.

In view of the highly international shareholder structure and in the interests of environmental and climate protection, MTU considers a modern format for its Annual General Meeting to be appropriate as it enables global participation of shareholders without the need to travel while also enabling them to fully exercise their rights as shareholders and to follow the entire Annual General Meeting, including the general discussion, as a live video and audio stream. MTU has therefore held virtual Annual General Meetings in recent years and continued to do so in 2025, in accordance with legal and statutory requirements. Shareholders were able to request information pursuant to Section 118a (1) sentence 2 no. 4 of the German Stock Corporation Act (AktG) via electronic communication channels during the meeting.

When deciding whether to hold a virtual Annual General Meeting, the Executive Board will do so with the approval of the Supervisory Board, even if that approval is not required by law. The Executive Board has decided to hold the 2026 Annual General Meeting in person with shareholders. Nevertheless, the authorization to hold virtual annual general meetings was renewed at the last Annual General Meeting in May 2025. The Executive Board and the Supervisory Board proposed that Section 14 (3) of the Articles of Association be reworded as follows: The Executive Board is authorized, with the approval of the Supervisory Board, to provide that the Annual General Meeting may be held without the physical presence of shareholders or their proxies at the Annual General Meeting venue (virtual Annual General Meeting) for up to two years after this paragraph 3 has been entered in the company's commercial register. The proposal was accepted by a large majority.

The company supports the exercise of shareholder rights and proxy voting by its shareholders in part by providing voting representatives who exercise voting rights in accordance with instructions received from individual shareholders. Shareholders also have the option of absentee voting.

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Consolidated income statement

Consolidated income statement

in € million	(Note)	2025	2024
Revenue	**(1.)**	**8,763**	**7,411**
Cost of goods sold	(2.)	–7,075	–6,178
Gross profit		**1,688**	**1,233**
Research and development expenses	(3.)	–111	–106
Selling expenses	(4.)	–157	–138
General administrative expenses	(5.)	–175	–128
Other operating income	(6.)	49	38
Other operating expenses	(6.)	–75	–59
Profit/loss of companies accounted for using the equity method and of equity investments	(7.)	159	115
Earnings before interest and taxes (EBIT)		**1,379**	**955**
Net interest income/expense	(8.)	–56	–22
Other financial income/expense	(9.)	39	–38
Net financial income/expense		**–17**	**–60**
Earnings before income taxes		**1,362**	**895**
Income taxes	(10.)	–335	–253
Net income		**1,028**	**642**
thereof:			
owners of MTU Aero Engines AG		1,016	633
non-controlling interests		11	9
Earnings per share (in €)			
Basic (EPS)	(11.)	18.90	11.77
Diluted (DEPS)	(11.)	18.49	11.53

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

in € million	(Note)	2025	2024
Net income		**1,028**	**642**
Currency translation differences arising from the financial statements of foreign entities		–108	48
Financial instruments designated as cash flow hedges		132	–79
Items that may subsequently be recycled to profit or loss		24	–32
Actuarial gains/losses on pension obligations and plan assets		18	7
Item that will not be recycled to profit or loss		18	7
Other comprehensive income after taxes	**(24.)**	**43**	**–25**
thereof:			
owners of MTU Aero Engines AG		52	–30
non-controlling interests		–10	5
Total comprehensive income		**1,070**	**617**
thereof:			
owners of MTU Aero Engines AG		1,069	603
non-controlling interests		2	14

Consolidated balance sheet – assets

Assets

in € million	(Note)	Dec. 31, 2025	Dec. 31, 2024
Non-current assets			
Intangible assets & Goodwill	(13.)/(14.)	1,490	1,313
Property, plant and equipment	(13.)/(15.)	1,978	1,767
Financial assets accounted for using the equity method	(16.)	688	727
Other financial assets	(16.)	139	103
Acquired program assets, development work and other assets	(17.)	712	722
Deferred taxes	(34.)	133	333
Total non-current assets		**5,139**	**4,965**
Current assets			
Inventories	(19.)	2,018	1,753
Trade receivables	(20.)	1,484	1,665
Contract assets	(21.)	1,501	1,325
Income tax receivables	(22.)	47	63
Other financial assets	(16.)	1,196	885
Other assets	(17.)	81	83
Cash and cash equivalents	(23.)	1,256	1,747
Total current assets		**7,582**	**7,519**
Total assets		**12,721**	**12,484**

Consolidated balance sheet – equity and liabilities

Total equity and liabilities

in € million	(Note)	Dec. 31, 2025	Dec. 31, 2024
Equity	**(24.)**		
Subscribed capital		54	54
Capital reserves		577	577
Retained earnings		3,834	2,936
Treasury shares		–8	–8
Accumulated other comprehensive income		–143	–195
Owners of MTU Aero Engines AG		**4,314**	**3,363**
Non-controlling interests		61	74
Total equity		**4,375**	**3,438**
Non-current liabilities			
Pension provisions	(25.)	640	692
Other provisions	(27.)	72	33
Financial liabilities	(28.)	2,376	2,265
Contract liabilities	(30.)		3
Other liabilities	(32.)	3	4
Deferred taxes	(34.)		
Total non-current liabilities		**3,090**	**2,997**
Current liabilities			
Pension provisions	(25.)	31	32
Income tax liabilities	(26.)	17	35
Other provisions	(27.)	142	158
Refund liabilities	(31.)	3,103	3,305
Financial liabilities[1)]	(28.)	854	1,511
Trade payables	(29.)	588	504
Contract liabilities[1)]	(30.)	394	386
Other liabilities	(32.)	126	119
Total current liabilities		**5,255**	**6,049**
Total equity and liabilities		**12,721**	**12,484**

[1)] Prior-year figures reclassified between contract liabilities and financial liabilities (see Note 28.)

Consolidated statement of changes in equity

Consolidated statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Treasury shares	Accumulated other comprehensive income			**Owners of MTU Aero Engines AG**	Non-controlling interests	**Total equity**
					Currency translation differences arising from the financial statements of foreign entities	Actuarial gains/losses[1]	Financial instruments designated as cash flow hedges			
Carrying amount as of Jan. 1, 2024	**54**	**579**	**2,407**	**–11**	**24**	**–204**	**14**	**2,863**	**70**	**2,933**
Net income			633					633	9	642
Other comprehensive income					43	7	–79	–30	5	–25
Total comprehensive income			**633**		**43**	**7**	**–79**	**603**	**14**	**617**
Dividend payment			–108					–108	–9	–117
Others [2]			3					3	0	4
Restricted Stock Plan (LTI) [3]		–2		3				1		1
Carrying amount as of Dec. 31, 2024	**54**	**577**	**2,936**	**–8**	**68**	**–197**	**–65**	**3,363**	**74**	**3,438**
Net income			1,016					1,016	11	1,028
Other comprehensive income					–98	18	132	52	–10	43
Total comprehensive income			**1,016**		**–98**	**18**	**132**	**1,069**	**2**	**1,070**
Dividend payment			–118					–118	–12	–131
Others [2]			–0					–0	–2	–2
Restricted Stock Plan (LTI) [3]		–0		0				–0		–0
Carrying amount as of Dec. 31, 2025	**54**	**577**	**3,834**	**–8**	**–31**	**–179**	**67**	**4,314**	**61**	**4,375**

[1] Refers to pension obligations and plan assets

[2] Refers to purchases and sales of participations or capital measures.

[3] Refers to the granting of blocked shares as a component of performance-related remuneration for senior executives

Consolidated cash flow statement

Consolidated cash flow statement

in € million	(Note)	2025	2024
Operating activities			
Net income		1,028	642
Non-cash amortization (including impairment) of capitalized program assets and acquired development work		49	137
Amortization, depreciation, write-ups and impairment of other non-current assets		367	346
Profit/loss of companies accounted for using the equity method	(7.)	–156	–122
Profit/loss of equity investments	(7.)	–3	7
Dividends received		125	76
Gains/losses on the disposal of assets		–1	–3
Result effective change in pension provisions	(25.)	–14	–9
Change in other provisions	(27.)	22	35
Change in refund liabilities which are not included in working capital	(31.)	–175	188
Change in working capital [1)]		–404	–696
Other non-cash items	(39.)	–107	40
Net interest income/expense	(8.)	56	22
Interest paid		–81	–35
Interest received		30	39
Income taxes	(10.)	335	253
Income taxes paid		–222	–206
Cash flow from operating activities		**848**	**714**

in € million	(Note)	2025	2024
Investing activities			
Capital expenditure on:			
Intangible assets	(14.)	–86	–181
Property, plant and equipment	(15.)	–429	–459
Financial assets	(16.)	–25	–23
Acquired program assets, development work and other assets	(17.)	–37	–33
Proceeds from disposal of:			
intangible assets/property, plant and equipment	(14.) / (15.)	85	58
other financial assets	(16.)	7	35
Cash flow from investing activities		**–485**	**–603**
Financing activities			
Cash inflow from other bonds and notes	(28.)		1,041
Cash outflow from other bonds and notes	(28.)	–500	
Settlement of lease liabilities	(28.)	–95	–69
Settlement of purchase price liabilities for stakes in programs		–27	–41
Increase in other financial liabilities	(28.)	0	4
Repayment of other financial liabilities	(28.)	–83	–82
Dividend paid to shareholders of MTU AG/ to non-controlling interests		–131	–117
Capital repayment/ increase		–2	0
Cash flow from financing activities		**–838**	**736**
Net change in cash and cash equivalents during the reporting period		**–475**	**846**
Effect of currency translation differences on cash and cash equivalents		–16	17
Cash and cash equivalents at beginning of period		1,747	883
Cash and cash equivalents as of Dec. 31		**1,256**	**1,747**

[1] As far as cash effective.

I. Accounting principles and policies

Principles and methods

The business activities of MTU Aero Engines AG, Munich, Germany, and its consolidated companies (subsequently referred to as the Group, Group companies or MTU) extend over the entire lifecycle of an engine program – from development, structural design, testing and manufacturing of new commercial and military engines and spare parts through to the maintenance, repair and overhaul of commercial and military engines. MTU divides its activities into two operating segments: the commercial and military engine business (OEM) and the commercial maintenance business (MRO).

MTU's commercial and military engine business (OEM segment) covers the development and manufacturing of modules, components and spare parts for engine programs, and in some cases final assembly. The military engine business additionally includes the provision of maintenance services. The MRO segment consists of the commercial maintenance business (MRO), which covers all activities relating to the commercial maintenance, repair and overhaul of commercial engines as well as associated services.

The parent company, MTU Aero Engines AG, which has its registered office at Dachauer Strasse 665, 80995 Munich, Germany, is registered in the commercial registry of the district court of Munich under reference HRB 157 206.

The consolidated financial statements were authorized for issue by the Executive Board of MTU Aero Engines AG, Munich, on March 9, 2026.

MTU's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the supplementary requirements of Section 315e (1) of the German Commercial Code (HGB). MTU applied all IFRSs issued by the International Accounting Standards Board (IASB) that were in effect at the time these consolidated financial statements were prepared and had been endorsed by the European Commission for use in the EU. Amounts are presented in euros.

The consolidated financial statements have been prepared on a going concern basis. This management assessment is based on the multi-year business planning, taking into account the proven past achievement of the plans and the complementary system for the early identification of risks. Furthermore, the management assessment is supported by the company's future earnings capability, an order backlog covering several years and sound financing combined with high levels of liquidity.

The consolidated financial statements for the period ended December 31, 2025, and the combined management report for fiscal year 2025 were prepared in accordance with Section 315e (1) of the German Commercial Code (HGB) and have been published in the company register.

The fiscal year is identical to the calendar year. Comparative figures for the previous year are included in the consolidated financial statements.

In the presentation of the balance sheet, a distinction is made between non-current and current assets and liabilities. A more detailed maturity analysis of certain items is provided in the notes to the consolidated financial statements. An asset or liability is classified as current if it is held primarily for trading purposes. Furthermore, an asset or liability is classified as current if amortization/repayment is expected within 12 months of the reporting date or insofar as this is directly related to the Company's own customer contracts or a stake in an engine program. In this case, the respective asset's or liability's classification as current is based on its expected amortization/repayment within MTU's normal business cycle, even if – in the absence of specific contractual deadlines – it is not effectively amortized/repaid until after 12 months has elapsed. Finally, classification as current also applies insofar as the asset or liability is cash or a cash equivalent, unless the exchange or utilization of the asset for the purpose of fulfilling an obligation is restricted for a period of at least 12 months after the reporting date.

The income statement is prepared using the cost-of-sales method in which revenue is balanced against the expenses incurred to generate it, and expenses are classified by function: production, research and development, distribution, and general administration. The consolidated financial statements are denominated in euros. All amounts are stated in millions of euros (€ million), unless otherwise specified. Due to rounding, some of the rounded figures presented in these consolidated financial statements may not correspond exactly to the sum of the individual figures, and it may not be possible to calculate some of the individual percentages from the rounded absolute figures presented. "0" represents amounts of between zero and half a million euros, while "-0" represents amounts between zero and minus half a million euros. Amounts of exactly €0.00 are shown by an empty field in tables.

Accounting standards, interpretations, and amended standards and interpretations applied for the first time in fiscal year 2025

The following new and amended accounting standards and interpretations were applied for the first time in these consolidated financial statements:

New and amended standards

Standard	Title
IAS 21	Amendments: Lack of Exchangeability

Application of these standards did not result in any significant changes to the MTU Group's financial reporting.

Accounting standards, interpretations, and amended standards and interpretations issued but not yet applied

The following new and amended standards and interpretations have been issued by the IASB but were not yet effective for annual periods beginning on January 1, 2025:

Accounting standards and interpretations not yet applied

Standard	Title
IFRS 7 and IFRS 9	Amendments: Classification and Measurement of Financial Instruments; Contracts Referencing Nature-dependent Electricity[1)]
IAS 7, IFRS 1, IFRS 7, IFRS 9 and IFRS 10	Amendments: Annual Improvements to IFRS Accounting Standards — Volume 11[1)]
IFRS 18	Presentation and Disclosures in Financial Statements[2)]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[2)]
IAS 21	Amendments: The Effects of Changes in Foreign Exchange Rates – Translation into a Hyperinflationary Presentation Currency[2)]

[1)] Effective for annual periods beginning on or after January 1, 2026.

[2)] Still awaiting EU endorsement.

MTU does not apply standards, interpretations and amendments before the effective date, taking into account endorsement by the EU.

In view of the MTU Group's current business model, the aforementioned standards are not expected to have a material impact on MTU's financial reporting in future reporting periods. One exception is IFRS 18 Presentation and Disclosure in Financial Statements, which was published in April 2024; from the time of initial application, it will replace IAS 1 Presentation of Financial Statements. The main amendments of IFRS 18 are additional defined subtotals in the income statement, disclosures on management-defined performance measures, as well as new principles for the aggregation and disaggregation of information. The new regulations will also result in amendments to IAS 7 Statement of Cash Flows. Subject to EU endorsement being issued on time, this new standard will have to be applied for the first time to fiscal years beginning in or after January 1, 2027. Initial application will have to be retrospective. MTU will not make use of the option of early application. At present, MTU is preparing for implementation of the new requirements for the initial application of IFRS 18 in the MTU consolidated financial statements.

Application of Section 264 (3) of the German Commercial Code (HGB)

MTU Maintenance Hannover GmbH, Langenhagen, Germany, and MTU Maintenance Berlin- Brandenburg GmbH, Ludwigsfelde, Germany, are consolidated affiliated companies of MTU Aero Engines AG, Munich. These companies apply the exemption in Section 264 (3) of the German Commercial Code (HGB).

Consolidated group

As of December 31, 2025, the Group including MTU Aero Engines AG, Munich, comprised 36 companies. These are presented in the list of major shareholdings in *Note 38. Related party disclosures*, which contains details of the method of inclusion in the consolidated financial statements.

Changes in the consolidated group

In the reporting period, the number of Group companies and equity investments in associates and joint ventures included in the consolidated financial statements changed as follows:

Consolidated group

	Germany	International	Total
Shareholdings as of Dec. 31, 2023	**13**	**21**	**34**
Additions 2024	1	1	2
Disposals 2024			
Shareholdings as of Dec. 31, 2024	**14**	**22**	**36**
Additions 2025	1		1
Disposals 2025			
Shareholdings as of Dec. 31, 2025	**15**	**22**	**37**

MTU Aero Engines established MTU Aero Engines Investment Holding GmbH i.G., Munich, on December 12, 2025, and holds 100% of the shares of the company. The company is used as a holding company for equity investments in affiliated companies. The constituent entry in the commercial register was made on January 8, 2026.

Subsidiaries

The subsidiaries included in the consolidated financial statements of MTU Aero Engines AG, Munich, are all material companies in which MTU Aero Engines AG, Munich, has a controlling interest as defined by IFRS 10, in other words entities in which MTU, as the investor, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associated companies

Associates are companies over which MTU exercises significant influence in accordance with IAS 28 and which are neither subsidiaries nor joint ventures. Stakes in such companies, where MTU is directly or indirectly able to significantly influence decisions on financial and business policy, are included in the consolidated financial statements using the equity method. MTU holds an 18% share in the voting rights of each IAE International Aero Engines LLC, East Hartford, CT, USA, and of PW1100G-JM Engine Leasing LLC, East Hartford, CT, USA. The contractual business relationships, management agreements and representation on governance bodies give MTU significant influence, thus justifying their classification as associates from MTU's perspective.

Joint ventures

Joint ventures are companies over which MTU exercises joint control together with one or more other entities in accordance with IFRS 11. MTU's joint ventures are accounted for in the consolidated financial statements at equity or at (amortized) cost. They are disclosed individually in the list of major shareholdings in *Note 38. Related party disclosures*.

Materiality criterion – Non-material investments

The following criteria are consistently used to evaluate the materiality of investments with regard to their inclusion in the consolidated financial statements by way of full consolidation for subsidiaries or by way of the equity method for equity investments in associates and joint ventures:

- Shareholding as a proportion of the total carrying amount of all shares in the affiliated companies
- Relative share of average consolidated annual net income in the past three years (based on the income statement)
- Share of total assets of the affiliated company (based on balance sheet)

Consolidation principles

In accordance with IFRS 3, the Group accounts for business combinations using the acquisition method, provided that the acquired set of activities and assets meets the definition of a business and the Group has obtained control. When determining whether a specific set of activities and assets constitutes a business, the Group assesses whether the set of acquired assets and activities comprises at least one input and one substantial process and whether the acquired set of activities and assets can generate outputs. Under the acquisition method, the acquirer accounts for the business combination by measuring and recognizing the identifiable assets acquired and the liabilities and contingent liabilities assumed. The identifiable assets, liabilities, and contingent liabilities are measured at fair value. Any excess of the purchase price over the net fair value of the acquired assets is recognized as goodwill and tested for impairment in accordance with IAS 36 at least annually, or at shorter intervals if there is an indication that the asset might be impaired. If the Group's interest in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, that excess (negative goodwill) is recognized in the income statement after remeasurement as required by IFRS 3.36.

Non-controlling interests are initially measured on the basis of their proportion of the identifiable net assets of the acquiree at acquisition date. Changes in the share of a subsidiary held by the Group that do not lead to a loss of control are accounted for as an equity transaction between owners.

The effects of intragroup transactions are eliminated. Receivables and liabilities as well as expenses and income between the consolidated companies are offset against each other. Intragroup profits and losses are eliminated.

Currency translation

Transactions in foreign currencies are translated to the functional currency using the exchange rate prevailing on the date of the transaction. At the reporting date, monetary items are translated using the exchange rate prevailing at that date, whereas non-monetary items are translated using the exchange rate prevailing on the actual transaction date. The translated amounts are recognized in revenue, cost of goods sold, other function costs, or net financial income/expense depending on the underlying transaction.

As a general principle, currency translation differences are reported in profit or loss for the period and recognized in the category of earnings to which the underlying asset or underlying liability corresponds. Contrary to the general principle, currency translation differences relating to the following cases are recognized in other comprehensive income and thus outside of profit or loss:

- Qualifying cash flow hedges, provided that they are effective
- Assets and liabilities of foreign Group companies that are translated to euro using the closing exchange rate at the reporting date.

Qualifying cash flow hedges from revenue-generating transactions in foreign currencies represent classic cash flow hedging. By hedging cash flows, MTU protects the expected proceeds from revenue-generating transactions in U.S. dollars (underlying transactions) against volatile exchange rates through the use of derivative hedging instruments. The effective part of these hedges, including any associated effects on deferred taxes, are reported in other comprehensive income (currency translation reserves) and therefore outside of profit or loss until the underlying cash flows enter into effect.

The assets and liabilities of Group companies whose functional currency is not the euro are translated from the corresponding local currency to the euro using the closing exchange rate at the reporting date. In the income statements of foreign Group companies whose functional currency is not the euro, income and expense items are translated each month using the exchange rate applicable at the end of the month; the average exchange rate for the year can be derived from these end-of-month exchange rates. The translation difference between the respective local currency and the euro arising in the annual result compared with the closing rates is recognized directly in equity under other comprehensive income (currency translation reserves).

In the event of full or partial disposal of a foreign business, which results in loss of control or the loss of significant influence or joint control, the accumulated amount recognized in currency translation reserves in connection with the foreign business up to this date is reclassified to profit or loss as part of the disposal gain/loss.

In the event of only partial disposal, without loss of control, of a subsidiary that includes a foreign business, the corresponding portion of the accumulated translation differences (currency translation reserves) is allocated to non-controlling interests.

If the Group sells part of an associate or joint venture that includes a foreign business but retains a significant influence or joint control, the corresponding portion of the accumulated currency translation differences (currency translation reserves) are reclassified to profit or loss.

Accounting policies

The consolidated financial statements of MTU Aero Engines AG, Munich, and its subsidiaries are prepared using uniform accounting policies based on the International Financial Reporting Standards (IFRSs).

Revenue

IFRS 15 states that revenue from contracts with customers should be recognized as an amount that reflects the consideration to which the entity expects to be entitled in exchange for the promised goods or services as part of its contractual performance obligation. A five-step model framework is used to identify and measure this revenue:

1. Identify the contract(s) with the customer,

2. Identify each party's performance obligations in the contract,

3. Determine the transaction price,

4. Allocate the transaction price to the performance obligations in the contract,

5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Identification of the contracts with the customer

Contracts may be entered into in writing, orally or implicitly in the ordinary course of business. In each case, the contracts must be enforceable and have commercial substance. A contract with a customer will be within the scope of IFRS 15 if these conditions are met and as soon as it is "probable" that MTU will collect the consideration to which it is entitled for the performance of the contractually agreed work and services. When the probability that the consideration will be collected is assessed, the customer's ability and intention to deliver the consideration by the due date are taken into account. MTU considers contracts to be within the scope of IFRS 15 if:

- all parties are in agreement with the terms of the contract,
- each party's rights in relation to the goods or services to be transferred can be identified,
- the payment terms for the goods or services to be transferred can be identified,
- the contract has commercial substance, and
- it is probable that the consideration to which MTU is entitled in exchange for the goods or services will be collected.

If, at the reporting date, a contract with a customer does not yet meet all of the above criteria, the company will continue to re-assess the contract at regular intervals until such time as the criteria are met. From this point onward, IFRS 15 will be applied to the contract.

In the case of risk- and revenue-sharing partnerships in the commercial engine business (OEM segment), MTU identifies the consortium leader that exercises control over the relevant engine program or, in individual cases, special-purpose consortia (OEMs), as customers within the meaning of IFRS 15. In the case of risk- and revenue-sharing partnerships with joint consortium leadership – as is the standard for the military engine business (OEM segment) – by contrast, the customer served by the consortium (e.g., an air force) is identified as the customer within the meaning of IFRS 15. In the commercial maintenance business (MRO segment), MTU identifies customers within the meaning of IFRS 15 as its direct customers (e.g., aircraft operators, leasing companies).

Contract modification

Given the long operating cycles in the engine industry, it is common practice to conclude long-term contracts. These are regularly modified to provide more detailed specifications or optimize the exchange of services. In particular, the renewal of existing contracts is also regarded as a contract modification. A contract modification in accordance with IFRS 15 exists if the changes either create new rights and obligations or modify existing enforceable rights and obligations, thus altering the scope of the contract and/or the transaction price. Such changes must be accounted for either by modifying the existing contract or by establishing a separate, new contract. In the commercial maintenance business (MRO segment) in particular, maintenance for engine fleets can be arranged by way of long-term service agreements. Extensions to long-term service agreements are normally shaped in a way that implies that the old contract is accounted for as terminated and a new contract has been concluded.

Identification of performance obligations

Once a contract has been identified as being within the scope of IFRS 15, its terms and conditions and the customary business practices in the sector are assessed in order to identify the promised goods or services (or bundle of goods and services) to be treated as distinct performance obligations and subsequently recognized. A good or service is distinct if the customer can benefit from the good or services on its own or in conjunction with other readily available resources, and if the promise to transfer the good or services to the customer is separately identifiable from other promises in the contract.

The material categories of performance obligations recognized by MTU are as follows:

- manufacturing/delivery of aircraft engine components, including their assembly into modules (OEM segment)
- development/provision of engine technology (OEM segment)
- technical services relating to the development, manufacturing and repair of engines and toll manufacturing (OEM segment)
- Maintenance and overhaul of engines and gas turbines, including fleet maintenance management and the related support services, e.g., engine leasing (MRO segment).

Determination of the transaction price

The transaction price is the amount of consideration to which a company is entitled in exchange for the transfer of goods or delivery of services to a customer. Where a contract contains elements of variable consideration, the company will estimate the amount of variable consideration to which it is entitled under the terms of the contract.

Variable consideration included in the transaction price is only recognized as revenue to the extent that MTU considers a subsequent revenue reversal highly improbable.

The agreed transaction price is reduced in the case of (reverse) payments to customers. MTU defines such payments to customers as payments that are not made in exchange for identifiable goods and services that are independent of MTU's performance obligations toward its customer. Such payments to customers are customary in the sector, especially in the commercial engine business (OEM segment) due to risk- and revenue-sharing structures. The payments relate to compensation for engine development and certification, measures to gain market access and customer acquisition, and, where relevant, include joint liability for warranty risks, contractual penalties and other price and costs risks in connection with the respective engine programs.

Allocation of the transaction price to performance obligations

Where a contract comprises multiple performance obligations, the transaction price is allocated to the performance obligations by reference to their standalone selling prices. Standalone selling prices are based whenever possible on information that is observable in the market. Certain variable consideration components are allocated in full to a performance obligation by reference to their economic substance. The allocation is made in accordance with the contractual objectives, taking into account the fact that MTU will substantially satisfy the performance obligation. If no standalone selling price is directly observable, MTU as a general rule estimates the applicable transaction price on the basis of the expected costs plus an appropriate margin.

In the case of contracts in the commercial and military engine business (OEM segment) in which MTU's role is effectively that of a supplier or service provider to the consortium leader (OEM), without the responsibility to provide development assets or engine technology, the transaction prices are fixed in the consortium agreement, including variable elements. These transaction prices must be allocated in full to the goods delivered or services provided (e.g., engine assembly).

For commercial consortium agreements in which MTU assumes responsibility for providing development/engine technology to the consortium or consortium leader (OEM) in addition to supplying parts or performing assembly, engine maintenance and other maintenance services, MTU initially allocates the contractually agreed, market-driven transaction prices (relative standalone selling prices) to the corresponding delivery and performance obligations. The additional contractually agreed variable consideration (share in the net profits of the engine program) is allocated to the obligation to provide the development/engine technology.

In the commercial maintenance business (MRO segment), transaction prices fixed in the consortium agreement, including variable elements, are allocated with reference to the relative standalone selling prices to the identified components of the respective maintenance contracts.

Recognition of revenue when performance obligations are satisfied

Revenue is recognized when control over a good or service relating to the delivery of engine modules and parts to the customer is transferred, which can be either at a specific point in time or over a definable period of time.

Revenue from the delivery of engine modules and parts is recognized at a point in time, based in particular on the effective transfer of control and the significant risks and opportunities related to the delivery of engine modules and parts to the customer. In the commercial engine business, the transfer of control and of the associated beneficial risks and opportunities generally takes place at the point in time when the modules and parts are delivered to the consortium leader (OEM), i.e., to the program consignment inventories managed by the consortium leader. Revenue from customer-specific services – such as development projects and especially engine maintenance – is recognized over time if they meet the necessary criteria. Until a successful test run is performed, it is not yet possible to reliably estimate the margin of individual engine repairs (shop visits) in the MRO segment as potential rework could still be identified here. For this reason, revenue is only reported as the amount of costs incurred in accordance with IFRS 15.45 at this point. Following a successful test run, the margin will be realized and any invoicing risks will be confined via revenue deductions.

With regard to the fulfillment of the performance obligation concerning the development/provision of engine technology, the transfer of control and the relevant opportunities and risks generally takes place at the time the technical documentation for the modules and parts developed by MTU is made available to the OEM (customer). With regard to revenue recognition, the restrictions under IFRS 15.B63 (sales-based or usage-based royalties on licenses of intellectual property) apply in the case of MTU.

Where revenue is recognized over time, the amount of completed work is generally determined based on the ratio of contract costs incurred as at the reporting date to the expected costs of the entire contract. The advantage of this method is that the inputs used to determine the amount of completed work are directly observable and the Company can determine the necessary information with sufficient reliability. If the amount of completed work can be determined more appropriately on the basis of the services already provided, the revenue is recognized accordingly in these cases.

In the reporting period and the previous year, substantially all claims to consideration recorded or to be recorded in the future in connection with the provision of goods and services for which orders had been placed as at the reporting date qualify as revenue from contracts with customers pursuant to IFRS 15. In addition to this, revenue from leases is recognized in accordance with IFRS 16 and "government grants and assistance" in the form of reimbursements of development expenses within the meaning of IAS 20 continue to be recognized in the income statement. Lastly, currency translation differences within the meaning of IAS 21 are recognized in revenue.

Contracts with subcontractors

In individual cases, MTU works with subcontractors to fulfill its performance obligations. When MTU subcontracts the repair of engine components to a third party, MTU remains responsible for the quality of these repairs vis-à-vis its customer. MTU is normally responsible for ensuring certification of the airworthiness of the delivered engine components. Subcontractors generally bill MTU on a commercial basis. This is independent of MTU's invoicing of its customers.

MTU therefore acts essentially as principal and recognizes its revenue from the relevant transactions on a gross basis by recognizing invoices to its customers in revenue and the invoices received from subcontractors in the cost of goods sold.

Activity as agent for the sale of non-MTU parts

As a member of certain engine consortia in the military sector (OEM segment), MTU participates in the sale of parts made by other partners, in addition to its development and production activities. The specific tasks performed by MTU consist, in particular, of organizing and supporting the sales process. The corresponding commission on the sale is recognized as revenue when no uncertainty exists as to the amount of revenue arising from the sale, which is then recognized at a point in time.

Since MTU is the agent in this transaction, it recognizes the net amount of the consideration to which it is entitled for its activity as an agent in revenue.

Cost of goods sold

The cost of goods sold comprises the production cost of goods and services sold, including customer-funded development work, and the cost of products purchased for resale. In addition to direct material and production costs, it also comprises attributable production overheads, including amortization of production-related intangible assets and depreciation of production facilities, write-downs on inventories and an appropriate portion of production-related administrative overheads.

Research and development expenses

Research costs are expensed in the period in which they are incurred.

In the case of development costs, a distinction is drawn between customer-funded development work and company-funded development work.

Services provided as part of customer-funded development projects (e.g., government technology funding programs) are reported in cost of goods sold due to their expected reimbursement by a contracting entity.

Development costs generated in the context of company-funded development projects are capitalized in accordance with IAS 38 if they meet the relevant requirements. Otherwise, they are recognized as an expense in the period in which they are incurred.

The capitalized development costs comprise all costs directly attributable to the development process and are amortized through cost of goods sold over the asset's respective useful life from the start of marketing of the engine program by MTU.

Intangible assets and goodwill

Externally acquired and self-generated intangible assets are recognized in accordance with IAS 38 if it is probable that a future economic benefits will flow from the use of the asset and the cost of the asset can be measured reliably.

Intangible assets with a finite useful life are principally carried at their purchase or production cost and are primarily amortized through cost of goods sold on a straight-line basis or using the unit-of-production method over their useful lives.

Amortization is based on the following regular useful lives:

Useful lives of assets (in years)	
Program assets arising from the purchase price allocation and self-generated development assets	Maximum 30
Customer relationships	4 – 26
Concessions, industrial property rights, similar rights	Maximum 30
Other assets	3 – 10

The useful lives and amortization methods pertaining to intangible assets are regularly assessed for appropriateness, and adjustments are made where necessary to the estimates used when the financial statements are being prepared.

Capitalized goodwill is tested for impairment regularly or as necessary in accordance with IAS 36; each of the two operating segments, OEM (commercial and military engine business) and MRO (commercial maintenance business), is tested separately.

Property, plant and equipment

Property, plant and equipment are subject to wear and tear and are carried at their purchase or production cost less cumulative depreciation charges and impairment losses. The cost of items of self-constructed plant and equipment comprises all directly attributable costs and an appropriate proportion of attributable production-related overheads. The revaluation model is not applied. Depreciation on property, plant and equipment is calculated using the straight-line method in accordance with the useful life of the respective asset.

Depreciation is based on the following regular useful lives:

Useful lives of assets (in years)	
Buildings	20 – 50
Lightweight structures	10 – 15
Property facilities	10 – 20
Technical equipment, plant and machinery	5 – 25
Operational and office equipment	1 – 14

The useful lives of machines used in multi-shift operation are reduced accordingly to take account of additional usage. The useful lives and amortization methods pertaining to intangible assets are regularly assessed for appropriateness, and adjustments are made where necessary to the estimates used when the financial statements are being prepared.

Public sector grants and assistance

In accordance with IAS 20, public sector grants and assistance are not recognized until there is reasonable assurance that the conditions attached to them will be complied with and that the grants will be received. Grants are recognized as other operating income in the periods in which the related expenses arise. This item also includes the reimbursement of personnel expenses under relevant government assistance programs.

In the case of capital expenditure on property, plant and equipment and on intangible assets, the amount of the public sector grant awarded for this purpose is normally deducted from the purchase or production costs of the asset. The grants are then recognized in the income statement using reduced depreciation/amortization amounts over the useful life of the asset. If public sector grants and assistance are not directly linked to assets that are subject to depletion, they are generally recognized as other operating income in the periods in which expenses arising from fulfillment of obligations related to the grants are incurred. They do not include grants related to customer-funded development work (technology funding grants), which are recognized as revenue in the year in which they are granted. They do not constitute revenue within the meaning of IFRS 15.

Borrowing costs

Borrowing costs directly related to the acquisition, construction or production of qualifying assets are added to the purchase or production costs of those assets in accordance with IAS 23 until such time as the assets have been made ready for sale or for their intended use. Qualifying assets are those that require a substantial period of time of more than 12 months to prepare them for their intended use or for sale.

Borrowing costs are capitalized only insofar as they relate to the purchase and preparation of qualifying assets for their intended use or sale, and only include activities that commenced on or after January 1, 2009. In the consolidated cash flow statement, borrowing costs that affect cash flows are recognized in the line item "interest paid" under the cash flow from operating activities, regardless of whether they are capitalized as part of the production costs for qualifying assets.

Leases

A contract is accounted for as a lease within the meaning of IFRS 16 if it transfers the right to control the use of an identified asset for a certain time period (term) in return for consideration (compensation).

At the start of the lease, a lease liability is recognized and a right-of-use asset of the same value is recorded. Right-of-use assets are recognized at cost less all cumulative depreciation charges and all cumulative impairment losses. Lease liabilities are recognized at the respective present value of the lease payments (compensation) to be made over the term of the lease. The lease payments generally comprise fixed and variable lease payments that are not dependent on usage.

The Group generally calculates the present value of lease payments by applying its incremental borrowing rate at the delivery date, because the interest rate underlying each lease regularly cannot be determined reliably on an individual basis. After the delivery date, interest is added to the lease liabilities, and they are reduced by lease payments made. In addition, the carrying amount of the lease liabilities is remeasured when there is any modification of the lease, lease term, or lease payments (e.g., changes in future lease payments due to a change in the index or interest rate used to determine those payments), or a change in the assessment of an option to buy the underlying.

Lease payments are reported in the consolidated cash flow statement, with the amount of the lease liabilities paid recognized in cash flow from financing activities and the interest component paid recognized in cash flow from operating activities.

For accounting purposes, certain future developments are only taken into account if their occurrence is deemed to be sufficiently certain.

MTU applies the recognition exemptions permitted by IFRS 16. Accordingly, right-of-use assets and lease liabilities are not recognized if, from an economic standpoint, the lease term is less than 12 months at its commencement (short-term lease) or the value of the underlying asset is less than €5,000. Lease payments owed for leases with a short term or for low-value leased assets, as well as variable lease payments dependent on the use of the leased asset, are recognized in the attributable function costs in the income statement.

If the Group acts as lessor, all leases at the start of their term are classified as finance leases or operating leases.

In this context, an overall assessment is performed as to whether the lease transfers all significant risks and opportunities associated with ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. In making this assessment, the Group takes into account certain indicators, especially whether the lease covers most of the useful life of the asset.

On the delivery date of the leased assets, assets held in a finance lease are recognized as a receivable in the amount of the net investment in the lease. The market interest rate used to calculate the lease is used to measure the net investment in the lease. Revenue relating to leases is outside the scope of IFRS 15.

By contrast, the accounting treatment of sale and leaseback transactions depends first on whether the transaction involves the sale of an asset, which is assessed on the basis of the criteria set out in IFRS 15. If the transfer of the asset is classified as a sale, MTU, as the lessee, derecognizes the leased asset sold and instead recognizes a right-of-use asset, the value of which is derived from the ratio of the right-of-use asset received to the original carrying amount of the derecognized leased asset. The gain or loss on the transaction is recognized in the income statement at an amount equal to the rights transferred to the purchaser and lessor. If the sale price does not correspond to the fair value

or if the subsequent payments do not correspond to market conditions, corrections must be made. If the conditions are below market level, the difference must be classified as a prepaid lease payment; if, on the other hand, they are above market level, the difference must be recognized as a loan from the lessor. If, after examining the relevant criteria, it is determined that the transaction does not constitute a sale within the meaning of IFRS 15, MTU, as the lessee, continues to recognize the legally transferred asset and recognizes a financial liability in the amount of the transfer price, which must be accounted for in accordance with IFRS 9.

Acquired program assets and acquired development work

MTU refers to program assets and acquired development as capitalized imbalance payments to the consortium leader (OEM) in favor of inclusion in or compensation for development services for the respective engine program. Such imbalance payments generally take account of the proportionate stake that MTU acquires or has acquired as a partner in the consortium for the engine program.

Since there is no specific consideration, MTU classifies these imbalance payments to the OEM – the identified customer in the commercial engine business (OEM segment) – as payments to customers in accordance with IFRS 15. Such payments are always accounted for by reference to the economic life of the engine program. Moreover, they systematically arise at the start of the respective engine program. Accordingly, these payments are recognized on the balance sheet as non-current assets and subsequently offset against revenue in parallel with the recognition of revenue from the performance obligation concerning the development/provision of engine technology in the commercial engine business during the respective economic life of the program, which is usually up to 30 years.

If such compensation payments contain significant deferred conditional components, they are accounted for analogously to IFRIC 1 if a direct relationship between the conditional components and the economic benefit (revenue) from the program stake is identifiable. Changes resulting from reassessment of the deferred conditional components are initially recognized outside of profit or loss by adjusting the related asset. This asset is subsequently amortized as outlined above in accordance with the recognition of revenue from the respective engine program and thus reduces revenue. Any repayments are deducted from the carrying amount.

Impairment of intangible assets, property, plant and equipment, acquired program assets and acquired development work

At each reporting date, an analysis is carried out to reveal any indication that the value of intangible assets, or property, plant and equipment, or acquired program assets or development work might be impaired. If impairment is indicated, the value of the asset in question is assessed on the basis of its recoverable amount.

While assets with an indefinite useful life, intangible assets that are not yet ready for use, and goodwill acquired in connection with a business combination are not subject to amortization, they are reviewed for possible impairment at least once each year, even if there is no indication of impairment. Annual impairment testing of goodwill takes place at the level of the cash generating units, corresponding to the two operating segments, commercial and military engine business (OEM segment) and commercial maintenance business (MRO segment).

Impairment losses on intangible assets, property, plant and equipment and acquired program assets or acquired development work are determined by comparing the carrying amount with the recoverable amount at the level of the engine programs, which are the cash-generating units. The recoverable amount is usually determined as the value in use using a discounted cash flow (DCF) method. If a need to recognize an impairment loss is identified in this regard, the fair value less costs to sell is determined where possible to be used for comparison within the meaning of IAS 36.

When applying the discounted cash flow (DCF) method, the weighted average cost of capital (WACC) before tax is derived iteratively on the basis of a corresponding after-tax discount rate. This is derived from the cost of equity after tax, which is based on a risk-free base interest rate and a risk premium (market risk premium multiplied by the beta coefficient calculated on the basis of a peer group analysis). The cost of debt of the peer group companies is also factored into the calculation. Cost of equity and cost of debt are weighted according to the average capital structure of the peer group companies when determining WACC after tax.

If it is not possible to attribute separate future cash flows to discrete assets that have been generated independently of other assets, then an impairment test must be carried out on the basis of the cash-generating unit to which the asset (group) ultimately belongs. For this purpose, the cash flows that can be generated by the asset or cash-generating unit are forecast. These forecasts are based on the current operational or strategic planning for the Group, as approved by the management.

If there is sufficient certainty that the reasons for impairment losses recognized in a prior period for assets or their cash-generating units are considered obsolete, the impairment loss on these assets is reversed, except in the case of goodwill.

Non-current financial assets

Investments in joint ventures and associates that have a material impact on the Group's net assets, financial position and results of operations are accounted for using the equity method. The carrying amount of the investment is continuously adjusted to the proportionate change in the equity of the joint venture or associated company. As such, the corresponding carrying amount of the investment is recognized in the income statement for shares in profits or loss. The effect on profit and loss is included in the consolidated financial statements in the line item "profit/loss of companies accounted for using the equity method and of equity investments."

Inventories

Raw materials and supplies are measured at average purchase cost or net realizable value, whichever is lower. Transaction price reductions such as rebates, bonuses or cash discounts are taken into account when determining acquisition cost. Purchase cost comprises all direct costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Finished products and work in progress are recognized at purchase/production cost or net realizable value, whichever is lower. The purchase/production cost comprises all direct costs of acquisition and production plus the appropriate portion of material and production overheads, including production-related depreciation. Administrative expenses are also included to the extent that appropriate allocation to production operations is possible.

Net realizable value is the estimated selling price generated in the ordinary course of business for the relevant finished goods, less the expected costs required to sell the product (costs to complete and selling expenses).

In the commercial engine business (OEM segment), inventories of new and series production parts at program level (consortium or OEM) are regularly marketed at their net realizable value below the program's corresponding acquisition or manufacturing costs for the particular purpose of opening up new markets. As a consortium partner in commercial engine programs, MTU participates indirectly in the revenue from this partially loss-making new and series production parts business through its participation in program profits, the revenue component, which MTU assigns to its obligation to provide development/engine technology (sales-based or usage-based royalties on licenses of intellectual property within the meaning of IFRS 15.B63).

MTU takes into account the directly attributable impairment risks of inventories and the indirectly attributable impairment risks linked to the provision of development/engine technology through value allowances recognized in profit or loss.

Contract assets

Contract assets are recognized with an impact on revenue and the balance sheet if the Group has satisfied its contractual obligations by transferring goods or services to the customer before the customer settles the identified consideration or the consideration is due under the contract. In doing so, settlement of the consideration relating to the contract asset by the customer does not take place solely over time as, in this case, a trade receivable would be recognized instead of a contract asset. The contract assets are presented net on the basis of contracts with customers, taking into account corresponding advance and progress payments to be received and associated contract liabilities.

Financial instruments/financial assets

A financial instrument is a contract that simultaneously gives rise to a financial asset in one company and to a financial liability or equity instrument in another company.

Financial assets comprise cash and cash equivalents, trade receivables, loans to third parties, other receivables, derivative financial assets, and other interests in related companies.

At initial recognition, financial assets are measured at their fair value on the trade date, except for trade receivables, which are recognized at the transaction price. The measurement of a financial asset subsequent to initial recognition depends on its classification.

Financial assets are accounted for at amortized cost in accordance with IFRS 9 if they are acquired with the objective of collecting solely contractual cash flows that are payments of principal and interest. In this case, the Group does not generally apply the option of recognition at fair value through profit or loss permitted by IFRS 9.

In application of the option permitted by IFRS 9, the Group recognizes financial assets that are contractual debt instruments that are held for trading at fair value through profit or loss. By contrast, taking into account the applicable accounting option, as a general rule, equity instruments are accounted for at fair value through other comprehensive income.

Arm's length acquisitions and disposals of financial assets are recognized as of the fulfillment date.

Aftermarket imbalance payments

Aftermarket imbalance payments include payments to consortium leaders (OEM) for temporary performance surpluses within the program repair and maintenance business.

Their classification as current in this case is not based on the contractual payment of the underlying cash flows, but is instead aligned with the engine program's operating cycle, which is used as a criterion for classifying certain assets and debts in accordance with IAS 1 and regularly covers periods of more than 12 months.

In light of this, the reported program aftermarket imbalance payments are recognized as current assets – despite having settlement periods of more than 12 months – because they are realized within the program-specific operating cycle in accordance with standard business practice and this can regularly stretch over multiple years. Their classification is in line with the handling of other items specific to engine programs, such as trade receivables and contract assets and liabilities. Further details can be found in *Note 16. Financial assets*, *Note 20. Trade receivables* and *Note 21. Contract assets*.

Derivative financial instruments

MTU uses derivative financial instruments as a hedge against currency and price risks arising from its operating activities and financing transactions.

At initial recognition and when measured subsequently, derivative financial instruments are measured at their fair value. Derivative financial instruments used in hedging relationships are recognized outside of profit or loss until the related hedged item is realized or any ineffectiveness materializes; the accumulated gains and losses are then reclassified from other comprehensive income to profit or loss for the period.

The fair value is generally determined using quoted market prices in an active market and is represented by the amount that MTU would receive or would have to pay at the reporting date if the financial instrument were terminated. If no quoted market prices in an active market are available, the fair value is calculated using recognized financial mathematical models (DCF method) on the basis of the relevant exchange rates, interest rates and credit standing of the contractual partners at the reporting date.

Cash and cash equivalents

The salient feature of cash and cash equivalents, which include demand deposits, money market funds and short-term bank deposits, is that they have an effective maturity of three months or less from the date of acquisition. Assuming the appropriate creditworthiness of the debtor, they are measured at their nominal value or at fair value through profit or loss.

Impairment loss on financial assets

The aim of the IFRS 9 impairment model is to reflect expected losses on the balance sheet and income statement.

In the case of trade receivables and contract assets, expected losses are recognized for the entire remaining duration of the contract (lifetime expected credit losses). For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses, unless there has been a significant increase in the credit risk. In this context, MTU does not assume a significant increase in credit risk if payment is more than 30 days past-due because MTU's business practices take a longer-term view. Rather, MTU considers there to be a significant increase in credit risk when uncontested, contractually due receivables are more than 90 days past-due. Otherwise, expected losses are also recognized for these financial assets over their remaining term to maturity.

To determine whether there has been a significant increase in the credit risk of a financial asset, the probability of default is assessed at least once a quarter using both external rating information and internal information on the specific credit risk of the financial asset. In the case of debt instruments, a significant increase in the credit risk is determined principally on the basis of past-due information and probability of default.

When calculating the expected credit losses, a ratio is factored in for the possible impairment of groups of financial assets with a comparable credit rating. The loss allowance is based on credit spreads covering good, average and poor credit ratings. The classifications used by respected rating agencies are applied when making these assessments.

The recoverability of financial assets is considered to be impaired and a corresponding impairment loss is recognized in profit or loss in the following cases: significant financial difficulties of the debtor or a high probability that the debtor will enter bankruptcy or financial reorganization; the closure of an active market; significant changes in technological, economic, legal or market conditions affecting the issuer; or a significant or persistent decline in the fair value of the financial asset below its amortized cost. For this assessment, MTU makes use, in particular, of publicly available information from respected credit and rating agencies. If the result is that the asset is uncollectable, it is derecognized instead of recognizing an impairment loss.

Hedge accounting (hedging relationships)

MTU satisfies the requirements of IFRS 9 concerning instruments used to hedge future cash flows from revenue-generating transactions in foreign currencies (cash flow hedges). At the inception of the hedge, the relationship between the financial instrument designated as the hedging instrument and the underlying transaction (hedged item) is documented, as are the risk management objective and strategy for undertaking the hedge. This includes assessing the effectiveness of the hedging instrument used. Existing cash flow hedges are checked for effectiveness on a regular basis.

MTU uses (derivative) financial instruments as cash flow hedges to hedge the exposure of expected cash flows relating to transactions in U.S. dollars (hedged items) to fluctuations in foreign currency exchange rates. At remeasurement subsequent to initial recognition, the effective portion of the hedging instrument is recognized in equity in other comprehensive income, together with attributable deferred taxes, until such time as the underlying hedged transaction is realized.

The amounts recognized in other comprehensive income at remeasurement are recycled to the income statement as soon as the underlying hedged transaction is recognized. The cost (time component) of effective hedging instruments, especially those used to hedge cash flows from revenue-generating transactions (cash flow hedges), is recognized in other operating income.

Current and deferred taxes

Current and deferred taxes are recognized in the consolidated financial statements in the manner prescribed in the relevant income tax jurisdictions. Current and deferred taxes are recognized in equity if they relate to business transactions that directly lead to a decrease or increase in equity.

The MTU Group assesses whether it is probable that a tax authority will accept a specific tax treatment. Based on this assessment, it determines the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment that it uses or plans to use in the income tax filings of relevance to the Group.

If MTU concludes that it is probable that the tax authority will not accept the chosen tax treatment, it reflects the tax rates to be taken into account and others sources of uncertainty in the measurement of the related taxable profit or tax bases and in the accounting treatment of unused tax losses and unused tax credits, and in the tax rates applied through a best estimate (e.g., the amount/expected amount) of the most likely outcome.

If this tax treatment affects both current and deferred taxes, the MTU Group makes consistent judgments and estimates for both current and deferred taxes, or makes estimates that are coherent for both taxes.

Interest on back taxes and tax refunds arising from tax audits is recognized in interest expense in the income statement.

Deferred tax assets and liabilities are established for temporary differences between the tax bases of assets and liabilities and the corresponding carrying amounts in the IFRS consolidated balance sheet. Tax assets are established on tax credits available for carry-forward at such time as the conditions attached to the award of the tax credit have been fulfilled. Similarly, deferred tax assets are established on tax losses available for carry-forward. Deferred tax assets are recognized if it is probable that there will be taxable income against which it is possible to apply the deductible temporary difference and the tax losses and tax credits available for carry-forward. Deferred tax assets and liabilities are measured using the tax rates applicable on the date when the temporary differences are reversed. Deferred tax assets and liabilities are offset insofar as this meets the relevant requirements of IAS 12.

In the MTU Group, the recognition of deferred tax assets for tax credits and tax losses available for carry-forward is limited by the applicable taxable income against which they can be offset within a detailed planning period of at most five years. The same procedure is used when recognizing net deferred tax assets relating to temporary differences.

Pension obligations

Provisions for pension obligations are accounted for using the projected unit credit method in accordance with IAS 19. This method takes into account not only pension and other vested benefits known at the reporting date, but also expected increases in pensions as well as wages and salaries, applying a conservative assessment of the relevant parameters.

In the case of defined contribution plans, the company has no obligations beyond the payment of contributions to the plan. In the case of defined benefit plans, the company has an obligation to fulfill commitments to current and former employees.

In some cases, it is difficult to differentiate between defined contribution and defined benefit plans. In Germany, for example, a minimum level of benefits is guaranteed for defined contribution plans, such that, even when the plan is provided through an external fund or insurance company, MTU, as the employer, remains liable. This "ultimate employer liability" is governed in Germany by the German Occupational Pensions Act (BetrAVG). For financial reporting purposes, the term "defined benefit plan" is interpreted on the basis of the underlying economic substance of the arrangement. If the Group has no legal or constructive obligation to make further contributions, these plans are classified as defined contribution plans. Current contributions are recognized as personnel expenses through profit and loss in the period in which they are paid.

Actuarial gains and losses – from the measurement of the defined benefit obligation (DBO) or the associated plan assets – may arise either from changes in the actuarial assumptions used or when the actual development diverges from those assumptions. They are recognized in other comprehensive income in the period in which they arise and are recognized separately in the statement of comprehensive income. By contrast, past service cost is recognized directly in profit and loss. If the criteria given in IAS 19 are met, reinsurance claims are treated as plan assets and netted against the corresponding pension obligations. The interest expense resulting from the reversal of the discount on the net liability, comprising pension obligations less the corresponding plan assets, is recognized through profit and loss in other financial income/expense. Service cost is recognized in the income statement as personnel expenses allocated to the relevant function costs.

Other provisions

In accordance with IAS 37, other provisions are recognized to cover current, legal or constructive obligations resulting from past events if settlement is expected to result in an outflow of resources, where the expected amount can be estimated with sufficient reliability. Relevant obligations regularly arise for MTU in connection with warranties, legal and litigation expenses, pending losses on onerous contracts, personnel-related matters, and other issues.

If a planned and controlled restructuring program has been presented by the management, provisions are recognized for the expenditures arising directly from the restructuring in accordance with the criteria of IAS 37. Restructuring provisions are recognized only if there is a constructive restructuring obligation and if the related expenditures are both necessarily incurred as a result of the restructuring and not associated with the company's ongoing operating activities.

Non-current provisions for liabilities with an identifiable maturity of more than one year beyond the reporting date are measured at the present value of expected future cash flows. The company measures provisions for pending losses on onerous contracts at the lower of the expected costs on settlement of the contract and the expected costs on premature termination of the contract.

Provisions for personnel obligations are recognized in accordance with IAS 19 or IAS 37. Obligations relating to pre-retirement part-time working arrangements and long-service awards are measured on the basis of actuarial reports.

Share-based compensation

The long-term performance-related compensation of the Executive Board and other senior executives is based on a performance share plan (PSP/LTI) with a four-year assessment period and cash settlement. The obligation is measured in accordance with IFRS 2 at fair value and is carried forward until the end of the performance period. A Monte Carlo simulation of the share price development of MTU and the relevant peer group companies is used to determine the fair value of the PSP. The simulation takes into account both historical observations to derive share price volatility and analyst forecasts to estimate the expected dividend during the assessment period.

Contingent liabilities

Contingent liabilities are potential obligations arising from past events whose existence depends on the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of MTU. Contingent liabilities are not recognized as liabilities in the balance sheet because at the reporting date it is considered that there is unlikely to be an outflow of economic resources, or, as an exception, the amount of the obligation cannot be reliably estimated.

Contract liabilities

If a customer pays consideration before the company transfers the contractually agreed good or service to the customer, which gives rise to an unconditional right to consideration, the company recognizes a contract liability for the received consideration in accordance with IFRS 15.

Recognition of a contract liability signifies that MTU has entered into an agreement with a customer in which it promises to transfer goods or services to that customer in exchange for consideration. When one of the parties to a contract with a customer has fulfilled its contractual obligations, a contract asset, a contract liability or a receivable is recognized, depending on the relationship between MTU's performance and the customer's payment. Contract assets and liabilities are recognized as current because they arise within the normal operating cycle. MTU's contract liabilities arise in the normal course of business in its commercial and military engine business (OEM segment) and in its commercial maintenance business (MRO segment) as part of the provision of technical services, in particular maintenance and repair services, and in relation to its performance obligation concerning the development/provision of engine technology. MTU can generally claim the contractual consideration before or at the same time as it provides the service. The contract liabilities are presented on the basis of contracts with customers and are netted against any corresponding contract assets recognized as at the reporting date.

Refund liabilities

In accordance with IFRS 15, a refund liability is recognized if the company receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received for which the entity does not expect to be entitled as of the reporting date. In the commercial engine business (OEM segment), MTU participates in program profits through

the provision of development work/technology. Over time, these profits are affected by invoice corrections attributable to the multi-stage invoice processes used in the supply chains for commercial engine programs – for instance, engine parts within the engine program supply chain are marketed to aircraft manufacturers or repair and maintenance providers at a catalog list price and are then discounted through credit to the aircraft manufacturer's customers or acquired back again in parts from the repair and maintenance provider as part of the service procurement process, before being remarketed by the program at a discounted rate (program invoicing risks). In the scope of program profits, as a consortium partner, MTU participates in all of the invoicing stages in an engine program with its program stake – and therefore also participates in the discounts that come into effect at a later point (program invoicing corrections / risks).

Furthermore, as a partner in commercial engine program consortia (OEM segment), MTU is exposed to unplanned price and cost risks relating to the respective engine program, for example in the scope of long-term maintenance and repair contracts within the program, which can also result in – at times significant – corrections to the share of the program profits granted by the OEM. To take account of such potential refunds, MTU recognizes revenue-reducing refund liabilities on the basis of estimates.

Financial instruments/financial liabilities

Financial liabilities reflect contractual obligations to return cash or another financial asset. Financial liabilities include, in particular, bonds and other liabilities evidenced by certificates, trade payables, finance lease liabilities, promissory notes, derivative financial liabilities and other financial liabilities to third parties.

Financial liabilities are measured at their fair value at the time of acquisition, which is normally equivalent to the fair value of the settlement amount. Transaction costs directly attributable to the acquisition are deducted from the amount of all financial liabilities, except derivatives. If a financial liability is interest-free or bears interest at below the market rate, it is recognized or initially measured at fair value, which may subsequently differ from the corresponding settlement price or nominal value. Subsequently, the financial liability is amortized using the effective interest rate method.

Interest on debt is presented in the consolidated cash flow statement in the line item "interest paid" in the cash flow from operating activities.

Dividend payment and profit distribution

The claims of shareholders to dividend payments and profit distribution relating to a specific reporting period (fiscal year) are recognized as a liability in the period in which the corresponding resolution is passed. Disclosures relating to the Executive Board's or Supervisory Board's proposal to the Annual General Meeting concerning the dividend payment are provided in section *VII. Determination of the net profit available for distribution on the basis of the annual financial statements*.

Discretionary scope, measurement uncertainties and sensitivity

Preparation of the consolidated financial statements in accordance with IFRSs requires that assumptions and estimations be made that have an impact not only on the amounts of the assets, liabilities and contingent liabilities, but also on how these items are recognized. These assumptions and estimations conform with the circumstances prevailing at the reporting date and, to that extent, also influence the amount of income and expenses recognized in the reporting periods presented. The assumptions and estimations relate primarily to the Group's own determination of the useful lives of intangible assets and property, plant and equipment or the basis for measuring acquired program assets and development work, measuring inventories and contract assets, calculating the fair value of financial instruments and other assets, determining the effective date of planned transactions that form part of a hedging relationship, measuring and recognizing provisions and other liabilities, especially refund liabilities and contract liabilities, as well as recognizing tax assets, especially in connection with temporary differences, tax losses available for carry-forward and tax credits. Assumptions and estimations are the elementary basis for planning calculations at company, segment, program, and customer contract level. Such planning calculations form the material basis for impairment testing in accordance with IAS 36, including in connection with capitalized development assets, acquired program assets and developments, and other program-related assets, for example, in connection with purchase price allocations, and revenue realization in some areas, particularly in regard to the realization of variable consideration within the meaning of IFRS 15.

In individual cases, the actual values may differ from the assumptions and estimations made, so it may be necessary to adjust the measurement of assets and liabilities recognized in the financial statements. Changes are made to estimations in accordance with IAS 8 when more reliable information becomes available and these may have an impact on the figures in the period in which the changes are made and, where applicable, on subsequent periods. If the actual results deviate from estimations that are relevant for the financial statements, or if the estimations have to be adjusted in a future period, this may have a significant impact on the presentation of the Group's net assets, financial position and results of operations. In this context, the following aspects require particular attention in view of the estimations required for accounting:

- In view of the customary long-term nature of engine programs, considerable estimations are required, for example, on volume, price and cost structures, the time period for the provision of the work and services and the corresponding consideration within the program. These can have a very significant impact on accounting and thus on the recognition of revenue for the program-related assets. The principal components of program-related assets, alongside the acquired program assets and developments, are capitalized development work, inventories, contract assets and program-related financial assets. Further details can be found in *Note 14. Intangible assets*, *17. Acquired program assets*, *19. Inventories* and *21. Contract assets*.
- In the process of determining impairment losses, estimations are required concerning such parameters as the source, timing and amount of the impairment risks. Many different factors can give rise to an impairment loss, e.g., changes in the competitive situation, expectations concerning the growth of air travel and the aircraft industry, changes in the cost of capital, exchange rates, the availability of financing funds, further aging and obsolescence of technologies, replacement costs, or purchase prices for the corresponding assets or sets of assets. Further details of impairment testing can be found in *Note 14. Intangible assets* and *17 Acquired program assets*.
- Refund liabilities, especially for invoicing, warranty and other liability risks, result from MTU's specific compensation obligations to the relevant OEM arising from its stakes in consortia for commercial engine programs (OEM business). Accounting for these refund liabilities requires considerable judgment and also necessarily has to be based on the associated estimations made by the engine OEMs, which directly manage the relevant relationships with program customers. In this context, with regard to the reporting period and the previous year, attention should be drawn specifically to the compensation obligations relating to the GTF™ fleet management plan to offset the reduced service life of powder metal components in the PW1100G-JM engine program. As part of the GTF™ fleet management plan, the OEM made assurances to specific program customers in fiscal year 2023. In its role as a consortium partner, MTU participates in these assurances made by the OEM. The measurement of the corresponding obligation requires MTU to make significant estimates regarding the scope and development of this measure and the resulting usage restrictions for the affected aircraft. Further details of the joint liability for assurances relating to the compensation of contractual partners of the PW1100G-JM program in connection with the GTF™ fleet management plan can be found in the *GTF™ fleet management plan section* below and in *Note 31. Refund liabilities*.
- In view of the sector's customary pricing related to the marketing of commercial engine and their respective components and parts and the resulting spread of expected margins in the series or new parts business, on the one hand, and in the spare parts or aftermarket business, on the other, the marketing mix assumed for the respective program within the commercial engine business (OEM segment) has a considerable influence on the determination of the fair values of program-specific assets such as inventories and contract assets, and liabilities such as refund and contract liabilities. Further details can be found in *Note 30. Contract liabilities* and *Note 31. Refund liabilities*.
- The management recognizes valuation allowances for expected credit losses from receivables, contract assets, other financial assets and cash and cash equivalents. Valuation of the expected credit loss and the hedging instruments used to offset this requires the use of estimations based on assumptions. Further details can be found, in particular, in *Note 20. Trade receivables* and *Note 21. Contract assets*.
- For revenue recognized at a point in time in connection with the commercial and military engine business (OEM segment), it is necessary to make significant estimations of the effective invoice amounts due to the delayed timing of invoicing. These estimations cover both fixed and variable revenue components from the stakes in the revenue of the relevant consortia. The variable revenue component is determined by revenue from the sale of engine modules and parts to program subcontractors and the subsequent marketing of the engine maintenance services provided by those subcontractors (maintenance and repair service providers) to program customers (airlines, leasing companies, etc.). Estimations are required, in particular, with regard to the refund liabilities (invoicing risks) relating to the variable revenue components and, in individual cases, the subsequent measurement of contract assets and liabilities. Further details can be found in *Note 21. Contract assets*, *Note 30. Contract liabilities* and *Note 31. Refund liabilities*.

- Revenue recognized over time is accounted for according to progress, if it is sufficiently probable that future economic benefits associated with the business will flow to MTU. Because in some cases it may not be possible to reliably estimate the outcome, revenue calculated according to progress is recognized on the basis of the contract costs incurred up to the reporting date, to the extent that it is probable that these costs can be recovered. The measurement uncertainty is consistent with the complexity and long-term nature of the respective customer contract. Management regularly reviews its estimations made in connection with these customer contracts, making adjustments to the accounting where necessary. Further details can be found in *Note 21. Contract assets*, and *Note 30. Contract liabilities*.
- Income taxes must be determined for each tax jurisdiction in which the Group operates. Estimates are required when measuring actual and deferred taxes. The utilization of deferred tax assets depends on the possibility of generating sufficient taxable income in a particular tax category and tax jurisdiction, taking into the time period in which it arises. A variety of factors are used to assess the probability that it will be possible to utilize deferred tax assets and to what scope they can be utilized, e.g., the dynamic development of operating results, operating plans, planning reliability and the periods over which losses can be carried forward. Further details can be found in *Note 10. Income taxes*, *Note 26. Income tax liabilities*, *Note 34. Deferred taxes*.
- The total value of provisions for pensions and similar obligations, and therefore the expenses in connection with employees' retirement benefits, are determined using actuarial methods based on assumptions concerning interest rates, choice of optional payment modalities, wage, salary and pension trends, and life expectancy. Changes in these assumptions affect the future amount of pension provisions or the future expenses for pensions. Further details of pension provisions can be found in *Note 25. Pension provisions*.

If the actual results deviate from the assumptions or estimations that are relevant for the financial statements, or if the estimations have to be adjusted in a future period, this may have a substantial impact on the presentation of the Group's net assets, financial position and results of operations.

All assumptions and estimates are based on the prevailing conditions and judgments made at the reporting date. Any subsequent changes occurring before the financial statements are prepared are taken into account in the amounts recognized. Estimations of future business developments also take into account the economic environment of the industry and the regions in which MTU is active, such as are deemed realistic at that time. In order to obtain new information, MTU also relies on the services of external consultants such as analysts, actuaries, appraisers, and tax and legal advisors.

Macroeconomic factors

The development of business in the reporting period was affected by macroeconomic factors, which have to be taken into account when preparing the financial statements in view of the assumptions and estimations made. Corporate planning requires forecasting of the developments of relevance for MTU as regards the availability and inflation trend for fuel, supply chain and personnel capacities, exchange rates and other capital market terms. These factors affect the estimations used to derive the fair value of intangible assets, acquired program assets and developments, inventories, contract assets, receivables, refund liabilities and contract liabilities.

Negatively impacted by multiple crises, the environment is intensifying uncertainty surrounding estimates in regard to forecasting information for the financial statements, particularly for deriving the fair values of assets and liabilities, and in regard to the mid- and long-term outlook for MTU's results of operations and liquidity situation. Against this backdrop, MTU strives to apply the parameters affected by macroeconomic factors with due diligence during the corporate planning process. In addition, the Group continues to utilize options for mitigating macroeconomic effects by means of compensating measures such as strategic inventory management, optimization of supply chains and concluding forward contracts, especially to compensate for commodity price risks and currency risks. In its corporate planning, MTU assumes that there will be no short-term stabilization of the international energy, commodity and capital markets and supply chains relative to the status quo. The scenario used for multi-year corporate planning is based on the assumptions described below.

In its updated outlook from January 2026, the International Monetary Fund (IMF) is forecasting a further drop in inflation in 2026. Global consumer price inflation is expected to fall to 3.8% in 2026, with a forecast of 2.2% for industrialized countries. Monetary policy may take a different trajectory, with central banks adjusting their interest rates differently depending on domestic inflation pressure and economic conditions. The IMF is estimating that global GDP growth in 2026 will remain stable at 3.3%, identical to 2025.

GDP growth in the USA is predicted to rise to 2.4%, slightly above the 2025 level, due to tax reductions and the easing of interest rates.

Weak growth of 1.3% is expected for the Eurozone, with increased uncertainty on several levels and higher tariffs being the key factors in slowing growth. For Germany, the IMF is forecasting improved growth for 2026, but still at a low rate of 1.1%; this growth will be bolstered by the recovery of private consumption resulting from higher actual earnings and fiscal easing. China's economy may remain weak over the year ahead with an ongoing slump in the real estate sector, restrictions on industrial subsidies and the risk of a debt/deflation spiral hampering growth and overall productivity. Chinese GDP growth could fall to 4.5% in 2026.

The outlook for 2026 is cautiously stable despite some residual risks according to the IMF. Political uncertainty, possible disruptions to trade and occasional price peaks for commodities could have an adverse effect on growth, while demographic and labor-market-related challenges could obstruct productivity gains in certain economies. Financial vulnerabilities and changes in the measurement of technology-related assets also require special attention. U.S. political developments under President Trump, including tensions with Iran, Greenland or Venezuela, indicate an increased risk of abrupt geopolitical and market-based volatility.

On the positive side, the OECD believes that breakthroughs in trade negotiations or the reduction of trade restrictions could reduce uncertainty and encourage investment. The expedited introduction of AI technology combined with structural reforms to promote the mobility of labor, labor market participation and digitalization could boost productivity and growth over the medium term. Upholding credible fiscal measures and monetary policy, safeguarding the independence of central banks, and strengthening institutions will be essential to protecting the trust in and resilience and potential benefits of technological progress and renewed global cooperation.

Despite the solid growth forecasts for demand in the aviation industry, the sector will remain confronted by significant challenges in 2026, particularly owing to the increased pressure on supply chains, quality processes and certification deadlines resulting from geopolitical and economic uncertainty. Unresolved trade conflicts and the increased fragmentation of global regulatory standards could make production planning more difficult and cause critical investment decisions to be delayed. Airlines are expected to respond to these combined pressures by extending the service life of their older aircraft until the manufacturers reach their target production rates. This will require maintenance capacities to be expanded to support the ongoing operation of aging fleets and could also result in additional business in the aftermarket and spare parts sector.

Any changes to assumptions required in the future and their effect on macro-economic estimates could have a substantial impact on the presentation of the Group's net assets, financial position and results of operations.

Climate Change

The impacts of climate change were taken into consideration by the management, to their best judgment, in the preparation of the consolidated financial statements, both in terms of assessing the company's continuation as a going concern and deriving fair values, e.g., in the context of evaluating impairment risks. In the final analysis, MTU assumes that the measures to prevent or offset climate change are unlikely to have a material effect on the product lifecycles of those engine programs in which the Group is currently invested or involved – neither in the OEM nor in the MRO segment. Here, MTU takes into account the potential impact of the EU Green Deal, which is derived from the 1.5°C target of the Paris Agreement and aims for climate neutrality by 2050.

The impact of climate change on the engine programs of relevance for MTU was analyzed, in particular, with a view to the development of demand for passenger and cargo traffic and scope for substitution of MTU engines by propulsion technologies (aircraft engines) that offer a comparable function with far lower emissions.

From the present viewpoint, taking into account maturity level and aviation regulations, the fields in which MTU currently operates will not be affected by substitution risks in the foreseeable future. MTU monitors and analyzes developments in the field of electric motors, battery-electric and hybrid drive systems and, especially, fuel cells and takes part in studies on the technological development of these promising technologies for emission-free flying, partly to allow early identification of developments that could adversely affect its established business and, at the same time, to invest in such developments and benefit from the associated opportunities. For these reasons, MTU – also in conjunction with its partners – is already developing technologies for hybrid-electric and fuel-cell-based propulsion systems. In parallel, MTU is permanently working to improve the efficiency of conventional engine technology, thus continuously raising the ecological and economic access barriers for any substitute products.

In addition to the substitution risks, risks could arise from climate-related regulations in the future which, in turn, would have to be partially offset by gradual efficiency improvements in existing engine technologies and the increasing availability of sustainable fuels. CO_2 emissions are priced already under CORSIA and the EU ETS. In addition, the EU is considering further charges on non-CO_2 effects, which arise primarily from nitrogen oxides and condensation trails, which also have negative impacts on the climate. To mitigate future regulatory risks, MTU is working with its partners on continuous reductions in the climate effect of gas turbines and is, moreover, investing in fuel-cell technology, which allows virtually emission-free flying.

MTU is monitoring developments in this area very carefully and is evaluating emerging substitution options and regulatory activities with regard to potential impacts on its net assets, financial position and results of operations.

This assessment is accompanied by ambitious actions to enable the vision of climate-neutral flying to be fulfilled as part of the aviation industry supply chain. These measures are set out in the ecoRoadmap, which MTU has been rolling out stepwise at its international sites since 2021. The funding necessary to realize the planned measures is included in the multi-year corporate planning which forms the basis for the forward-looking information for the financial statements and for determining fair values. To manage and further improve its activities, MTU continuously monitors greenhouse gas emissions in the production and maintenance of engines and modules at its sites using the recognized international Greenhouse Gas (GHG) Protocol. MTU strives to achieve a lasting reduction in GHG emissions.

Any future requisite changes to the assumptions and, as a result, of estimations of the charges resulting from this matter could have a considerable impact on the presentation of the Group's assets, financial position and results of operations in the future.

Moreover, in its disclosures pursuant to Regulation (EU) 2020/852 (Taxonomy Regulation), MTU reports that significant proportions of its revenue, operating expenditures and capital expenditures are related to sustainable activities.

More detailed reporting pursuant to the Taxonomy Regulation can be found in *the Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation) in the sustainability statement*.

GTF™ fleet management plan (powder metal issue)

In the third quarter of 2023, the OEM of the PW1100G-JM engine program, Pratt & Whitney (P&W - RTX Corporation), announced that it had reached agreement with the Federal Aviation Authority (FAA) in the USA on a precautionary reduction in the service life of specific GTF powder metal components as a result of potential contamination. To compensate for the shorter service life of the affected components, which is the result of reduced maintenance cycles and the associated restrictions on the operation of aircraft with the PW1100G-JM engine, the OEM had initiated an extended GTF™ fleet management plan.

With regard to this matter, P&W issued a public assurance of its support for PW1100G-JM program customers, stating that compensation was to be granted in individual cases and to a limited extent, even beyond the contractual claims provided by PW1100G-JM consortium.

The estimations required for accounting decisions on this matter are based to a considerable extent on estimates and information from P&W, especially as regards the financial impact of the GTF™ fleet management plan to deal with the powder metal issue. According to P&W, the assumptions and judgments relate, most notably, to the number and expected timing of shop visits, inspection results and scope of work to be performed, turnaround time, availability of parts, available capacity at overhaul facilities and outcomes of negotiations with impacted customers of the PW1100G-JM program.

Based on the findings from the implementation of the GTF™ fleet management plan, the assessments regarding the operational burdens and financial charges of the PW1100G-JM program and its consortium partners were updated in fiscal 2025. Overall, the charges derived on this basis in previous years and during the reporting year are confirmed, and these charges underlie the provisions recognized in this context in previous years and in the reporting year. It should be noted that the period until the GTF™ fleet management plan is finalized continues to be expected to extend into 2026, which means that the associated risk/reward profile requires further significant assessment.

Similarly, MTU identifies the need for assumptions and assessments of the value drivers communicated by RTX and P&W with a view to modeling the effects of the GTF™ fleet management plan (see RTX 10-K filing dated February 06, 2026) on the net assets, financial position and results of operations of the MTU Aero Engines AG Group. Therefore, possible future modification of these assumptions and, as a result, of estimations of the charges resulting from this matter, along with a corresponding deviation in the actual claims on MTU, could have a considerable impact on the presentation of the Group's assets, financial position and results of operations in the future.

II. Notes to the consolidated income statement

1. Revenue

The revenue of €8,763 million (previous year: €7,411 million) comprises revenue of €8,500 million (previous year: €7,125 million) from contracts with customers (IFRS 15) and, outside of the scope of IFSR 15 revenue of €263 million (previous year: €286 million) from leasing transactions (IFRS 16), technology funding grants (IAS 20) and other support services, and the impact on revenue from the currency result (IAS 23). Revenue developed as follows in the reporting period:

Revenue

in € million	Revenue recognized at a point in time	Revenue recognized over time	Other revenue	Jan. 1 to Dec. 31, 2025	Revenue recognized at a point in time	Revenue recognized over time	Other revenue	Jan. 1 to Dec. 31, 2024
Commercial engine business	2,173	5		2,178	1,719	5		1,724
Military engine business	186	429		614	170	442		612
Other revenue			129	129			118	118
Commercial and military engine business (OEM segment)	**2,358**	**434**	**129**	**2,922**	**1,889**	**447**	**118**	**2,454**
Commercial maintenance business	228	5,555		5,783	236	4,628		4,863
Other revenue			177	177			203	203
Commercial maintenance business (MRO segment)	**228**	**5,555**	**177**	**5,960**	**236**	**4,628**	**203**	**5,066**
Consolidation	–40	–35	–43	–118	–37	–37	–35	–109
Total revenue	**2,547**	**5,953**	**263**	**8,763**	**2,088**	**5,037**	**286**	**7,411**

Other revenue

in € million	2025	2024
Leasing (IFRS 16)	214	179
Technology funding grants (IAS 20)	29	27
Currency result	2	66
Other support services	59	49
Consolidation	–43	–35
Total other revenue	**261**	**286**

Revenue included €386 million (previous year, adjusted: €358 million) in connection with contract liabilities deferred at the beginning of the year. Information on the prior-year adjustment is provided under *Note 28. Financial liabilities*.

Furthermore, revenue of €31 million recognized in the reporting period (previous year: €22 million) related to performance obligations satisfied in prior periods. The background to this is, in particular, the determination of variable consideration components in the reporting period.

The cumulative transaction price, including estimated variable components, attributable to the unfulfilled performance obligations as at December 31, 2025, i.e., the order backlog, was €29.5 billion (previous year €28.7 billion). Of this cumulative transaction price, €5.0 billion will be recognized in revenue within one year, €12.4 billion will be recognized in revenue within two to five years, and €12.1 billion is expected to be recognized in revenue after five and within 25 years.

In the reporting period, two (previous year: three) major customers each accounted for more than 10% of total Group revenue. Business with the largest customer generated revenue of €2,570 million (previous year: €1,832 million) and €913 million (previous year: €967 million) with the second-largest customer. The revenue from the largest customers stemmed from both segments.

The proportion of turnover (revenue) identified as taxonomy-eligible within the meaning of the EU Taxonomy for sustainable economic activities and further disclosures on the EU taxonomy can be found in the *section Disclosures on the EU Taxonomy in the non-financial statement in the management report*.

The Group generates its revenue in the following geographical areas:

Revenue according to customer's country of domicile

in € million	2025	2024
Germany	837	766
Europe (excluding Germany)	453	461
North America (especially USA)	6,229	5,188
Asia	857	658
Other regions	387	337
Total revenue	**8,763**	**7,411**

In the reporting period, approximately 71% (previous year: 70%) of MTU's revenue was generated from business with customers in North America, with the US market accounting for a share of 68% (previous year: 66%).

A more detailed presentation of revenue, broken down by external and intersegment revenue and their attribution to major customers, is provided in the *consolidated segment report*. Additional information can be found in the *disclosures relating to operating results in the combined management report*.

2. Cost of goods sold

Cost of goods sold

in € million	2025	2024
Cost of materials	–5,806	–4,819
Personnel expenses	–1,055	–952
Depreciation and amortization (incl. impairment losses)	–358	–325
Other cost of goods sold	–52	–126
Currency translation effects	103	–48
Cost of goods sold	**–7,168**	**–6,270**
Capitalized development costs	93	93
Total cost of goods sold	**–7,075**	**–6,178**

In accordance with the rise in business volume, taking into account the product mix achieved during the reporting year, the cost of goods sold rose by €897 million (14.5%) from the previous year, increasing to €7,075 million, which is disproportionately low compared to revenue. While inflationary effects drove up costs, they were countered by year-on-year price increases along with economies of scale in production and service capacity utilization.

With regard to gross profit, the commercial and military engine business (OEM) benefited on the whole from a more favorable product mix in the new engine business in relation to the previous year and in particular from the growth in replacement and lease engine sales. In the comparison to the prior-year period, it should be taken into account that gross profit for the previous year was negatively impacted by impairment losses of €21 million recognized on the stake in the T408 program. Another factor was the alignment of the stakes in the PW1500G/PW1900G programs with the effective amount of goods and services, which was agreed in the previous year. A consequence of this alignment was the adjustment of existing assets and liabilities under these programs in the previous year, which led to a contribution to gross profit of U.S.$34 million.

With regard to the commercial maintenance and repair business (MRO), gross profit benefited from the positive developments during the year under review. However, the relative share of the higher-margin, OEM-independent maintenance and repair business fell in comparison to the previous year.

All in all, gross profit rose significantly. The gross margin, defined as the rate of revenue minus cost of goods sold to total revenue, rose from 16.6% in the previous year to 19.3% in the year under review.

3. Research and development expenses

Company-funded research and development expenses developed as follows:

Research and development expenses

in € million	2025	2024
Cost of materials	–69	–64
Personnel expenses	–36	–36
Depreciation and amortization	–2	–2
Other development costs	–4	–3
Total research and development expenses	**–111**	**–106**

More information can be found in the *Research and development section of the combined management report*.

4. Selling expenses

Selling expenses

in € million	2025	2024
Cost of materials	–36	–29
Personnel expenses	–94	–89
Depreciation and amortization	–1	–1
Other selling expenses	–25	–19
Total selling expenses	**–157**	**–138**

Selling expenses comprise the use of funds in the form of material and personnel expenses for marketing, advertising and media relations, as well as for customer relationship and receivables management. The increase in the area of material and personnel expenses is in line with the business growth during the reporting year and is exacerbated by inflation effects.

The other selling expenses contain amounts relating to valuation allowances for expected credit losses relating to trade receivables and the derecognition of actual credit losses on trade receivables. Further information on valuation allowances can be found in *Note 20. Trade receivables* and *Note 21. Contract assets*.

5. General administrative expenses

General administrative expenses

in € million	2025	2024
Cost of materials	–13	–10
Personnel expenses	–112	–87
Depreciation and amortization	–5	–3
Other administrative expenses	–44	–28
Total general administrative expenses	**–175**	**–128**

General administrative expenses comprise the use of funds in the form of material and personnel expenses for administrative activities that cannot be directly allocated to development, production or sales activities. The increase in the area of material and personnel expenses is in line with the business growth during the reporting year and is exacerbated by inflation-related cost increases. Another factor here is the inclusion of MTU Maintenance Fort Worth, Fort Worth (USA) for the first time, which was included in the consolidation during the reporting year. Furthermore, the ramp-up of the transformation program, its main goal of strategically enhancing the global process model and its integration into the ERP system must be taken into account as factors influencing the structure of functional costs.

6. Other operating income and expenses

Other operating income and expenses

in € million	2025	2024
Income		
Gains from the disposal of intangible assets and property, plant and equipment	6	4
Income from insurance cases	2	1
Rental income from property owned by MTU	2	2
Rental income from sublet property owned by third parties	0	0
Income from public sector grants and assistance		0
Miscellaneous other operating income relating to other periods	30	26
Miscellaneous other operating income	8	4
Total other operating income	**49**	**38**
Expenses		
Losses from the disposal of intangible assets and property, plant and equipment	–5	–1
Expenses from insurance cases	–1	–4
Hedging costs (foreign exchange risk, hedging)	–57	–48
Rental payments for sublet property	–1	–0
Miscellaneous other operating expenses	–11	–6
Total other operating expenses	**–75**	**–59**
Net other operating income/expenses	**–26**	**–21**

In the year-on-year comparison, the balance of other operating income and expenses was influenced in particular by higher hedging costs. These are countered by the development of income relating to other periods; during the reporting period, the latter resulted from factors such as the partial reversal of legal and litigation risks recognized for cancellation compensation for a former fleet maintenance contract customer and also from the refunding of foreign transaction taxes during the reporting year and previous year.

7. Profit/loss of companies accounted for using the equity method and of equity investments

Profit/loss of companies accounted for using the equity method and of equity investments

in € million	2025	2024
Profit/loss of companies accounted for using the equity method		
Associates	50	41
Joint ventures	106	81
Total profit/loss of companies accounted for using the equity method	**156**	**122**
Profit/loss of equity investments		
Cooperation companies and other related companies	3	–7
Total profit/loss of equity investments	**3**	**–7**

The main driver of the profit/loss of companies accounted for using the equity method in 2025 was the positive business development at the associate PW1100-JM Engine Leasing LLC, East Hartford, CT, USA and the two joint ventures MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China, and EME Aero sp. z o.o., Jasionka, Poland. Earnings in the prior year were negatively impacted by business-related write-downs of company participations in the amount of €10 million.

Further information on companies accounted for using the equity method is provided in *Note 16. Financial assets*.

8. Net interest income/expense

Net interest income/expense

in € million	2025	2024
Interest income	**30**	**39**
Interest expense		
Bonds and notes	–38	–29
Convertible bonds	–4	–4
Promissory note	–13	–9
Program liabilities with financing character	–19	–10
Liabilities to banks	–0	–1
Lease liabilities	–12	–8
Other interest expense	–6	–5
Capitalized borrowing costs for qualifying assets	6	5
Interest expense	**–86**	**–60**
Net interest income/expense	**–56**	**–22**

The decline in interest income compared to the previous year can be attributed to the development of money market interest rates in € and U.S.$ resulting from reductions in base rates by central banks in Europe and the United States of America. The increase in interest expenses arising from bonds, notes and promissory notes is related to the funding activities performed in the previous year. Further information on the development of interest-bearing debt is provided in *Note 28. Financial liabilities*.

The borrowing costs capitalized in the reporting period relate to qualifying assets acquired or constructed mainly in connection with the Group's stake in the PW800 engine program and the construction of new buildings at the Munich site. The capitalized amount was determined using a cost of debt of 3.46% (previous year: 3.3%).

9. Other financial income/expense

Other financial income/expense

in € million	2025	2024
Effects of currency translation: exchange rate gains/losses on		
currency holdings	7	12
financing transactions	30	–10
lease liabilities	19	–4
Fair value gains/losses on derivatives		
Currency derivatives (exchange rate risks/hedging)	6	0
Commodity forwards	1	–3
Interest included in measurement of assets and liabilities		
Pension obligations and plan assets	–27	–27
Receivables, other provisions and liabilities	4	–7
Miscellaneous other financial income/expense	0	1
Other financial income/expense	**39**	**–38**

The effects from currency translation mainly relate to the change in the U.S. dollar exchange rate prevailing on the reporting date, from U.S.$1.04 to U.S.$1.18 to the euro in 2025. The effect on profit related to financing transactions stems from the correction of the market value of program liabilities considered to be financing transactions. Further information on the composition of debt is provided in *Note 28. Financial liabilities*. The amounts recognized for pension obligations and plan assets were affected by the change in the discount rate compared with the previous year. Further details can be found in *Note 25. Pension provisions*.

10. Income taxes

Recognized income taxes comprise current income taxes paid or payable in the countries in which the Group operates, and deferred tax income or expense.

Analysis of current and deferred income taxes

in € million	2025	2024
Tax expense incurred in current period	–236	–200
Tax expense (-)/tax income incurred in prior periods	17	–22
Current income taxes	**–219**	**–222**
Deferred tax expense (-)/tax income resulting from temporary differences	–108	–27
Deferred tax expense (-)/tax income resulting from tax credits	–7	–5
Deferred tax expense (-)/tax income resulting from tax losses carried forward	–1	0
Deferred income taxes	**–116**	**–31**
Income tax expense (-)/ income	**–335**	**–253**

The recognized tax expense does not include the Group's share of the tax expense of companies accounted for using the equity method, which amounts to €27 million (previous year: €15 million). This is recorded under the item "Profit/loss of companies accounted for using the equity method" in the consolidated income statement. Information on changes in deferred tax assets and liabilities is provided in Note *34. Deferred taxes*.

Tax reconciliation

As a basic principle, deferred tax assets and liabilities are measured using the applicable tax rate for the period when the asset is realized or the liability is settled, based on current tax legislation in the countries concerned.

Initially, deferred taxes for the German Group companies were measured on the basis of a regular income tax rate of 32.2% during the reporting period. For the domestic tax group of MTU Aero Engines AG, this is comprised of the currently valid, uniform corporation tax rate of 15.0% plus a solidarity surcharge of 5.5% on the calculated corporation tax expense and takes into account an average municipal trade tax rate of 16.4%. Furthermore, the incremental corporation tax rate reductions adopted in Germany, which will comprise a decrease of one percentage point each year between fiscals 2028 to 2032, were taken into account in the measurement.

The deferred taxes of companies outside Germany were determined in each case on the basis of the relevant tax rates applicable according to the current legal situation in the countries in question, which range between 15% and 27% for the reporting year.

Information on changes in deferred tax assets and liabilities is provided in Note *34. Deferred taxes*.

The following table shows the reconciliation of expected tax expense to recognized tax expense:

Tax reconciliation

in € million	2025	2024
Earnings before income taxes	1,362	895
Income tax rate	32.2%	32.2%
Expected tax benefit (+)/ expense (-)	**–439**	**–288**
Impact of		
recognition and measurement adjustments and write-downs on deferred tax assets	–8	–4
non-tax-deductible operating expenses and tax-exempt income	–3	–5
lower tax rates for companies outside Germany	21	18
from investments accounted for using the equity method (dividend privilege)	38	27
tax audit and prior periods	6	2
Tax credits available for carry-forward	2	1
Withholding tax charge and other foreign taxes	–4	–3
Changes in tax rates	54	
Other impacts	–3	–0
Income tax benefit (+)/ expense (-)	**–335**	**–253**
Effective tax rate	**24.6%**	**28.3%**

BEPS Pillar 2

The BEPS Pillar 2 regulations were transposed into German law (Minimum Tax Act – MinStG) at the end of 2023; they entered into force on January 1, 2024. The Group falls within the scope of this legislation.

As at the reporting date, MTU AG performed an analysis to determine the impact and jurisdictions in which the MTU Group could be exposed to possible effects in connection with Pillar 2 top-up tax.

Firstly, a review was performed to determine whether the CbCR - Safe Harbor regulations are applicable to MTU subsidiaries and joint ventures. This did not need to be confirmed for the investment in MTU Maintenance Zhuhai Co. Ltd. (China). However, a simplified Pillar 2 calculation indicated that no top-up tax was due for the investment for the reporting year. The CbCR - Safe Harbor regulations are met for all other subsidiaries and relevant foreign investments; for this reason, MTU AG has no minimum tax liabilities for the reporting year.

The Group is keeping a close eye on the progress of the legislative process in each country where the MTU Group operates.

MTU AG applies the exception permitted by IAS 12, under which no deferred tax assets or liabilities related to OECD Pillar 2 income taxes are recognized or disclosed.

11. Earnings per share

To determine diluted earnings per share, the number of common shares that could potentially be issued through the granting of equity instruments is added to the weighted average number of outstanding shares.

The net income attributable to shareholders of MTU Aero Engines AG amounted to €1,016 million (previous year: €633 million).

In the reporting period, the weighted average number of outstanding shares was 53,785,595 (previous year: 53,778,080 shares). Based on these parameters, basic earnings per share amounted to €18.90 (previous year: €11.77).

Dilutive effects arose from 1,321,265 shares (previous year: 1,321,265 shares) that could potentially be issued through the convertible bond issued by MTU. The resulting saving on interest led to diluted net income attributable to the shareholders of MTU Aero Engines AG amounting to €1,019 million (previous year: €635 million), and this produced earnings per share of €18.49 (previous year: €11.53).

12. Additional disclosures relating to the income statement

Reconciliation to adjusted key financial figures – results of operations

This reconciliation of the consolidated income statement is used to eliminate special items, in particular material and above all aperiodic contributions to earnings from the key financial figures of the Group and its business segments. The aim is to measure the success of managing operating activities in the reporting period and, at the same time, to provide financial information for efficient comparison with different periods and companies. The adjusted figures are not defined in the International Financial Reporting Standards (IFRSs) and should be regarded as alternative performance measures (APM) in addition to the key financial indicators reported in accordance with IFRS.

To describe financial performance, MTU reports the following adjusted key figures:

- adjusted revenue (revenue, adjusted)
- adjusted earnings before interest and taxes (EBIT, adjusted), the adjusted EBIT margin (EBIT margin, adjusted)
- adjusted net income (net income, adjusted)

References to adjusted key figures within the approved compensation system for the Executive Board are always made on the basis of consent by the Supervisory Board to the calculation methods described below.

Adjusted revenue

Revenue determined in accordance with IFRS standards is adjusted for the following special items in order to calculate adjusted revenue for the reasons of providing adjusted key figures described above:

- "Effects from the increase in the stake in IAE-V2500": MTU's acquisition of the increased stake in the IAE-V2500 program from Pratt & Whitney in 2012 was accounted for as the addition of a program asset. Since then, this asset has been amortized over the expected remaining useful life of the program, thereby reducing revenue, and the corresponding earnings impact is eliminated as a special item in the reconciliation to adjusted revenue.
- "Effects from the GTF™ fleet management plan": In 2023, significant compensation for PW1100G JM program customers was approved as part of the GTF™ fleet management plan. Based on its stake in the PW1100G JM program consortium, MTU has obligations to the OEM Pratt & Whitney and accrued refund liabilities for this purpose, thereby reducing revenue. Impacts on profit and loss related to the initial recognition and any subsequent measurement of these refund liabilities are eliminated as a special item in the reconciliation to adjusted revenue.
- "Material aperiodic earnings impacts": Taking into account the materiality criterion defined for the reporting period (threshold: €45 million, same as previous year), material non-period effects on revenue are eliminated for the reconciliation of adjusted revenue. In principle, this guidance is applied where the effect on revenue is significant, especially in connection with stakes in consortia for engine programs, due to impairment losses, the risk of legal action and lawsuits and changes in the consolidated group.

Adjusted EBIT and adjusted EBIT margin

The earnings indicator EBIT determined in accordance with IFRS standards is adjusted for the following special items in order to calculate adjusted EBIT for the reasons of providing adjusted key figures described above:

- "Effects from the purchase price allocation": As at January 1, 2004, MTU passed into the ownership of Kohlberg Kravis Roberts & Co. Ltd. (KKR), following the latter's purchase of 100% of the MTU shares from the then DaimlerChrysler AG. In the context of the acquisition, assets, liabilities and contingent liabilities were identified in accordance with IFRS 3 and measured at fair value. Since then, the identified intangible assets, in particular, have resulted in substantial amortization. The resulting earnings impacts are eliminated as special items in the reconciliation to adjusted EBIT.
- "Effects from the increase in the stake in IAE-V2500": MTU's acquisition of the increased stake in the IAE-V2500 program from Pratt & Whitney in 2012 was accounted for as the addition of a program asset. Since then, this asset has been amortized through profit or loss over the expected remaining useful life of the program, thereby reducing revenue, and the corresponding earnings impact is eliminated as a special item in thereconciliation to adjusted EBIT.
- "Effects from the Geared Turbofan fleet management plan": In 2023, significant compensation for PW1100G JM program customers was approved as part of the GTF™ fleet management plan. Based on its stake in the PW1100G JM program consortium, MTU has obligations to the OEM Pratt & Whitney and accrued refund liabilities for this purpose, thereby reducing revenue. Impacts on profit or loss in connection with the initial recognition and subsequent measurement of those refund liabilities are eliminated as a special item in the reconciliation to adjusted EBIT.
- "Material aperiodic earnings impacts": Taking into account the materiality criterion (threshold: €45 million, same as previous year) defined for the reporting period, material non-period effects on earnings are eliminated in the calculation of adjusted EBIT. In principle, this guidance is applied where earnings impact is significant due to impairment losses, the risk of legal action and lawsuits, restructuring programs and changes in the consolidated group..

The adjusted EBIT margin is determined as the ratio of adjusted EBIT to adjusted revenue, expressed as a percentage.

Adjusted net income

The earnings indicator EBIT determined in accordance with IFRS standards is adjusted for the following special items in order to calculate adjusted earnings before income taxes for the reasons of providing adjusted key figures described above:

- "Effects from the purchase price allocation": As at January 1, 2004, MTU passed into the ownership of Kohlberg Kravis Roberts & Co. Ltd. (KKR), following the latter's purchase of 100% of the MTU shares from the then DaimlerChrysler AG. In the context of the acquisition, assets, liabilities and contingent liabilities were identified in accordance with IFRS 3 and measured at fair value. Since then, the identified intangible assets, in particular, have resulted in substantial amortization. The resulting earnings impacts are eliminated as special items in the reconciliation to adjusted EBIT.
- "Effects from the increase in the stake in IAE-V2500": MTU's acquisition of the increased stake in the IAE-V2500 program from Pratt & Whitney in 2012 was accounted for as the addition of a program asset. Since then, this asset has been amortized through profit or loss over the expected remaining useful life of the program, thereby reducing revenue, and the corresponding earnings impact is eliminated as a special item in the reconciliation to adjusted EBIT.
- "Effects from the Geared Turbofan fleet management plan": In 2023, significant compensation for PW1100G JM program customers was approved as part of the GTF™ fleet management plan. Based on its stake in the PW1100G JM program consortium, MTU has obligations to the OEM Pratt & Whitney and accrued refund liabilities for this purpose, thereby reducing revenue. Impacts on profit or loss in connection with the initial recognition and subsequent measurement of those refund liabilities are eliminated as a special item in the reconciliation to adjusted EBIT.
- "Material aperiodic earnings impacts": Taking into account the materiality criterion defined for the reporting period (threshold: €45 million, same as previous year), material non-period effects on earnings are eliminated in the calculation of adjusted EBIT. In principle, this guidance is applied where the earnings impact is significant due to impairment losses, the risk of legal action and lawsuits, restructuring programs and changes in the consolidated group.

Subsequently, net interest income/expense and the interest shares in other financial income/expense, which are mainly connected with provisions for pensions and liabilities from pensions, are added to adjusted EBIT. None of the other components of financial income/expense, especially those that are influenced by foreign currency effects, such as the effects of exchange-rate hedging, are taken into account. Finally, the "normalized" taxes on income are deducted from the earnings before tax calculated in this way in order to produce adjusted earnings before tax. "Normalized taxes" are determined using a normalized Group tax rate of 27% derived on the basis of the Group's operational planning across multiple years; the after-tax profit/loss of companies accounted for using the equity method included in adjusted earnings before tax does not form part of the tax base.

Reconciliation of the consolidated income statement

in € million	2025			2024		
	As reported	**Special item**	**Adjusted figures**	As reported	Special item	Adjusted figures
Revenue	**8,763**	**–47**	**8,717**	**7,411**	**77**	**7,488**
thereof: special item "effects from GTF™ fleet management plan" (OEM segment)		–73	–73		52	52
thereof: special item "effects from increase in the stake in IAE/V2500" (OEM segment)		26	26		25	25
Cost of goods sold	–7,075	19	–7,057	–6,178	19	–6,159
thereof: special item "effects of purchase price allocation" (OEM segment)		19	19		19	19
Gross profit	**1,688**	**–28**	**1,660**	**1,233**	**95**	**1,329**
Research and development expenses	–111		–111	–106		–106
Selling expenses	–157		–157	–138		–138
General administrative expenses	–175		–175	–128		–128
Other operating income and expenses	–26		–26	–21		–21
Profit/loss of companies accounted for using the equity method and of equity investments	159		159	115		115
Earnings before interest and taxes (EBIT)	**1,379**	**–28**	**1,351**	**955**	**95**	**1,050**
Net interest income/expense	–56		–56	–22		–22
Other financial income – interest included in the measurement of pensions	–27		–27	–27		–27
Other financial income/expense – miscellaneous (e.g. measurement of foreign currency holdings)	66	–66	0	–11	11	0
Earnings before income taxes	**1,362**	**–94**	**1,268**	**895**	**106**	**1,002**
Income taxes	–335		–335	–253		–253
Adjustment based on normalized income taxes		35	35		16	16
Net income	**1,028**	**–60**	**968**	**642**	**122**	**764**

The adjusted net income attributable to shareholders of MTU Aero Engines AG amounted to €957 million (previous year: €755 million).

Based on these parameters, adjusted earnings per share amounted to €17.79 (previous year: €14.04).

Adjusted EBITDA

Reconciliation of EBIT to adjusted EBITDA

in € million	2025	2024
Earnings before interest and taxes (EBIT)	**1,379**	**955**
Amortization/impairment losses	415	478
Earnings before interest and taxes, depreciation and amortzation (EBITDA)	**1,794**	**1,433**
thereof: special item "effects from GTF™ fleet management plan" (OEM segment)	–73	52
Adjusted earnings before interest and taxes, depreciation and amortization (adjusted EBITDA)	**1,721**	**1,485**

Based on the adjusted revenue and adjusted EBIT outlined above, the adjusted EBIT margin is 15.5% (previous year: 14.0%).

Personnel expenses

Personnel expenses, calculated using the total cost method, were as follows:

Personnel expenses

in € million	2025	2024
Wages and salaries	1,084	978
Social security, pension and other benefit expenses	200	176
Total personnel expenses	**1,284**	**1,154**

Of the personnel expenses for social security, pension and other benefit expenses, €15 million (previous year: €14 million) is attributable to pensions. The increase in wages and salaries in the year-on-year comparison corresponds to the rise in employee numbers linked to business development, and also corresponds to inflation-related salary increases and the amount of variable remuneration awarded. In relation to the previous year, the consolidation of MTU Maintenance Fort Worth Inc., Fort Worth, USA, for the first time in December 2024 must also be considered.

Number of employees

The average number of persons employed during the fiscal year breaks down as follows:

Disclosures on the average number of employees

Number	2025	2024
Industrial staff	5,218	4,984
Administrative staff	6,339	5,909
Temporary employees	1,168	1,034
Employees in vocational training	341	312
Interns	279	269
Total average number of employees	**13,345**	**12,508**

Group auditor compensation

The fees charged by the auditor, KPMG AG, Wirtschaftsprüfungsgesellschaft, for fiscal year 2025 in accordance with Section 314 (1) no. 9 of the German Commercial Code (HGB) amounted to €2,650 thousand (previous year: €2,986 thousand).

Group auditor compensation

in € thousand	2025	2024
Financial statement auditing services	2,167	2,343
Other assurance services	457	642
Other services	27	
Total Group auditor compensation	**2,650**	**2,986**

The fee for financial statement auditing services related to the audit of the consolidated financial statements and the separate financial statements of MTU Aero Engines AG and its subsidiaries and to reviews of the interim financial statements. Other assurance services included confirmations in connection with the energy price brake, the audit of the sustainability statement, management compensation report and EMIR reporting, and voluntary audits. Other services include the project-related audit of the introduction of IFRS 18.

Reconciliation to adjusted key financial performance figures – Financial position

This reconciliation of the cash flow statement is used to eliminate special items, in particular material and above all aperiodic non-recurring cash flows from the key financial figures of the Group and its business segments. The aim is firstly to measure the success of the management of operating activities in the reporting year and secondly to provide financial information for an efficient comparison between periods and companies. The adjusted key liquidity figures are not defined in the International Financial Reporting Standards (IFRSs) and should be regarded as alternative performance measures (APM) in addition to the key financial indicators reported in accordance with IFRS.

MTU reports the adjusted financial key performance indicator "free cash flow (adjusted)" for the purpose of analyzing liquidity.

Free cash flow (adjusted)

MTU determines free cash flow (adjusted) on the basis of the total cash flows from operating and investing activities as defined in the IFRS regulations. In line with the aforementioned reasons for providing adjusted key figures, the following non-recurring cash flows are eliminated from this total:

- "Effects from liquidity management": Cash flows related to interest-bearing, non-speculative financial investments as part of liquidity management.
- "Effects from sales financing": Cash flows related to participation in interest-bearing sales financing arrangements.
- "Material aperiodic cash flows": Taking into account the materiality criterion (threshold: €45 million, same as previous year) defined for the reporting period, material non-period cash flows are eliminated in the calculation of adjusted free cash flow. This was primarily applied to cash flows related to changes in the consolidated group (M&A activities), stakes in OEM engine programs (new entry, stake increases, sale), and changes to stakes in MRO programs (new entry, stake increases, sale).

Reconciliation of the consolidated cash flow statement

Reconciliation of the cash flow statement

in € million	2025 As reported	2025 Non-recurring items	2025 Adjusted figures	2024 As reported	2024 Non-recurring items	2024 Adjusted figures
Cash flow from operating activities	**848**		**848**	**714**		**714**
Cash flow from investing activities	**–485**	**14**	**–470**	**–603**	**73**	**–531**
thereof: "effects from sales financing"		14	14		–24	–24
thereof: "significant non-period cash flows" (Prepayments for MRO program shares [new entry])					96	96
Free cash flow	**364**	**14**	**378**	**110**	**73**	**183**

III. Notes to the consolidated balance sheet

13. Changes in intangible assets, goodwill, and property, plant and equipment

Changes in non-financial assets – purchase and production costs 2025

in € million	As of Jan. 1, 2025	Currency translation differences	Additions	Transfers	Disposals	As of Dec. 31, 2025
Program assets (purchase price allocation)	670					670
Program-independent technologies (purchase price allocation)	125					125
Customer relationships (purchase price allocation)	57					57
Rights and licenses	307	–1	164	96	–0	567
Goodwill	386					386
Development assets	742		81			823
Prepayments on intangible assets	97	–1	1	–96		1
Intangible assets & goodwill	**2,384**	**–1**	**246**		**–0**	**2,628**
Land, leasehold rights and buildings, including buildings on third-party land	965	–2	34	24	–8	1,014
Technical equipment, plant and machinery	1,152	–1	31	98	–9	1,269
Other equipment, operational and office equipment	1,213	–1	359	30	–188	1,413
Advance payments and construction in progress	230	–3	195	–152		270
Property, plant and equipment	**3,559**	**–7**	**619**		**–205**	**3,966**
Total	**5,943**	**–8**	**865**		**–205**	**6,594**

Changes in non-financial assets – depreciation/amortization and carrying amount 2025

in € million	As of Jan. 1, 2025	Currency translation differences	Additions	Transfers	Disposals	As of Dec. 31, 2025	Carrying amount as of Dec. 31, 2025
Program assets (purchase price allocation)	523		18			541	129
Program-independent technologies (purchase price allocation)	125					125	
Customer relationships (purchase price allocation)	55		0			55	1
Rights and licenses	182	–0	23		–0	205	362
Goodwill							386
Development assets	186		26			212	610
Prepayments on intangible assets							1
Intangible assets & goodwill	**1,070**	**–0**	**68**		**–0**	**1,138**	**1,490**
Land, leasehold rights and buildings, including buildings on third-party land	294	–1	35	–0	–0	329	685
Technical equipment, plant and machinery	793	–1	78	1	–9	862	407
Other equipment, operational and office equipment	705	–0	185	–0	–91	797	615
Advance payments and construction in progress							270
Property, plant and equipment	**1,792**	**–2**	**298**		**–100**	**1,988**	**1,978**
Total	**2,863**	**–2**	**366**		**–100**	**3,126**	**3,468**

Changes in non-financial assets – purchase and production costs 2024

in € million	As of Jan. 1, 2024	Currency translation differences	Changes in the scope of consolidation[1]	Additions	Transfers	Disposals	As of Dec. 31, 2024
Program assets (purchase price allocation)	670						670
Program-independent technologies (purchase price allocation)	125						125
Customer relationships (purchase price allocation)	57						57
Rights and licenses	280	5		25	–0	–3	307
Goodwill	386						386
Development assets	682			59			742
Prepayments on intangible assets	0	0		97			97
Intangible assets & goodwill	**2,200**	**5**		**181**	**–0**	**–3**	**2,384**
Land, leasehold rights and buildings, including buildings on third-party land	911	1	7	49	15	–17	965
Technical equipment, plant and machinery	1,033	1	2	50	89	–23	1,152
Other equipment, operational and office equipment	998	1	7	326	26	–145	1,213
Advance payments and construction in progress	181	–5	1	183	–130	–0	230
Property, plant and equipment	**3,122**	**–3**	**18**	**608**		**–185**	**3,559**
Total	**5,322**	**3**	**18**	**789**	**–0**	**–188**	**5,943**

[1] First consolidation of MTU Maintenance Fort Worth

Changes in non-financial assets – depreciation/amortization and carrying amount 2024

in € million	As of Jan. 1, 2024	Currency translation differences	Changes in the scope of consolidation[1)]	Additions	Transfers	Disposals	As of Dec. 31, 2024	Carrying amount Dec. 31, 2024
Program assets (purchase price allocation)	504			18			523	148
Program-independent technologies (purchase price allocation)	125						125	
Customer relationships (purchase price allocation)	55			0			55	1
Rights and licenses	164	0		21	0	–3	182	126
Goodwill								386
Development assets	152			34			186	556
Prepayments on intangible assets								97
Intangible assets & goodwill	**1,000**	**0**		**73**	**0**	**–3**	**1,070**	**1,313**
Land, leasehold rights and buildings, including buildings on third-party land	265	0	0	33		–3	294	671
Technical equipment, plant and machinery	736	0	1	70	–0	–15	793	359
Other equipment, operational and office equipment	621	0	5	156	–0	–77	705	508
Advance payments and construction in progress								230
Property, plant and equipment	**1,622**	**1**	**7**	**258**	**–0**	**–95**	**1,792**	**1,767**
Total	**2,622**	**1**	**7**	**331**		**–98**	**2,863**	**3,080**

[1)] First consolidation of MTU Maintenance Fort Worth

14. Intangible assets and goodwill

Intangible assets comprise program assets, program-independent technologies and customer relationships which were capitalized as part of the purchase price allocation in connection with the acquisition by Kohlberg Kravis Roberts & Co. Ltd. (KKR) on January 1, 2004, of the shareholding in MTU previously held by DaimlerChrysler AG, and acquired goodwill. Furthermore, this item includes capitalized, internally generated development assets as well as right-of-use assets and licenses.

In the reporting period, MTU capitalized a total of €246 million (previous year: €181 million) for intangible assets. The increase results principally from capital expenditure of €158 million (previous year: €96 million) for the acquisition of maintenance licenses for the LEAP and GEnx engine programs by the site in Fort Worth, USA, and €81 million (previous year: €59 million) relate to internally generated developments in the scope of participation in engine programs, particularly the Pratt & Whitney GTF™ engine family and also to internally developed software. Out of the capital expenditure on maintenance licenses, €158 million (previous year: €0 million) are not yet cash-effective. The proportion of additions to intangible assets in the reporting period identified as taxonomy-eligible within the meaning of the EU Taxonomy for sustainable economic activities and further disclosures on the EU Taxonomy can be found in the *section Disclosures on the EU taxonomy in the non-financial statement in the management report*.

Amortization expense of €68 million on intangible assets (previous year: €73 million) was recognized in cost of goods sold.

In line with MTU's standard practice, impairment losses are determined at the level of the stake in OEM engine programs (cash-generating units) by comparing the value in use of the relevant engine programs, calculated using the DCF method, with the corresponding net program assets. In addition to capitalized development assets, program assets, imbalance payments for development work (acquired development work), net program assets include the attributable property, plant and equipment, inventories, contract assets and trade receivables. Relevant program obligations, especially refund liabilities, are reflected as reductions in this context. No impairment losses were recognized in the fiscal year (previous year: €21 million). Weighted average capital costs after tax of 8.3% were used as the discount factor.

Additional information on impairment testing can also be found in *section I. Accounting policies and principles – Discretionary scope, measurement uncertainties and sensitivity*.

Goodwill reported in intangible assets is allocated to the operating segments as follows:

Goodwill of operating segments

in € million	Dec. 31, 2025	Dec. 31, 2024
Commercial and military engine business (OEM segment)	304	304
Commercial maintenance business (MRO segment)	82	82
Total goodwill	**386**	**386**

Goodwill was tested for impairment in the reporting period as in previous years. For information on the basic approach, please refer to *Impairment of intangible assets, property, plant and equipment, acquired program assets and acquired development work in Section I. Accounting policies and principles*.

As in previous years, the regular impairment test of the goodwill of the operating segments uses June 30 of the reporting year as the valuation date.

The value in use calculations are based on the following assumptions: The first step involves the use of models to predict future changes in the engine fleet and the corresponding market shares of engines for which MTU holds or expects to hold development or supply responsibility (OEM segment) or that are or will be of significance to its service business, especially in the MRO segment. MTU applies these forecasts systematically as a basis for its revenue and corresponding capacity planning, from which the planned EBIT and cash flows for each of the two business segments are derived. The outcome of this process is therefore necessarily based on expectations as regards future market shares and growth in the individual markets, the profitability of products, available supply chain and personnel capacity, and macroeconomic developments such as trends in exchange rates, interest rates and commodity prices against a backdrop of decisions related to climate policy and geopolitics. The values in use, and the corresponding carrying amounts, are determined without reference to financing activities.

In the OEM segment, the calculation of cash flow used to determine the value in use is based on average revenue growth in the mid-single digit percentage range in the five-year planning period. The EBIT margin is expected to grow at average rates in the low-teens percentage range. The weighted cost of capital before taxes (discount rate) applied here was 11.2% (previous year: 13.3%). The main factors behind the decline in the weighted cost of capital are a lower beta factor and a lower market risk premium for the cost of equity, partially offset by higher borrowing costs for the referenced peer group. Since the detailed planning period in the OEM segment depends on the pricing typical for the commercial industry for the new engine and spare parts businesses, while the multi-year program business cycles are dominated by the impact of the GTF™ fleet management plan and the special item relating to the geopolitical influence of the Russia-Ukraine war and its macroeconomic implications as well as the foreseeable impact of US tariffs on MTU, the perpetuity is derived from the strategic long-term planning as in previous years. In this way, the Group endeavors to take a balanced view of both the low-margin phase for ramping up stakes in newer commercial engine programs and the stronger margin phase of the spare parts business in more mature programs. Consequently, the revenue assumption for the perpetuity is derived from the detailed operational planning period – the revenue in 2030 – plus a compound annual growth rate of 1.0% and an annuity. The annuity takes into account the extent to which revenue in the strategic long-term planning exceeds the revenue in the final year of the planning period (plus a growth rate of 1.0%). The operating earnings margin used for the perpetuity is based on a conservative valuation. Therefore, a margin below the average margin used for strategic long-term planning (2031 to 2039) is applied.

For the MRO segment, the detailed five-year planning horizon reflects average percentage revenue growth in the low teens and percentage EBIT margin growth in the mid teens, while the weighted average cost of capital before taxes (discount rate) is expected to be 10.7% (previous year: 12.7%). Using the same method as in the previous year, given the shorter business cycles of the MRO business, the perpetuity for this segment was derived from the revenue and EBIT margin for the final year of the detailed planning period (2030) plus a growth rate of 1.0%.

Impairment testing of goodwill did not result in the need to recognize impairment losses in either of the segments.

In addition, various sensitivity analyses were carried out. These did not indicate any imminent need to recognize impairment losses for segment activities, even in the case of less favorable assumptions than those applied during the original planning phase for key determining factors. In particular, neither the increase in the weighted cost of capital before taxes to 13.2% for the OEM segment and 12.7% for the MRO segment, nor a 20% shortfall in the planned EBIT – assuming otherwise identical conditions in each case – would imply an need to recognize an impairment loss for the segments. Further details of the influence of macroeconomic or climate policy-related effects on MTU's business model, can be found in *section I. Accounting policies and principles – Discretionary scope, measurement uncertainties and sensitivity*.

15. Property, plant and equipment

Through its capital expenditure on property, plant and equipment, MTU aims to expand its production capacity and modernize equipment and machinery to state-of-the-art standards.

In the reporting period, the Group's total capital expenditure on property, plant and equipment amounted to €619 million (previous year: €608 million). Additions to this item also include the recognition of right-of-use assets relating to leases. Further information is provided in *Note 36. Leases*.

The depreciation expense for property, plant and equipment is included in the presentation of the following line items: cost of sales €291 million (previous year: €253 million), research and development expenses €2 million (previous year: €2 million), selling expenses €1 million (previous year: €1 million), and general administrative expenses €4 million (previous year: €2 million).

In the reporting period, additions to land, leasehold rights and buildings, including buildings on third-party land, amounted to €34 million (previous year: €49 million) and relate mainly to new buildings and right-of-use assets for real estate leases at the Munich location.

Capital expenditure on technical equipment, plant and machinery totaling €31 million (previous year: €50 million) relates mainly to the purchase of plant and machinery for the capacity expansion in connection with the ramp-up of production of the Pratt & Whitney GTF™ engine family and the GE9X engine program.

The capital expenditure on other equipment and operational and office equipment, which amounted to €359 million (previous year: €326 million), and the additions to advance payments and construction in progress, which amounted to €195 million (previous year: €183 million), relate to the expansion of production capacities at the Munich location, the growing engine leasing business at the Amsterdam location and the ramp-up of operations at the Fort Worth site.

The proportion of additions to property, plant and equipment in the reporting period identified as taxonomy-eligible within the meaning of the EU Taxonomy for sustainable economic activities and further disclosures on the EU Taxonomy can be found in the *section Disclosures on the EU Taxonomy in the non-financial statement in the management report*.

16. Financial assets

Financial assets accounted for using the equity method

Financial assets accounted for using the equity method in the consolidated financial statements amounted to €688 million at the reporting date (previous year: €727 million).

Associated companies

PW1100G-JM Engine Leasing LLC, East Hartford, CT, USA, leases out replacement engines of the PW1100G-JM series and is the only material investment in an associate included in MTU's consolidated financial statements.

MTU holds an 18% interest in the company, which is included in the consolidated financial statements using the equity method for the consolidated financial statements, analogously to the previous years. Further information on this matter can be found in *Chapter I. Accounting principles and policies – Associates*.

The table below provides a summary of the financial data of PW1100G-JM Engine Leasing LLC, East Hartford, CT, USA for the reporting period:

Summary of financial data of PW1100G-JM Engine Leasing LLC

in € million	2025	2024
Income statement		
Revenue	496	457
Net income	244	208
Total comprehensive income	**244**	**208**
Group's share in the income	47	38
Dividend received from the company	**60**	**26**
Balance sheet as of Dec. 31		
Current assets	815	565
Non-current assets	880	1,166
Current liabilities	265	30
Non-current liabilities	89	78
Equity	1,341	1,622
Share of equity	241	292
Reconciliation to carrying amount	–4	–6
Carrying amount of company accounted for using the equity method	238	286

The aggregated, unaudited financial information of the associates that are not material when considered separately for the reporting period is presented in the following table:

Aggregated financial information on the non-material associates

in € million	2025	2024
Net income	13	13
Total comprehensive income	**13**	**13**
Group's share in the income	3	3
Carrying amount of companies accounted for using the equity method	42	45

Further details of shareholdings can be found in *Note 38. Related party disclosures*.

Joint ventures

The joint ventures identified as material in the reporting period are, as in the previous year, MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China, and EME Aero sp. z o.o., Jasionka, Poland. MTU holds a 50% interest in each of these companies. MTU Maintenance Zhuhai Co. Ltd. specializes in the maintenance, repair and overhaul of the V2500, CFM56, LEAP and PW1100G-JM engines and serves the China and Southeast Asia regions. EME Aero sp. z o.o. focuses on providing maintenance services for the Pratt & Whitney GTF™ engine family, which powers the Airbus A320neo family and the Airbus A220 family along with other aircraft. The material joint ventures are included in this consolidated financial statements using the equity method.

The table below provides a summary of the unaudited financial data of the material joint ventures in the MTU Group for the reporting period and the previous year:

Income statement, statement of comprehensive income and balance sheet information of the material joint ventures

	2025	2024	2025	2024
in € million	**EME Aero sp. z o.o.**	EME Aero sp. z o.o.	**MTU Maintenance Zhuhai Co. Ltd.**	MTU Maintenance Zhuhai Co. Ltd.
Income statement data disclosures				
Revenue	1,881	1,106	2,603	2,092
Depreciation/amortization and write-downs	–16	–17	–27	–12
Interest income	0	0	3	2
Interest expense	–11	–19	–12	–13
Income tax credits	0	6	0	0
Income tax expense	–9	0	–34	–26
Other income and expenses	–1,840	–1,088	–2,347	–1,884
Net income	**4**	**–13**	**185**	**159**
Other comprehensive income	0	0	0	0
Total comprehensive income	**4**	**–13**	**185**	**159**
Group's share in the income	2	–7	93	80
Balance sheet disclosures				
Non-current assets	187	230	243	249
Cash and cash equivalents	31	29	36	55
Other current assets	406	348	1,609	1,274
Total assets	**625**	**607**	**1,889**	**1,578**
Equity	39	41	691	674
Non-current financial liabilities	0	0	363	309
Other non-current liabilities	10	11	38	26
Current financial liabilities	564	540	703	500
Other current liabilities	12	16	94	69
Total equity and liabilities	**625**	**607**	**1,889**	**1,578**

in € million	2025 **EME Aero sp. z o.o.**	2024 EME Aero sp. z o.o.	2025 **MTU Maintenance Zhuhai Co. Ltd.**	2024 MTU Maintenance Zhuhai Co. Ltd.
Reconciliation to carrying amount				
Share of equity	20	20	345	337
Reconciliation to carrying amount	0	0		
Carrying amount of companies accounted for using the equity method	**20**	**21**	**345**	**337**
Dividend received from joint ventures			**56**	**43**

The aggregated, unaudited financial information of the joint ventures that are not material when considered separately for the reporting period are presented in the following table:

Aggregated financial information on the non-material joint ventures

in € million	**2025**	2024
Net income	23	17
Other comprehensive income	–3	–0
Total comprehensive income	**20**	**16**
Group's share in the income	11	8
Carrying amount of companies accounted for using the equity method	43	39
Dividend received from joint ventures	**6**	**4**

Further details of shareholdings can be found in *Note 38. Related party disclosures*.

Other financial assets

The carrying amounts of other financial assets included in the consolidated financial statements are presented below:

Composition of other financial assets

	Total		Non-current		Current	
in € million	Dec. 31, 2025	Dec. 31, 2024	Dec. 31, 2025	Dec. 31, 2024	Dec. 31, 2025	Dec. 31, 2024
Financial assets measured at purchase cost	**1,192**	**973**	**75**	**89**	**1,116**	**884**
Loans to third parties[1)]	36	26	36	26		
Loans to related companies[1)]	10	7	10	7		
Receivables from employees	5	4	2	2	3	2
Receivables from suppliers	13	24			13	24
Aftermarket compensation payments	1,021	789			1,021	789
Other financial assets from consortium leaders	45	62	28	48	17	13
Miscellaneous other financial assets	63	61	0	6	63	55
Financial assets at fair value through other comprehensive income	**13**	**12**	**13**	**12**		
Other interests in related companies	13	12	13	12		
Derivatives without hedging relationship	**1**		**1**		**0**	
Derivatives with hedging relationship	**129**	**4**	**50**	**2**	**79**	**1**
Total other financial assets	**1,335**	**988**	**139**	**103**	**1,196**	**885**

[1)] Considered as part of net financial debt.

Loans to third parties are primarily attributable to the stakes in consortia granting financing for aircraft and engines as part of stakes in commercial engine programs, especially for the GTF engine family.

Loans to related companies include loans to companies accounted for using the equity method in the consolidated financial statements.

Receivables from employees relate mainly to receivables arising from the bicycle leasing scheme and advances on salaries.

The receivables from suppliers primarily include credit notes, e.g., in connection with returned goods, amendments to invoices and trade discounts received.

The program aftermarket imbalance payments contain accrued imbalance compensation components to the consortium leader (OEM) for maintenance business within the GTF engine programs. These imbalance payments are driven by pre-financed maintenance and repair services performed as part of long-term program maintenance contracts. The redemption of these assets occurs for MTU through the share of net proceeds from the respective long-term program maintenance contract. Expected inherent invoicing and

credit risks relating to the above assets are taken into account by recognizing specific value allowances. The increase in the reporting period is still mainly due to the implementation of the GTF™ fleet management plan.

The other financial assets from consortium leaders amounting to €45 million (previous year: €62 million) comprise claims for the pro-rata reimbursement of purchased program assets and development assets related to the stakes in the PW1500G/PW1900G programs. The basis for this was the agreement reached in 2024 to align MTU's program stake with the corresponding relative amounts of MTU's goods and services.

The miscellaneous other financial assets in the amount of €63 million (previous year: €61 million) include numerous individual items that are not material when viewed separately, such as security for leases and rented premises.

Other interests in related companies include the carrying amounts of MTU's investments in companies that are neither fully consolidated nor accounted for using the equity method (for further details of shareholdings see *Note 38. Related party disclosures*.

As in previous years, the present values of the derivatives without hedging relationships recognized on the balance sheet serve to hedge operational commodity price risks. As in previous years, the present values of the derivatives with hedging relationships recognized on the balance sheet serve to hedge currency risks and are composed as follows as at the reporting date:

Derivative financial instruments

	Total		Non-current		Current	
in € million	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024
Forward foreign exchange contracts (Derivatives with a hedging relationship)	129	4	50	2	79	1
Nickel forward contracts (Derivatives without a hedging relationship)	1		1		0	
Total derivative financial instruments	**130**	**4**	**51**	**2**	**79**	**1**

Further information can be found in *Chapter I. Accounting principles and policies – Derivative financial instruments and Notes 28. Financial liabilities, and 35. Financial risks*.

17. Acquired program assets, development work and other assets

Acquired program assets, development assets

Acquired program assets and development work decreased from €718 million to €708 million in the reporting period. Acquired program assets accounted for €503 million of this amount (previous year: €540 million) and acquired development for €205 million (previous year: €177 million).

MTU spent €1 million on the acquisition of program assets in the reporting period (previous year: €19 million). In connection with the measurement of the increase in the IAE V2500 stake, program assets fell by €3 million (previous year: increase by €18 million). The increase in this stake is recognized in accordance with IFRIC 1 because it relates to retrospective purchase costs that depend on future economic benefits and are therefore variable costs. Furthermore, translation differences arising from the financial statements of foreign entities in the amount of €4 million (previous year: €5 million) should be taken into account in connection with the above-mentioned program value. Amortization of acquired program assets amounted to €39 million in the reporting period (previous year: €39 million). No impairment losses had to be recognized on program assets in 2025 or the previous year.

In 2024, an agreement was reached to adjust MTU's stake in the PW1500G/PW1900G engine program to reflect the corresponding relative amounts of MTU's goods and services. In this connection, MTU was granted a pro-rata reimbursement of acquired program assets and development assets. The resulting claims were offset against acquired program assets (€41 million) and acquired development assets (€34 million) and recognized in an income-neutral manner as part of the other financial assets from consortium leaders.

In the reporting period, imbalance payments for development work in an amount of €37 million (previous year: €34 million) paid to consortium leaders (acquired development assets) of commercial engine programs were capitalized. Amortization of accrued payments for acquired development assets amounted to €10 million in the reporting period (previous year: €11 million). Moreover, in 2024, impairment losses of €12 million were also recognized on development imbalance payments as a result of ad-hoc impairment testing, as prescribed by IAS 36, in connection with the T408 program.

More information can be found in *Chapter I. Accounting policies and principles – Acquired program assets and acquired development work*.

Other assets

Other assets include claims for tax refunds amounting to €43 million (previous year: €37 million) in respect of transactional taxes, insurance premiums and rents.

18. Deferred tax assets

Deferred tax assets decreased by €200 million to €133 million in the reporting period (previous year: €333 million). This is primarily attributable to the differences in the time at which expenses from the GTF™ fleet management plan are considered for tax purposes and under the IFRS and is also linked to the change in other comprehensive income from forward foreign exchange contracts and pension provisions. Further details of deferred taxes can be found in *Note 10. Income taxes* and *34. Deferred taxes*.

19. Inventories

The carrying amount of inventories, taking into account valuation allowances, comprises the following components:

Inventories

		Dec. 31, 2025			Dec. 31, 2024[1]		
in € million	Change in Valuation allowances	**Gross amount**	**Valuation allowances**	**Carrying amount**	Gross amount	Valuation allowances	Carrying amount
Raw materials and supplies	5	806	–90	716	756	–95	660
Work in progress	–32	1,009	–78	931	768	–46	721
Finished goods	14	426	–85	341	447	–99	348
Advance payments		29		29	23		23
Total inventories	**–12**	**2,270**	**–253**	**2,018**	**1,993**	**–240**	**1,753**

[1] Prior-year figures restated.

Of the total volume of inventories, an amount of €543 million (previous year: €463 million) was considered to be impaired at the reporting date. The valuation allowances relate to volume and price risks. The categories used for recognition of inventories in the leasing business were adjusted in 2025. The figures for the previous year have been adjusted accordingly: The amount for raw materials and supplies was reclassified by €126 million to work in progress and by €130 million to finished goods.

More information can be found in the *Chapter I. Accounting policies and principles – Discretionary scope, measurement uncertainties and sensitivity*.

20. Trade receivables

Trade receivables

in € million	Dec. 31, 2025	Dec. 31, 2024
Third parties	760	890
Related companies	724	775
Total trade receivables	**1,484**	**1,665**

As at the reporting date, the carrying amount of trade receivables includes valuation allowances in the amount of €40 million (previous year: €37 million). Information on changes in these valuation allowances in the reporting period can be found in *Note 21. Contract assets*. Further details on trade receivables from related companies can be found in *Note 38. Related party disclosures*.

21. Contract assets

The contract assets result from performance obligations that have been satisfied, where receipt of the agreed consideration depends on acceptance of the performance obligation by the customer and the amounts becoming due for payment.

Valuation allowances on trade receivables and contract assets changed as follows in the fiscal year:

Valuation allowances

in € million	2025	2024
As of Jan. 1	**40**	**41**
Translation differences	–1	1
Additions	11	15
Utilized	–0	–1
Reversed	–7	–16
As of Dec. 31	**44**	**40**

Contract assets account for €3 million (previous year: €4 million) of the reported valuation allowances. The increase in valuation allowances in the reporting period are consistent with changes in the invoicing and credit risks in the commercial engine business (part of the OEM segment) and are predominantly recognized on a case-by-case basis. The expenses resulting from the derecognition of trade receivables, offset against the corresponding revenue, amounted to €7 million (previous year: €0 million).

Income and expenses relating to valuation allowances for contract assets are presented in revenue as the underlying valuation allowances relate to invoicing and credit risks.

In order to minimize the non-payment risk, an active receivables management system is operated both in the OEM segment, supported in particular by the respective engine consortium leader, and in the MRO segment.

22. Income tax receivables

At the reporting date, income tax receivables amounted to €47 million (previous year: €63 million). €44 million of this amount (previous year: €60 million) comprises income tax receivables in Germany. Further information can be found in *Note 10. Income taxes*.

23. Cash and cash equivalents

The cash and cash equivalents amounting to €1,256 million (previous year: €1,747 million) comprise cash in hand and bank deposits. The reduction in this item is related, in particular, to the corporate bond, which was redeemed during the reporting year.

Cash and cash equivalents also include foreign-currency holdings with an equivalent value of €105 million (previous year: €248 million). As at December 31, 2025, €1,100 million (previous year: €1,458 million) of cash equivalents was invested in short-term money market instruments.

24. Equity

Changes in Group equity are presented in the consolidated statement of changes in equity.

Subscribed capital

Compared to the previous year, the company's subscribed capital was unchanged at €53,824,489 as at December 31, 2025; it is divided into 53,824,489 no-par-value registered shares.

Authorized capital

In accordance with Article 4 (5) of the articles of association, the Executive Board is authorized until April 20, 2026, to increase the company's capital stock by up to €16.0 million, with the approval of the Supervisory Board, by issuing, either in a single step or in several steps, new registered non-par-value shares in return for cash and/or contributions in kind (Authorized Capital 2021). The Authorized Capital 2021 was adopted in the Annual General Meeting on April 21, 2021; the same resolution annulled the Authorized Capital 2019.

Conditional capital

Conditional capital 2015

In accordance with Article 4 (6) of the articles of association, the company's capital stock may be conditionally increased by up to €3,375,511 through the issue of up to 3,375,511 new registered non-par-value shares. The purpose of this conditional capital increase is to issue shares to owners or creditors of convertible bonds and/or bonds with warrants in accordance with the authorization granted to the company under a resolution passed by the Annual General Meeting on April 15, 2015. Shares were issued at a conversion price or warrant exercise price determined on the basis of this authorization.

Until April 14, 2020, the Executive Board was authorized to issue, with the approval of the Supervisory Board, bearer and/or registered convertible bonds and/or bonds with warrants (collectively referred to as "bonds") with a total nominal value of up to €500 million. In 2016, MTU made use of this authorization to increase the company's capital stock by issuing a convertible bond with a nominal value of €500 million. This convertible bond was partially repurchased in 2019 and then converted in the years that followed; the remaining amount was repaid in 2023.

Conditional capital 2019

In accordance with Article 4 (7) of the articles of association, the company's capital stock may be conditionally increased by up to €1,600,000 through the issue of up to 1,600,000 new registered non-par-value shares (Conditional Capital 2019). The purpose of this conditional capital increase was to issue shares to owners or creditors of convertible bonds and/or bonds with warrants in accordance with the authorization granted to the company under a resolution passed by the Annual General Meeting on April 11, 2019.

The Executive Board was authorized until April 10, 2024, with the prior approval of the Supervisory Board, to issue convertible bonds and/or bonds with warrants with a total nominal value of up to €600 million, and to grant the owners of convertible bonds and/or bonds with warrants the right or option to convert them into non-par-value shares of the company representing a stake in the capital stock of up to €2,600,000 under the conditions established for the issue of convertible bonds or bonds with warrants. In 2019, MTU made partial use of this authorization to increase the company's capital stock by issuing a convertible bond with a nominal value of €500 million. More details are provided in *Note 28. Financial liabilities*.

The aforementioned authorization for the Executive Board to issue bonds with a total nominal value of up to €600 million was canceled at the Annual General Meeting on April 21, 2021, to the extent that such authorization had not been used for the €500 million convertible bond issued in 2019. As a result of this, the Conditional Capital 2019 in the previous amount of €2,600,000 was also partially withdrawn and now only comprises a partial amount of €1,600,000.

Conditional capital 2021

Further, in accordance with Article 4 (8) of the articles of association, the company's capital stock may be conditionally increased by up to €2,600,000 through the issue of up to 2,600,000 new registered non-par-value shares (Conditional Capital 2021). The purpose of this conditional capital increase is to issue shares to owners or creditors of convertible bonds and/or bonds with warrants in accordance with the authorization granted to the company under a resolution passed by the Annual General Meeting on April 21, 2021.

The Executive Board was authorized until April 20, 2026, with the prior approval of the Supervisory Board, to issue convertible bonds and/or bonds with warrants with a total nominal value of up to €600 million, and to grant the owners of convertible bonds and/or bonds with warrants the right or option (and also obligation) to convert them into non-par-value shares of the company representing a stake in the capital stock of up to €2,600,000 under the conditions established for the issue of convertible bonds or bonds with warrants.

Capital reserves

Capital reserves contain premiums from the issuance of shares and the equity component (net of proportional transaction costs) of convertible bonds that have been redeemed or are still outstanding.

No new shares were issued in fiscal year 2025 since no options were exercised to convert the convertible bond 2019. Capital reserves also include performance-related compensation components granted and owed in connection with the Restricted Stock Plan (RSP) and realized premiums for the issue of shares in the company in connection with the Restricted Stock Plan (RSP) or the already complete Stock Matching Program (SMP) and, previously, the already complete Matching Stock Program (MSP).

The Restricted Stock Plan, which is the performance-related compensation component with a long-term incentive effect for senior executives, entails a cash payment, which must be immediately re-invested in MTU shares. These shares are subject to a specific vesting period, defined according to the beneficiary's rank in the management hierarchy. The amount of target compensation granted for the purchase of shares is determined in principle on the basis of the proportionate target direct compensation, weighted by the average achievement of the performance-related compensation component granted, calculated over several years.

Under the terms of the RSP, the eligible senior managers were granted 697 (previous year: 14,332) shares in the reporting year that are blocked for several years, based on an imputed allocation price of €356.07 per share. Due to the granting and payment of the RSP in 2025, there were only subsequent obligations from new entrants to the group of beneficiaries or provisions for senior executives on foreign assignment in the amount of €0 million (previous year: €1 million) as at the balance sheet date.

Retained earnings

Retained earnings mainly comprise retained profits generated by the consolidated Group companies on the basis of a resolution by the responsible bodies.

Treasury shares

Purchase of treasury shares in accordance with the authorization granted by the Annual General Meeting on May 8, 2024

The Executive Board of MTU Aero Engines AG, Munich, Germany, is authorized by the resolution of the Annual General Meeting of May 8, 2024, to purchase treasury shares with an aggregate nominal value of up to 10% of the company's issued capital stock, as applicable on the date of the resolution, or, if lower, on the date of utilization, during the period to May 7, 2026, pursuant to Section 71 (1) no. 8 of the German Stock Corporation Act (AktG). At no point in time may the value of the acquired shares, together with other treasury shares in the company's possession or which are attributed to it pursuant to Section 71a et seq. of the German Stock Corporation Act (AktG), exceed 10% of the company's capital stock. At the discretion of the Executive Board, the shares may be purchased through the stock exchange or by means of a public offer to buy addressed to all shareholders (or – where permitted by law – through a public invitation to submit an offer to sell). The consideration paid for the acquisition of these shares must not exceed or fall below the stock market price by more than 10%, not taking into account any ancillary transaction costs. The authorization to purchase treasury shares replaces the authorization of April 11, 2019, which expired on April 10, 2024.

Holdings of treasury shares

No further treasury shares were purchased in 2025 (or in the previous year). The shares purchased by MTU in preceding years still serve the purpose of granting shares in connection with the Restricted Stock Plan (RSP). In the reporting period, 697 shares (previous year: 14,332 shares) were transferred to senior executives under the Restricted Stock Plan (RSP).

Reconciliation of weighted average number of outstanding shares

In fiscal year 2025, the weighted average number of outstanding shares totaled 53,785,595 (previous year: 53,778,080). A total of 53,785,943 shares in MTU Aero Engines AG, Munich, were in circulation as at December 31, 2025 (previous year: 53,785,246 shares). The company held 38,546 treasury shares as at December 31, 2025 (previous year: 39,243 shares).

Accumulated other comprehensive income

Accumulated other comprehensive income decreased by €52 million to €–143 million in fiscal year 2025 (previous year: €–195 million). This was due to an increase in the fair value of cash flow hedges used in the hedging of foreign currencies as at the reporting date, as well as actuarial gains from the measurement of pension provisions. These were offset to some extent by exchange rate losses on the translation of the financial statements of foreign entities.

The table below shows the income and expenses recognized in other comprehensive income, including the associated deferred taxes:

Items recognized in other comprehensive income

in € million	2025 Before	2025 income taxes	2025 After	2024 Before	2024 income taxes	2024 After
Translation differences arising from the financial statements of foreign entities accounted for using the equity method	–38		–38	16		16
Translation differences arising from the financial statements of other consolidated foreign entities	–69		–69	32		32
Translation differences arising from the financial statements of foreign entities	**–108**		**–108**	**48**		**48**
Actuarial gains/losses on pension obligations and plan assets	39	–21	18	10	–3	7
Financial instruments designated as cash flow hedges for companies not accounted for using the equity method	195	–63	132	–118	38	–79
Financial instruments designated as cash flow hedges for companies accounted for using the equity method						
Income and expense recognized in other comprehensive income	**127**	**–84**	**43**	**–60**	**35**	**–25**

Disclosures relating to capital management

MTU strives to maintain a strong financial profile in the interests of assuring the company's continuation as a going concern and its financial flexibility, as well as ensuring confidence on the part of its shareholders and lenders. As part of its capital management, the company observes the statutory requirements on capital maintenance. Formally, there are no further statutory capital requirements. Nevertheless, MTU considers itself obligated to maintain an investment-grade rating of at least Baa3 from Moody's or BBB- from Fitch or S&P. The Group's capital management activities are focused on optimizing the balance between equity and net financial debt, profitable growth of the business, and free cash flow or available liquidity. A description of the financial indicators MTU is obliged to meet in the context of its liabilities to banks can be found in *Note 28. Financial liabilities*.

Based on this, the dividend policy is generally aligned with a distribution between 30% and 40% of the adjusted annual net income (see *Note 12. Additional disclosures relating to the income statement – Reconciliation of the consolidated income statement*) to shareholders provided that this is permitted by the financial situation, especially expected debt and changes in cash flows, and the corporate bodies approve. Against this background, MTU provided information on the expected financial impact of the GTF™ fleet management plan on September 11 and 13, 2023. Accordingly, on February 21, 2024, MTU confirmed when notifying the Supervisory Board of the proposal for the appropriation of net profit that, due to the expected charges arising from the GTF™ fleet management plan, the explicit requirements regarding the development of cash flow and debt would preclude a continuation of the intended dividend policy in the period from 2024 to 2026 (see *section on the appropriation of net profit VII. Determination of the net profit available for distribution on the basis of the annual financial statements*).

25. Pension provisions

Defined benefit plans and defined contribution plans are in place for MTU employees.

Defined contribution plans

Since January 1, 2007, no direct pension commitments have been granted to new employees in Germany other than senior executives. Instead, MTU paid contributions in the amount of €5 million in the reporting period (previous year: €5 million) to an external pension fund for employees who joined the company after that date. In addition, MTU provides direct insurance contracts funded by employee contributions.

Employer's contributions to the state pension scheme in fiscal year 2025 totaled €73 million (previous year: €67 million).

Defined benefit plans

For defined benefit plans at Group companies in Germany, these benefits are financed primarily by provisions recognized in the financial statements, which are covered only to a small extent by plan assets. Furthermore, corresponding benefits exist at MTU Maintenance Canada Ltd., Delta, Canada; these relate to a fund-based benefit plan, the scope of which requires a funded plan to be taken into account within the meaning of IAS 19.

The pension obligations of MTU are measured using the projected unit credit method in accordance with IAS 19, taking account of future salary and pension increases and performance and portfolio adjustments expected to be made to benefits and pension plans. The provision for defined benefit plans recognized in the balance sheet corresponds to the present value of the benefits payable for current and past service (the defined benefit obligation) of beneficiaries less the fair value of plan assets at the reporting date. An extensive actuarial analysis is carried out annually for each pension plan by independent actuaries.

Actuarial gains or losses may arise in connection with increases or decreases either in the present value of the defined benefit obligation or in the fair value of plan assets. Causes of actuarial gains or losses include the effect of changes in measurement parameters, changes in the assessment of risks on pension obligations, and differences between the actual return on plan assets and the proportional share of interest on the net liability.

In order to calculate the funding status and the pension obligations recognized, the present value of unfunded and funded obligations is offset against the fair value of the plan assets. In Germany, there are no legal or regulatory minimum funding requirements.

The present value and funding status of the defined benefit obligation is as follows:

Present value of defined benefit obligation (DBO)

in € million	Dec. 31, 2025	Dec. 31, 2024
Present value of unfunded pension obligations	670	724
Fair value of plan assets	–0	–0
Total Germany	**670**	**724**
Present value of funded pension obligations	21	23
Fair value of plan assets	–21	–23
Total other countries (negative value = plan asset surplus)	**0**	**0**
Recognized pension obligations (net)	**671**	**724**

The following parameters were applied to measure the pension obligations as at December 31 of the respective year and to measure the pension plan expense in the respective reporting period:

Actuarial assumptions: Germany

in %	Dec. 31, 2025	Dec. 31, 2024
Interest rate for accounting purposes	3.85	3.31
Salary trend	2.70	2.70
Pension trend	2.00	2.00

Actuarial assumptions: other countries

in %	Dec. 31, 2025	Dec. 31, 2024
Interest rate for accounting purposes	4.50	4.50
Salary trend	2.00	3.00
Pension trend	2.50	2.50

The market yields on high-quality, fixed-interest corporate bonds with similar maturities in Germany increased compared with the previous year. In view of the duration of the obligations, which currently stands at approximately 10 years, pension obligations in Germany were discounted as at December 31, 2025, applying a discount rate of 3.85%. The mortality tables issued by Heubeck Richttafeln GmbH 2018G were used as the biometric basis to measure the pension plan obligations in Germany.

At the foreign Group companies, the obligations were calculated using a discount rate of 4.50% and current country-specific actuarial assumptions. The expected salary trend refers to the expected rate of increase in salaries and other compensation, which is estimated based on inflation, the length of service of employees within the Group, as well as other factors. Mortality rates have been considered on the basis of the mortality rate tables for Canadian pensioners in the private sector. Further information on this matter can be found in section *I. Accounting policies and principles – Pension obligations* and *section I. Accounting policies and principles – Discretionary scope, measurement uncertainties and sensitivity*.

The present value of pension obligations changed as follows in the fiscal year:

Present value of pension obligations

in € million	2025	2024
Present value of defined benefit obligation as of Jan. 1	**747**	**765**
Current service cost	8	8
Past service cost	–0	0
Pension plan subscriber contributions	6	6
Interest expense	24	24
Translation differences	–2	–0
Actuarial gains (-)/losses (+)		
Financial assumptions	–38	–9
Assumptions based on experience	–1	0
Plan settlements/transfers	–30	–23
Pension benefit and capital payments	–23	–23
Present value of defined benefit obligation as of Dec. 31	**691**	**747**

Actuarial gains in connection with financial assumptions correspond in particular to changes in the discount rate. Those in connection with assumptions based on experience correspond in particular to the empirical behavior of beneficiaries of the company pension scheme when choosing the mode of payment for their company pension entitlements.

The obligations resulting from plan settlements/transfers are attributable to the conversion of pension benefits into fixed-sum payments and the Group's employee turnover rate.

Plan assets changed as follows in the fiscal year:

Fair value of plan assets

in € million	2025	2024
Fair value as of Jan. 1	**23**	**23**
Employer contributions	0	0
Interest income on plan assets	1	1
Translation differences/transfers	–2	–0
Actuarial gains/losses (-)	0	1
Pension benefit payments	–2	–2
Fair value as of Dec. 31	**21**	**23**

Breakdown of plan assets

in %	2025	2024
Insurance policy (buy-in annuity)	63.1	64.8
Fixed-interest securities	29.6	28.3
Shares	7.4	7.0
Total plan assets	**100.0**	**100.0**

The structure of the plan assets is reviewed annually to optimize the risk and return of the assets invested and adjusted if necessary. The statement of principles of the foreign plan assets defines restrictions to be observed when choosing investments; the investment policy was unchanged from previous years.

The expense from defined benefit pension plans and similar obligations recognized in the income statement for the reporting period comprises the following items:

Expense from defined benefit pension plans and similar obligations

in € million	2025	2024
Current service cost	8	8
Past service cost	–0	0
Service cost	**8**	**8**
Interest cost on pension provisions	24	24
Interest income on plan assets	–1	–1
Net interest cost	**23**	**23**
Interest cost on liabilities from pension capital	**4**	**4**
Total expense	**35**	**35**

Current and past service costs are recognized in personnel expenses. The other components of the expense from defined benefit pension plans and similar benefit obligations are included in other financial income/expense. The measurement effects related to actuarial gains and losses are recognized in total comprehensive income as part of other comprehensive income.

Expected future pension benefit payments

For the coming years, the Group expects to settle its pension provisions and liabilities through the following series of payments:

Expected yearly amount of pension benefit payments

in € million	2026	2027	2028	2029
Expected yearly amount of pension benefit payments	32	34	38	42

The disclosures on the expected payment of pension benefits take into account the method of payment agreed as at the reporting date or, alternatively, the contractually agreed standard option of payment in installments; this applies to all claimants.

The main actuarial assumptions used to calculate the defined benefit obligation (DBO), apart from the mode of payment, are the discount rate, salary and pension trends, and assumed life expectancy. The following sensitivity analysis shows how the DBO would have been influenced by potential changes in the underlying assumptions:

Sensitivity analysis of the defined benefit obligation

in € million	2025	2024
Discount rate 50 basis points higher	–33	–35
Discount rate 25 basis points lower	21	19
Salary and pension trend 50 basis points higher	5	6
Assumed life expectancy 1 year longer	7	9

There are interdependencies between certain actuarial assumptions, especially between changes in the discount rate and the expected pension and salary trends. The sensitivity analysis does not take these interdependencies into account.

26. Income tax liabilities

The income tax liabilities comprise German corporation and municipal trade tax plus income taxes for Group companies outside Germany.

Income tax liabilities

in € million	2025	2024
As of Jan. 1	**35**	**37**
Utilized	–35	–37
Allocated	17	35
As of Dec. 31	**17**	**35**

Income tax liabilities are due within one year. Further details of income taxes can be found in *Note 10. Income taxes*.

27. Other provisions

Other provisions take into account obligations as defined by IAS 37, which are described below. There are also obligations that are expected to materialize through (reverse) payments to customers as defined by IFRS 15. These obligations are also accounted for as part of the refund liabilities, including in view of the estimation requirements with regard to maturity and amount. For further details and explanations, please refer to *Note 31. Refund liabilities*.

Other provisions

	Total		Non-current		Current	
in € million	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024
Warranty obligations and risks from pending losses on onerous contracts	27	35			27	35
Personnel obligations	56	43	42	30	14	13
Outstanding invoices	96	80	15	3	81	77
Other liabilities	35	32	15		19	32
Total other provisions	**214**	**192**	**72**	**33**	**142**	**158**

MTU is guided by the legally or contractually enforceable maturity in each case when disclosing the terms of its other provisions.

Other provisions developed as follows:

Other provisions 2025

in € million	As of Jan. 1, 2025	Transferred	Utilized	Reversed	Allocated	Currency translation differences	**As of Dec. 31, 2025**
Warranty obligations and risks from pending losses on onerous contracts	35		–13	–13	19	–1	27
Personnel obligations	43	–0	–13	–0	26	–0	56
Outstanding invoices	80	–4	–30	–9	60	–1	96
Other liabilities	32	10	–10	–16	19	–0	35
Total Other provisions	**192**	**6**	**–66**	**–39**	**124**	**–2**	**214**

The following cash outflows are expected from the carrying amounts of non-current other provisions:

Expected cash outflow from non-current other provisions

in € million	Carrying amount as of Dec. 31, 2025	Expected cash outflow 2027
Personnel obligations	42	8
Outstanding invoices	15	5
Total expected cash outflow from non-current other provisions	**56**	**13**

Expected cash outflow from non-current other provisions

in € million	Carrying amount as of Dec. 31, 2024	Expected cash outflow 2026
Personnel obligations	30	6
Outstanding invoices	3	
Total expected cash outflow from non-current other provisions	**33**	**6**

MTU expects that the above obligations will become due for payment within the next five years.

The cash outflows relating to current other provisions are expected to be realized in the calendar year following the reporting period.

Warranty obligations and risks from pending losses on onerous contracts

The main component of this item of provisions is an amount of €19 million (previous year: €24 million) for liabilities associated with warranty obligations in connection with the provision of goods and services.

MTU has identified a small amount of onerous contracts in its commercial maintenance business (MRO segment) where the unavoidable costs of fulfilling contractual obligations are higher than the expected inflow of economic benefits from these contracts. A provision of €9 million (previous year: €12 million) was recognized to cover the difference.

Personnel obligations

This item includes provisions for long-service awards amounting to €8 million (previous year: €8 million) and provisions for pre-retirement part-time working arrangements based on the collective agreement on phased retirement and related works agreements. On the basis of these agreements, obligations amounting to €18 million (previous year: €17 million) were recognized at the end of the reporting period. The obligations take account of relevant plan assets amounting to €0 million (previous year: €12 million).

The item also includes provisions for profit-sharing bonuses and performance-related compensation, which amounted to €28 million (previous year: €16 million). They relate to bonus and profit-sharing payments granted outside of Germany to both employees covered by collective wage agreements and exempt employees. The corresponding claims of the domestic workforce are recognized as part of personnel-related financial liabilities.

The item also includes obligations arising from the performance-related remuneration with a long-term incentive granted to the Executive Board (since 2024) and senior managers (since 2025) in the form of the Performance Share Plan (PSP/LTI), which is paid each fiscal year with a four-year assessment period. The number of virtual shares conditionally allocated for the reporting year (performance shares) is calculated from their fair value and the respective contractual target amount for the PSP/LTI at the grant date. The Performance Share Plan (PSP/LTI) is paid out based on the extent to which the target values set for it by the Supervisory Board for the financial performance criteria and the non-financial performance criteria (ESG targets) are achieved – the target achievement determines the number of virtual shares ultimately allocated under the PSP/LTI conditionally allocated for the respective fiscal year. A maximum of 200% of the number of virtual shares originally granted can be achieved. After the end of the assessment period, the respective payout amount of the PSP/LTI granted for the reporting year is calculated by multiplying the number of virtual shares finally allocated by the sum of the average MTU share price in the 60 trading days prior to the end of the assessment period and the dividend payments per share made during the assessment period. After deduction of the relevant taxes, the resulting PSP/LTI payout amount is paid out to the individuals in question as a cash payment in the following year, taking into account the cap of 250% of the respective contractual target amount for the PSP/LTI at the grant date (PSP/LTI cap).

A total of 30,853 performance shares (14,370 to the Executive Board and 16,483 to senior executives) were conditionally allocated for the reporting year, based on a fair value upon granting of €314.15 per performance share as at January 1, 2025. Taking into account the status of target achievement and the share price performance, the fair value of the performance shares originally granted amounted to €353.80 per performance share, which corresponds to a provision of €11 million (previous year: €7 million) for personnel obligations as at the reporting date. The performance share plan (excluding the Executive Board) granted in the previous year had a fair value of €338.92 as at the reporting date (previous year: €327.20). The corresponding provision was €7 million (previous year: €7 million) as at December 31, 2025.

Outstanding invoices

Outstanding invoices include, in particular, accruals for cost of sales components in the form of outstanding invoices arising in particular from contracts with suppliers and service providers.

In the case of leases with third parties where MTU is obligated to meet specific maintenance conditions before returning the leased asset (e.g. engine), the settlement obligations as at the reporting date are recognized as a liability. This is measured at the nominal value of the expected maintenance costs required to satisfy the return conditions set out in the lease. These provisions are at times of a long-term nature.

Other liabilities

Other liabilities include, in particular, liabilities arising from legal and litigation risks and the recognition of additional individual liabilities that are immaterial when viewed separately.

28. Financial liabilities

Financial liabilities

	Total		Non-current		Current	
in € million	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024
Bonds and notes	853	1,358	842	841	10	517
Convertible bonds	496	492	496	492	0	0
Promissory note	308	308	300	300	9	9
Financial liabilities to banks	11	7	7	4	4	3
Financial liabilities to related companies	1	2			1	2
Lease liabilities	326	261	242	184	84	77
Program liabilities with financing character	433	405	380	291	52	114
thereof: arising from acquisition of stakes in engine programs	185	55	170	23	15	32
thereof: from imbalance payments due to program participations	248	350	210	268	37	82
Total gross financial debt	**2,428**	**2,833**	**2,267**	**2,112**	**161**	**722**
Derivatives without hedging relationship	1	4		0	1	3
Derivatives with hedging relationship	1	126	0	54	1	72
Personnel-related financial liabilities	261	229	107	97	154	132
Received program aftermarket compensation payments[1)]	440	460			440	460
Miscellaneous other financial liabilities	99	125	2	2	97	122
Total other financial liabilities	**802**	**942**	**110**	**153**	**693**	**789**
Total financial liabilities	**3,230**	**3,776**	**2,376**	**2,265**	**854**	**1,511**

[1)] Prior-year figures restated.

Bonds and notes

Registered bond

MTU Aero Engines AG issued a registered bond on June 12, 2013, for a total nominal amount of €100 million. The registered bond is repayable on June 12, 2028, and is subject to interest of 3.55% p.a. Interest is payable in arrears on June 12 of each year, for the first time on June 12, 2014. The registered bond, net of transaction costs and including a total discount of €3 million, is measured at amortized cost.

Corporate bond

On July 1, 2020, MTU Aero Engines AG issued an unsecured corporate bond with a nominal value of €500 million. The bond had a maturity of five years until July 1, 2025, and was available in units of €1,000. The coupon was 3.0% p.a., payable annually in arrears. At the emission date, the bond was rated by Moody's (Baa3) and Fitch (BBB) and is listed on the regulated market of the Luxembourg Stock Exchange. The corporate bond was redeemed ahead of schedule on April 1, 2025.

On September 18, 2024, MTU Aero Engines AG issued an unsecured corporate bond with a nominal value of €750 million. The bond has a maturity of seven years until September 18, 2031, and is available in units of €1,000. The coupon is 3.875% p.a., payable annually in arrears. At the emission date, the bond was rated by Moody's (Baa3) and Fitch (BBB) and is listed on the regulated market of the Luxembourg Stock Exchange.

Convertible bonds

In 2019, MTU Aero Engines AG issued an unsecured convertible bond for a total nominal amount of €500 million at an issue price of 103%. This bond is convertible into registered non-par-value shares in MTU.

Under the terms of issue of the convertible bond, MTU has the right to recall the issued bond units at their nominal value (plus accrued unpaid interest) at any time on or after April 8, 2025, subject to a period of notice of minimum 30 days and maximum 60 days, either (i) if the quoted price of the common share rises to or above 130% of the applicable conversion price over a defined period, or (ii) if no more than 20% of the nominal value of the convertible bond issue is outstanding. In the event of such cancellation by MTU, the bondholders have the right to request that MTU convert their bonds into shares by the 10th business day preceding the redemption date, rather than repurchase them.

For information on the effect of transactions with the convertible bonds on the company's subscribed capital and capital reserves, see *Note 24. Equity* in the notes to the consolidated financial statements.

Promissory notes

MTU Aero Engines AG placed two promissory notes in 2024. One promissory note, which has a nominal value of €161 million and matures on April 23, 2027, has a fixed interest rate of 4.194% p.a. The second promissory note, which has a nominal value of €139 million and matures on April 23, 2029, has a fixed interest rate of 4.121% p.a. The full nominal amount of both promissory notes less the placement fees was paid out on April 23, 2024. The interest on both notes is due annually in arrears on April 23. Each of the notes will be redeemed at nominal value when they mature. They are accounted for at amortized cost, including the placement fees, using the effective interest method.

Financial liabilities to banks

KfW development loans

In 2023, MTU applied to KfW for development loans for the construction of an installation for sourcing deep geothermal energy. The applications were submitted via one of our banks. Three loan agreements for a total of €17 million were signed. From this amount, €15 million were drawn at different project stages. The loans are subject to interest at customary market rates. Unused amounts are subject to a loan commitment fee. The Company has obtained repayment grants from KfW, as the project was completed in accordance with the conditions for such grants. These loan repayment grants end on September 30, 2027, and September 30, 2029. Following repayment and the utilization of repayment grants, the carrying amount as at December 31, 2025 was €5 million.

Revolving credit facility
In 2022, a €500 million revolving credit facility was concluded with nine banks. This had an original term of five years, ending on June 29, 2027, and has now been extended to June 29, 2029 on the basis of the available options. The credit facility had not been drawn down as at the reporting date (December 31, 2024: €0 million).

The available amount secures the mid-term financial flexibility of the MTU Group. Any credit utilized is subject to interest at the customary market reference rates plus an additional margin. The unused amount of the revolving credit facility is subject to a loan commitment fee.

The revolving credit facility is linked to a continued investment-grade credit rating. If, and only if, the rating drops below this level, the Group is required to meet specific financial covenants. In the reporting year, MTU had an investment-grade credit rating.

Construction financing
Additionally, a global credit agreement in the amount of €50 million was concluded in 2025 to finance the construction of an additional production hall as part of the expansion of the MTU Maintenance site in Berlin-Brandenburg. As at the reporting date, €6 million had been drawn from this line.

Lease liabilities
Lease liabilities relate to liabilities under leases, particularly from the areas of real estate and engine leasing, recognized using the effective interest rate method. For information on their accounting treatment and an overview of the corresponding capitalized right-of-use assets, please refer to *Note 36. Leases*.

Program liabilities considered to be financing transactions

Financial liabilities arising from acquisition of stakes in engine programs
This item includes the deferred purchase price components arising from the increase in the stake in the IAE V2500 program and the acquisition of stakes in OEM and MRO engine programs. In view of the structure of the underlying agreements, these liabilities are considered to be financing transactions. For information on the corresponding program assets, please refer to *Note 17. Acquired program assets, development work and other assets and Note 13. Intangible assets in the Notes to the consolidated financial statements*.

The purchase price agreement signed by MTU in the fiscal year 2012 in order to increase its stake in the IAE V2500 engine program by 5 percentage points to 16% made it necessary, among other things, to recognize a purchase price liability contingent upon the number of flight hours performed over the next 15 years by the fleet of V2500 engines in service at the time of the stake increase. The liability matures in 2027 and, as of the closing date, reflects a nominal amount of U.S.$23 million (previous year: U.S.$56 million). Translated at the closing rate, that was €20 million (previous year: €54 million). The carrying amount of the purchase price liability was €19 million as at December 31, 2025 (previous year: €52 million).

Furthermore, this item includes deferred purchase price components with a value of €164 million (previous year: €0 million) for the purchase of maintenance licenses for the LEAP and GEnx engine programs by the Fort Worth site.

The remaining financial liabilities arising from acquisition of stakes in programs are contractually fixed deferred acquisition payments for the acquisition of stakes in commercial engine programs.

Imbalance payments within the scope of stakes in programs
In previous years, it was possible to reach an agreement with an OEM to extend payment targets for imbalance payment obligations related to stakes in commercial engine programs.

The agreements concluded in relation to this set out a 6-year payment plan of fixed installments for an imbalance payment obligation with a nominal value of U.S.$ 507 million and supplementary one-off payments of U.S.$42 million in 2025 and U.S.$100 million each in 2029 and 2030. In accordance with the contractual payment plan, a total of U.S.$86 million (previous year: U.S.$89 million) was repaid in the year under review.

For the aforementioned financial obligations, an amount of €248 million (previous year: €350 million) was determined as at the reporting date, allowing for interest and foreign currency valuation.

Other financial liabilities

Derivatives
The derivatives of €2 million with and without hedging relationships recognized as financial liabilities as at the reporting date (December 31, 2024: €129 million) are used to off-

set currency and commodity price risks. The decline in liabilities is mainly attributable to a decrease in the fair value of forward foreign exchange contracts due to changes in the U.S. dollar exchange rate as at the reporting date relative to the agreed hedging rates.

Personnel-related financial liabilities

The personnel-related financial liabilities of €261 million (previous year: €229 million) mainly result from pension capital claims of €125 million (previous year: €115 million) arising from direct pension commitments under company pension schemes and obligations arising from performance-related and other special compensation components totaling €111 million (previous year: €93 million).

Executive Board members and senior executives receive target direct compensation comprising non-performance-related components (fixed compensation and fringe benefits) and performance-related components. The performance-related components are divided into the STI, as a performance-related component with no long-term incentive effect, and the Performance Share Plan (PSP/LTI) as a performance-related component with long-term incentive effect.

The STI takes into account not only financial performance criteria – EBIT (adjusted) and free cash flow (adjusted) – but also the non-financial performance criteria – the environmental, social and governance (ESG) targets. The extent to which the financial and non-financial performance criteria are met is measured on a scale of 0% to 200% for the respective performance-related target component granted. In addition, entitlement is subject to the achievement of the qualitative criteria for the strategic multiplier that have been defined for the fiscal year, expressed as a discretionary factor (strategic multiplier) of between 0.8 and 1.2 to be applied to the STI payment.

Further details about the Performance Share Plan (performance-related compensation component with a long-term incentive effect) are provided in *Note 27. Other provisions*.

Detailed explanatory notes on the compensation system for members of the Executive Board are provided in the *Management compensation report*.

In addition, personnel-related financial liabilities include obligations of €14 million (previous year: €14 million) relating to the employee stock option program (MAP), which was offered again in fiscal year 2025. Through the employee stock option program (MAP), MTU offers all eligible employees within and outside of the collective wage agreement and senior executives the opportunity to invest in MTU shares. At the end of a two-year vesting period, employees within and outside of the collective wage agreement receive a taxable "matching" payment corresponding to 50% of the amount invested by the employee in MTU shares at the beginning of the program. Senior executives receive a taxable "matching" payment at the end of the two-year vesting period corresponding to one-third of the amount individually invested.

The total expense for the "matching" payment as part of the current tranches of the employee stock option program (MAP) in fiscal year 2025 amounted to €14 million (previous year: €13 million).

Received program aftermarket compensation payments

Financial obligations arising from received program aftermarket compensation payments include benefits in cash (advance payments) distributed by the consortium leader (OEM) to program partners; these benefits in cash are received from the program customers, for whom the program in question is then required to perform or procure corresponding aftermarket services. In previous years, obligations arising from advance payments to the program in question were recognized under the contract liabilities. In light of the invoicing practices since established between the engine consortia, the recognition of these obligations as other financial liabilities is now regarded as more appropriate.

The increase during the reporting year is consistent with the growth in the program aftermarket contract business and its profitability. In the year-on-year comparison, the fair value measurement must be considered in relation to the development of this item given the movement in the U.S. dollar exchange rate in 2025.

Disclosures relating to financial instruments:

This item is used to present numerous liabilities that are immaterial when viewed separately, such as customer credit balances, unpaid invoices and bonuses for airlines.

Gross financial debt

Changes in gross financial debt are shown in the following tables:

Changes in gross financial debt

			Non-cash items				
in € million	As of Jan. 1, 2025	Deposits and withdrawals	Addition	Interest	Transfer/other	Currency translation differences	**As of Dec. 31, 2025**
Bonds and notes	1,358	–544		38			853
Convertible bond 2019	492	–0		4			496
Promissory note	308	–12		13			308
Financial liabilities to banks	7	4					11
Financial liabilities to related companies	2	–1		0			1
Lease liabilities	261	–95	173	12	–4 [1]	–20	326
Program liabilities with financing character	405	–109	153	19	–3 [2]	–31	433
thereof: arising from acquisition of stakes in engine programs	55	–27	153	7	–3 [2]	1	185
thereof: from imbalance payments due to program participations	350	–82		12		–32	248
Total gross financial debt	**2,833**	**–758**	**325**	**86**	**–7**	**–52**	**2,428**

[1] Premature termination of leasing contracts.
[3] IFRIC 1 adjustment.

Net financial debt

MTU defines net financial debt as the balance of gross financial debt, the liquidity reserve and other interest-bearing financial assets.

Net financial debt

			Change against previous year	
in € million	Dec. 31, 2025	Dec. 31, 2024	in € million	in %
Bonds and notes	853	1,358	–506	–37.2
Convertible bonds	496	492	4	0.7
Promissory note	308	308	0	0.1
Other financial liabilities to banks	11	7	4	47.4
Financial liabilities to related companies	1	2	–1	–49.4
Lease liabilities	326	261	65	25.0
Program liabilities with financing character	433	405	28	6.9
thereof: arising from acquisition of stakes in engine programs	185	55	130	>100
thereof: from imbalance payments due to program participations	248	350	–102	–29.1
Gross financial debt	**2,428**	**2,833**	**–406**	**–14.3**
less:				
Cash and cash equivalents	1,256	1,747	–491	–28.1
Loans to third parties	36	26	10	37.1
Financial assets	**1,291**	**1,773**	**–481**	**–27.2**
Net financial debt	**1,136**	**1,061**	**75**	**7.1**

29. Trade payables

Trade payables

in € million	Dec. 31, 2025	Dec. 31, 2024
Accounts payable to:		
Third parties	445	372
Related companies	143	132
Total trade payables	**588**	**504**

Trade payables arise from payables received and invoiced on a contractual basis by third parties or non-consolidated investments that have not been settled at the reporting date. The total amount of trade payables is due in less than one year.

30. Contract liabilities

Contract liabilities include, in particular, advance payments from customers for the delivery of engine modules and parts, as well as for development and maintenance services that are generally made in U.S. dollars due to MTU's customer structure. Changes during the reporting year resulted from additional advance payments received from customers and, in particular, from the offsetting of those advance payments during the reporting year against claims acquired from performed deliveries and services. Further details can be found in *Note 21. Contract assets* and in *Note 28. Financial liabilities*.

31. Refund liabilities

Refund liabilities

	Total		Non-current		Current	
in € million	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024
Warranty and liability risks	485	950			485	950
Invoice corrections / subsequent costs[1)]	2,618	2,355			2,618	2,355
Total refund liabilities	**3,103**	**3,305**			**3,103**	**3,305**

[1)] Prior-year figures restated.

Refund liabilities result from the multi-stage invoicing system for stakes in commercial OEM engine programs in the commercial engine business at MTU (part of the OEM segment). Typically, sales are made by the respective commercial engine programs or the consortium leader or OEM in connection with

- delivery of new engines to aircraft manufacturers,
- delivery of spare parts to MRO service providers, and
- provision of repair and maintenance services to airlines and leasing companies

with reference to the catalog list price. Consortium leaders (OEMs) frequently make supplementary agreements with program customers that grant effective discounts as the program's supplies and services are utilized.

New parts business as an example: series engines are sold by the engine program or OEM at the catalog list price to the aircraft manufacturer, which sells the entire aircraft – aircraft including engine – to an airline for a total price. In turn, engine programs frequently grant airlines a fleet introductory allowance (i.e., a credit) for selecting their engine for their aircraft. As a consortium partner, MTU participates in this invoicing sequence initially through its share in the sale to the aircraft manufacturer and subsequently through the credit to the airline. Due to the participation in consortia, revenue from these transactions at MTU level is recognized in profit or loss by accruing a refund liability.

Spare parts business: spare parts are sold at the catalog list price to the MRO service provider, which combines the spare parts with repair and assembly services in the course of the engine maintenance and repair services and markets this bundled service (shop visit) to the engine owner or operator (e.g., airline, leasing company). In turn, the engine program or OEM generally grants the engine owner or operator that procures the maintenance and repair services a credit ("warranty" or "discretionary" reduction) based on the pre-existing damage or the remaining lifecycle of the engine parts. As a consortium partner, MTU participates in this invoicing sequence initially through its share in the sale of spare parts to the MRO service provider and subsequently through the credit to the aircraft owner or operator. Revenue from these transactions is recognized in profit or loss by accruing a refund liability.

In principle, it can be stated that the changes in the balances of the refund liabilities correspond to the growth of stakes in commercial engine programs and their revenue structure in the reporting year – i.e. to the share of new engine and spare parts business and their respective profitability. Invoicing in connection with commercial engine programs is regularly carried out in U.S. dollars. Consequently, changes in the exchange rate at the reporting date are a significant value driver of the measurement of liability balances due to their monetary character.

Warranty and liability risks
The refund liabilities for warranty and liability risks are largely influenced by the liabilities associated with the GTF™ fleet management plan in the reporting year and the previous year. The decline compared to the previous year corresponds in particular to the compensation payments made in the reporting year in connection with the GTF™ fleet management plan. Further details of the special item "GTF™ fleet management plan" can be found in *section I. Accounting policies and principles/GTF™ fleet management plan*.

Invoice corrections and subsequent costs
In addition to general inflation effects, the increase in refund liabilities for invoice corrections and subsequent costs in the reporting period corresponds in particular to the growth in the operational business and its structure in 2025. This increase was partially offset by the movements in the U.S. dollar closing rate.

As outlined under *Accounting policies and principles*, accounting for these refund liabilities requires estimates by the management, which have to take account, in particular, of information and estimates made by the consortium leader or OEM of the various engine programs in which the Group has a stake. In view of the estimates required in this regard, the estimation uncertainties arising from the effects of the GTF™ fleet management plan and the macro-economic environment must be taken into account in particular. Given the complexity of these parameters, equally reliable and meaningful sensitivity data cannot be shown correctly either for individual engine programs or at company level. For more information, see *section I. Accounting policies and principles – Refund liabilities and section I. Accounting policies and principles – Discretionary scope, measurement uncertainties and sensitivity*.

32. Other personnel-related liabilities

Other liabilities

	Total		Non-current		Current	
in € million	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024
Personnel-related liabilities						
Social security	2	2			2	2
Other personnel-related liabilities	56	48			56	48
Other tax liabilities	60	56			60	56
Other liabilities	12	16	3	4	9	12
Total other liabilities	**129**	**123**	**3**	**4**	**126**	**119**

Personnel-related liabilities
Other personnel-related liabilities relate, in particular, to vacation entitlements and flextime credits.

Other tax liabilities
The tax liabilities relate to wage and church taxes to be remitted as well as solidarity surcharges and transaction taxes.

Other liabilities
The other liabilities relate to accrued expenses for a large number of items that are not material when viewed separately.

33. Additional disclosures relating to financial instruments

Carrying amounts, measurement/recognition methods and fair value by measurement category

In the following overview, the carrying amounts of financial instruments are aggregated by measurement category. The information presented also includes separate amounts for each measurement category.

The carrying amounts of the measurement categories are compared with the fair values at the end.

The financial instruments shown in the table whose fair value cannot be assigned to a measurement category within the meaning of IFRS 9 relate to obligations to employees and corresponding plan assets in accordance with IAS 19 as well as derivatives with a hedging relationship.

Disclosures relating to financial instruments: Carrying amounts, measurement/recognition methods and fair values as of Dec. 31, 2025

in € million	Carrying amount as of Dec. 31, 2025	Measurement category acc. to IFRS 9			Amount carried in balance sheet IFRS 16	Fair value not allocated to any measurement category	Total	Fair value as of Dec. 31, 2025
		Measured at amortized cost	Fair value through other comprehensive income	Fair value through profit or loss				
ASSETS								
Trade receivables	1,484	1,484					1,484	1,484
Cash and cash equivalents	1,256	836		419			1,256	1,256
Other financial assets								
Other interests in related companies	13	13					13	13
Loans and receivables	1,192	1,192					1,192	1,192
Derivative financial assets								
Derivatives without hedging relationship	1			1			1	1
Derivatives with hedging relationship	129					129	129	129

in € million	Carrying amount as of Dec. 31, 2025	Measurement category acc. to IFRS 9			Amount carried in balance sheet IFRS 16	Fair value not allocated to any measurement category	Total	Fair value as of Dec. 31, 2025
		Measured at amortized cost	Fair value through other comprehensive income	Fair value through profit or loss				
EQUITY AND LIABILITIES								
Refund liabilities	3,103	3,103					3,103	3,103
Trade payables	588	588					588	588
Financial liabilities								
Bonds and notes	853	853					853	880
Convertible bonds	496	496					496	550
Promissory note	308	308					308	317
Financial liabilities to banks	11	11					11	11
Financial liabilities to related companies	1	1					1	1
Lease liabilities	326				326		326	
Program liabilities with financing character								
thereof: arising from acquisition of stakes in engine programs	185	185					185	188
thereof: arising from imbalance payments due to program participations	248	248					248	252
Derivative financial liabilities								
Derivatives without hedging relationship	1			1			1	1
Derivatives with hedging relationship	1					1	1	1
Personnel-related financial liabilities	261					261	261	261
Received program aftermarket compensation payments	440	440					440	440
Miscellaneous other financial liabilities	99	99					99	99

Disclosures relating to financial instruments: Carrying amounts, measurement/recognition methods and fair values as of Dec. 31, 2024

in € million	Carrying amount as of Dec. 31, 2024	Measurement category acc. to IFRS 9			Amount carried in balance sheet IFRS 16	Fair value not allocated to any measurement category	Total	Fair value as of Dec. 31, 2024
		Measured at amortized cost	Fair value through other comprehensive income	Fair value through profit or loss				
ASSETS								
Trade receivables	1,665	1,665					1,665	1,665
Cash and cash equivalents	1,747	1,121		625			1,747	1,747
Other financial assets								
Other interests in related companies	12	12					12	12
Loans and receivables	973	968				5	973	973
Derivative financial assets								
Derivatives with hedging relationship	4					4	4	4
EQUITY AND LIABILITIES								
Refund liabilities	3,305	3,305					3,305	3,305
Trade payables	504	504					504	504
Financial liabilities								
Bonds and notes	1,358	1,358					1,358	1,376
Convertible bonds	492	492					492	517
Promissory note	308	308					308	317
Financial liabilities to banks	7	7					7	7
Financial liabilities to related companies	2	2					2	2
Lease liabilities	261				261		261	
Program liabilities with financing character								
thereof: arising from acquisition of stakes in engine programs	55	55					55	54
thereof: arising from imbalance payments due to program participations	350	350					350	364
Derivative financial liabilities								
Derivatives without hedging relationship	4			4			4	4
Derivatives with hedging relationship	126					126	126	126
Personnel-related financial liabilities	229					229	229	229
Received program aftermarket compensation payments[1)]	460	460					460	460
Miscellaneous other financial liabilities	125	125					125	125

[1)] Prior-year figures restated.

With regard to financial assets and liabilities measured at amortized cost, the cash and cash equivalents, trade receivables, other receivables and also trade payables, refund liabilities and other liabilities disclosed under these items mostly have short remaining terms; the amounts recognized in the balance sheet approximate their fair values.

The fair value of the financial assets and liabilities measured at fair value was derived from stock market prices or, alternatively, using a discounted cash flow method.

Classification of fair value measurements of financial assets and liabilities in accordance with the fair value hierarchy

To take account of the relevance of the estimated parameters used in the fair value measurement of financial assets and liabilities, MTU's financial assets and liabilities are allocated to three levels.

The three levels of the fair-value hierarchy are described below, together with their utilization when measuring financial assets and liabilities:

Level 1 quoted prices in active markets for identical assets or liabilities (unadjusted input);

Level 2 prices of assets or liabilities that can be observed directly or indirectly (derived);

Level 3 unobservable inputs used to measure prices of assets or liabilities.

The convertible bond, which is traded on the stock exchange and carried at amortized cost, and the corporate bonds and cash and cash equivalents, which are also carried at amortized cost or fair value, were assigned to Level 1. All remaining qualifying financial instruments, in particular derivative financial instruments measured at fair value through OCI or profit or loss are valued using a discounted cash flow (DCF) method and are therefore assigned to Level 2.

The following tables show the allocation of financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy for 2025 and 2024:

Classification of financial assets and liabilities within the fair-value hierarchy for the 2025 fiscal year

in € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Cash and cash equivalents	419			419
Derivative financial instruments		130		130
Total financial assets	**419**	**130**		**549**
Financial liabilities measured at fair value				
Derivative financial instruments		2		2
Total financial liabilities		**2**		**2**

Classification of financial assets and liabilities within the fair-value hierarchy for the 2024 fiscal year

in € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Cash and cash equivalents	625			625
Derivative financial instruments		4		4
Total financial assets	**625**	**4**		**629**
Financial liabilities measured at fair value				
Derivative financial instruments		129		129
Total financial liabilities		**129**		**129**

Cash outflows for financial liabilities

The following tables list the contractually agreed interest and principal payments for the financial liabilities.

Cash outflows for financial liabilities 2025

		Cash flow 2026			Cash flow 2027			Cash flow 2028			Cash flow 2029 and subsequent years		
in € million	Carrying amount as of Dec. 31, 2025	Fixed interest	Variable interest	Principal payments	Fixed interest	Variable interest	Principal payments	Fixed interest	Variable interest	Principal payments	Fixed interest	Variable interest	Principal payments
Refund liabilities	3,083			3,083									
Bonds and notes	853	33			33			33		100	87		750
Convertible bonds	496	0			0		500						
Promissory note	308	12			12		161	6			6		139
Program liabilities with financing character	433	12		47	11		40	10		56	141		283
thereof: arising from acquisition of stakes in engine programs	185	7		15			6	0		21	133		149
thereof: due to program participations	248	5		32	11		34	9		36	8		135
Financial liabilities to banks	11	0		4	0		1			2			48
Lease liabilities	326	11		89	8		56	6		46	15		139
Derivatives without hedging relationship	1			0									
Derivatives with hedging relationship	1			272			68			68			
Personnel-related financial liabilities	261			154			28			24			87
Received program aftermarket compensation payments[1)]	440			440									
Other financial liabilities	99			97						2			

Cash outflows for financial liabilities 2024

		Cash flow 2025			Cash flow 2026			Cash flow 2027			Cash flow 2028 and subsequent years		
in € million	Carrying amount as of Dec. 31, 2024	Fixed interest	Variable interest	Principal payments	Fixed interest	Variable interest	Principal payments	Fixed interest	Variable interest	Principal payments	Fixed interest	Variable interest	Principal payments
Refund liabilities	3,305			3,305									
Bonds and notes	1,358	48		500	33			33			120		850
Convertible bonds	492	0			0			0		500			
Promissory note	308	12			12			12		161	11		139
Program liabilities with financing character	405	15		106	14		56	12		42	19		193
thereof: arising from acquisition of stakes in engine programs	55	7		32			19			4			
thereof: due to program participations	350	9		74	14		36	12		38	19		193
Financial liabilities to banks	7	0		3	0		3	0		1			
Lease liabilities	261	8		79	6		51	4		27	11		101
Derivatives without hedging relationship	4			3			0						
Derivatives with hedging relationship	126			1,579			1,136			520			58
Personnel-related financial liabilities	229			133			25			19			70
Received program aftermarket compensation payments[1)]	460			460									
Other financial liabilities	125			123									2

[1)] Prior-year figures restated.

These include all financial instruments in the portfolio at the reporting date for which payment terms had been contractually agreed. Amounts reported for derivatives (without a hedging relationship) represent net outflows. Amounts denominated in a foreign currency are translated at the exchange rate at the respective reporting date. Variable-rate interest payments on the financial instruments are based on the most recent interest rate fixed prior to the reporting date. The cash flows relating to the liabilities are assigned to the relevant date on the basis of their contractual repayment dates. If there is no contractually agreed repayment date, the payments are assigned to the earliest likely repayment date.

For the purpose of promoting sales, MTU is a party to aircraft financing agreements concluded by the respective consortium leader or OEM within the scope of its stakes in certain commercial engine programs. Such commitments are always made collectively and in favor of the consortium leader (OEM). They are provided in two basic forms: predelivery payments (PDP) and backstop commitments. In both cases, any funds made available to the aircraft purchaser are always transferred directly to the aircraft manufacturer solely by the consortium leader (OEM).

MTU classifies loan commitments granted up to the reporting date with a total nominal amount, translated into euros, of €689 million (previous year: €889 million), as part of its gross liquidity risk in accordance with the requirements of IFRS 7. However, based on experience, it is considered to be very unlikely that all these nominal loan amounts will actually be utilized to their full extent. This is because the financing terms offered on a case-by-case basis by the consortium leader or OEM always take the aircraft purchaser's creditworthiness into account. The terms for backstop commitments are deliberately prohibitive. In the case of predelivery payments (PDP), the consortium has collateral

rights to the aircraft while it is still in production and thus in the possession of the aircraft manufacturer. In the case of backstop commitments, the aircraft is collateral under substantive law. It is to be expected that third parties arrange relevant portions of the financing commitments directly with the purchaser of the aircraft, not least due to the financing conditions.

In addition, as at the reporting date, there were unutilized financing commitments for equity investments in the form of capital contributions or shareholder loans totaling €121 million (previous year: €150 million).

With respect to the notional impact on MTU's liquidity of the financing offers and commitments, the company ensures that it has sufficient liquidity and additional credit lines (see *Note 28. Financial liabilities*), even in the unlikely event of all financing offers being taken up at the same time, and monitors scope to extend these credit lines to back up future financing offers.

Explanatory comments relating to net gain/loss on financial instruments by measurement category

The tables below show the gains/losses arising from transactions involving financial instruments, broken down by measurement category, for the reporting period and the previous year. Interest income and expense in connection with financial assets and liabilities that are measured at fair value through profit or loss are not included:

Net gain/loss on financial assets and liabilities 2025

in € million	from interest	from investments	from remeasurement	Currency translation	Write-down	Net gain / loss 2025
Financial assets measured at amortized cost	30	3		224	–6	251
Financial assets measured at fair value through profit or loss			17			17
Financial liabilities measured at amortized cost	–73		–0	456		382
Financial liabilities measured at fair value through profit or loss			–10			–10
Total	**–44**	**3**	**6**	**680**	**–6**	**640**

Net gain/loss on financial assets and liabilities 2024

in € million	from interest	from investments	from remeasurement	Currency translation	Write-down	Net gain / loss 2024
Financial assets measured at amortized cost	38	2		–153	–2	–115
Financial assets measured at fair value through profit or loss			3			3
Financial liabilities measured at amortized cost	–52		–2	–280		–333
Financial liabilities measured at fair value through profit or loss			–5			–5
Total	**–13**	**2**	**–4**	**–433**	**–2**	**–450**

Explanatory comments relating to net interest income/expense

The net interest income/expense on financial assets and liabilities includes interest income from investments of funds (cash equivalents) and loans to third parties and related companies and also interest expenses arising from bonds and notes, convertible bonds, loan agreements with banks and lease liabilities. The amount stated for "financial liabilities measured at amortized cost" mainly results from reversing the discount on long-term, contractual obligations from the operating business and is recognized in net interest income/expense. With the exception of interest expense relating to pension obligations and leases, interest expense is generally calculated using the effective interest rate method. Interest in connection with financial instruments whose fair value cannot be assigned to a measurement category within the meaning of IFRS 9 relates to occupational pension plans (IAS 19) and is recognized in other financial income/expense.

Explanatory comments on net gain/loss from equity investments

The profit contributions from equity investments comprise profit transfers from MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH, Munich, Germany, and the military program companies.

Explanatory comments on net gain/loss from remeasurement
The net gain/loss on financial instruments measured at fair value through profit or loss mainly comprises exchange rate gains and losses on derivatives not designated in a hedging relationship and is recognized in other financial income/expense.

Explanatory comments on net gain/loss from currency translation
The amounts recognized for currency translation of financial assets and liabilities, measured at cost, result principally from foreign currency measurement of trade receivables, trade payables, and refund liabilities. Amounts relating to receivables and refund liabilities are recognized in revenue, while amounts relating to trade payables are recognized in the associated function costs.

Explanatory comments on net gain/loss from valuation allowances
Alongside the recognition of impairment losses and reversals of impairment losses, the valuation allowances recognized in profit or loss in the reporting period include the derecognition of financial assets for which no valuation allowance has previously been recognized.

The gain/loss from remeasurement in connection with valuation allowances for financial assets (particularly trade receivables and contract assets) is recognized in selling expenses or revenue (revenue-reducing effect).

Further information on the impact on profit/loss can be found in *section II. Notes to the consolidated income statement*.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting agreements were as follows:

Offset amounts of financial assets and financial liabilities as of Dec. 31, 2025

in € million	(a) Gross amounts of recognized financial assets / liabilities	(b) Gross amounts of recognized financial assets / liabilities offset in the balance sheet	(c) Net financial assets / liabilities recognized in the balance sheet	(d) Related amounts not offset in the balance sheet	(e) = (c) − (d) Net amount
ASSETS					
Trade receivables	2,495	1,011	1,484		1,484
Cash and cash equivalents	1,256		1,256		1,256
Other financial assets					
Other interests in related companies	13		13		13
Loans and receivables	1,192		1,192		1,192
Derivative financial assets					
Derivatives without hedging relationship	1		1	0	1
Derivatives with hedging relationship	129		129	1	128
EQUITY AND LIABILITIES					
Refund liabilities	3,103		3,103		3,103
Trade payables	1,599	1,011	588		588
Financial liabilities					
Bonds and notes	853		853		853
Convertible bonds	496		496		496
Promissory note	308		308		308
Financial liabilities to banks	11		11		11
Financial liabilities to related companies	1		1		1
Lease liabilities	326		326		326
Program liabilities with financing character					
thereof: arising from acquisition of stakes in engine programs	185		185		185
thereof: due to program participations	248		248		248
Derivative financial liabilities					
Derivatives without hedging relationship	1		1	0	0
Derivatives with hedging relationship	1		1	1	–0
Personnel-related financial liabilities	261		261		261
Received program aftermarket compensation payments	440		440		440
Other financial liabilities	99		99		99

Offset amounts of financial assets and financial liabilities as of Dec. 31, 2024

in € million	(a) Gross amounts of recognized financial assets / liabilities	(b) Gross amounts of recognized financial assets / liabilities offset in the balance sheet	(c) Net financial assets / liabilities recognized in the balance sheet	(d) Related amounts not offset in the balance sheet	(e) = (c) − (d) Net amount
ASSETS					
Trade receivables	2,292	627	1,665		1,665
Cash and cash equivalents	1,747		1,747		1,747
Other financial assets					
Other interests in related companies	12		12		12
Loans and receivables	973		973		973
Derivative financial assets					
Derivatives without hedging relationship					
Derivatives with hedging relationship	4		4	4	–0
EQUITY AND LIABILITIES					
Refund liabilities	3,305		3,305		3,305
Trade payables	1,131	627	504		504
Financial liabilities					
Bonds and notes	1,358		1,358		1,358
Convertible bonds	492		492		492
Promissory note	308		308		308
Financial liabilities to banks	7		7		7
Financial liabilities to related companies	2		2		2
Lease liabilities	261		261		261
Program liabilities with financing character					
thereof: arising from acquisition of stakes in engine programs	55		55		55
thereof: due to program participations	350		350		350
Derivative financial liabilities					
Derivatives without hedging relationship	4		4		4
Derivatives with hedging relationship	126		126	4	122
Personnel-related financial liabilities	229		229		229
Received program aftermarket compensation payments[1)]	460		460		460
Other financial liabilities	125		125		125

[1)] Prior-year figures restated.

The "Related amounts not offset in the balance sheet" presented in the table refer to financial assets and liabilities arising from derivatives that can be offset against debt if the issuer becomes insolvent.

34. Deferred taxes

Deferred tax assets and liabilities arise on temporary differences between the tax bases of assets and liabilities of the individual Group companies and the corresponding carrying amounts in the consolidated balance sheet. Deferred tax assets are also recognized for tax credits and losses available for carry-forward.

Deferred tax assets and liabilities are recognized in OCI in connection with the subsequent measurement of pension obligations and the corresponding plan assets, the fair value measurement of assets and liabilities in connection with derivatives which were part of an effective hedging relationship, and obligations from convertible bonds, taking into account their associated equity components.

Development of deferred taxes

	Dec. 31, 2025		Dec. 31, 2024		2025	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Tax income / expense (-)	Recognized in equity / OCI
in € million	in the balance sheet		in the balance sheet		in the income statement	
Assets						
Intangible assets	0	198	0	227	30	–0
Property, plant and equipment	20	125	18	112	–11	0
Financial assets	1	11		11	1	0
Inventories	92		60		32	–0
Acquired program assets, development work	76	35	78	38	2	–1
Receivables and other assets	120	6	118	5	2	–0
Total assets	**309**	**375**	**274**	**394**	**55**	**–1**
Equity						
Gains and losses from the measurement of derivatives with hedging relationship		32	31			–63
Gains and losses from the measurement of the equity portion of convertible bonds		12		12		
Actuarial gains and losses on pension obligations and plan assets	72		93			–21
Total equity	**72**	**44**	**125**	**12**		**–84**

in € million	Dec. 31, 2025		Dec. 31, 2024		2025	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Tax income / expense (-)	Recognized in equity / OCI
	in the balance sheet		in the balance sheet		in the income statement	
Liabilities						
Pension provisions		34		34	1	
Other provisions	6	10	20	0	–24	0
Refund liabilities	113		261		–149	
Liabilities	131	39	120	39	10	1
Total liabilities	**249**	**82**	**402**	**73**	**–161**	**1**
Deferred taxes on assets and liabilities	**630**	**501**	**800**	**480**	**–106**	**–84**
Tax credits and tax loss carry-forwards						
Tax credits available for carry-forward	34		37		–4	1
Tax loss carry-forwards	0		1		–1	0
Valuation allowances and unrecognized recoverable tax payments						
Valuation allowances on tax credits carried forward	–11		–7		–3	–0
Valuation allowances on tax loss carry-forwards			–0		0	–0
Temporary differences for which no deferred tax assets were recognized	–20		–19		–1	–0
Total tax credits and loss carry-forwards	**3**		**12**		**–10**	**0**
Deferred tax assets/liabilities before offset	**633**	**501**	**812**	**480**	**–116**	**–84**
Offset	–501	–501	–480	–480		
Net deferred tax assets/liabilities	**133**	**–0**	**333**	**–0**	**–116**	**–84**

Please refer to *Note 10. Income taxes* for further information relating to current and deferred income tax assets and liabilities resulting from the balance sheet items listed above and to the tax reconciliation between the expected and recognized tax expense.

Tax assets and liabilities are offset against one another only if they relate to the same type of tax levied by the same tax jurisdiction and are due within the same period.

Deferred tax assets were recognized for tax losses available for carry-forward and tax credits available for carry-forward for Group companies based in the following countries:

Deferred tax assets recognized for tax losses/credits available for carry-forward as of Dec. 31

in € million	USA 2025	Poland 2025	**Total 2025**	Total 2024
Tax credits available for carry-forward	1	33	34	37
Tax losses available for carry-forward	0	0	0	1
Potential tax impact of tax losses/ credits available for carry-forward	**1**	**33**	**34**	**39**
Valuation allowances on tax credits carried forward		–11	–11	–7
Valuation allowances on tax losses carried forward				–0
Deferred tax assets recognized for tax losses/credits available for carry-forward	**1**	**23**	**23**	**31**

USA

Tax losses available for carry-forward at MTU Aero Engines North America Inc., (AENA), Rocky Hill, CT, USA, as at December 31, 2025, relate exclusively to state tax, which, after the application of valuation allowances, amounted to the equivalent of €0 million (previous year: €3 million).

Furthermore, recoverable tax credits are recognized for the tax types that mainly result from development activities. For these recoverable tax credits, deferred tax assets were also recognized.

Poland

MTU Aero Engines Polska sp. z o.o. receives government support through Poland's economic development program by virtue of its location in a special economic zone. Because its business investments help to create jobs, the company has been awarded tax credits in respect of the profits it expects to achieve through its specific production activities, with separate amounts being accorded each year through to 2026. Deferred tax assets amounting to €22 million (previous year: €29 million) were recognized on the basis of the business investments realized up to the reporting date, taking into account the currently expected earnings from the activities for which tax credits were awarded.

Due to the utilization of the tax credits granted in Poland, the current tax expense during the reporting year was reduced by €6 million. Taking into account the expected tax income made possible by the future utilization of tax credits in Poland, a value allowance of €3 million was applied for acquired deferred tax assets from tax credits. On this basis, tax credits that have not yet been utilized and for which no deferred tax assets are recognized on the balance sheet amount to €11 million. The tax credits granted but not yet utilized for future taxable income in Poland expire in 2027.

Furthermore, at the reporting date, there were temporary differences amounting to €107 million (previous year: €99 million) for which no deferred tax assets were recognized, in view of the relevant taxable income expectations for the next five years. The resulting tax relief effect of €19 million (previous year: €19 million) was therefore not taken into account in the calculation of the income tax expense.

Serbia

In connection with the establishment and ramp-up of the facility in Serbia, MTU was granted an incentive, including a "tax holiday," based on the amount invested and the creation of new jobs. In the reporting period, this incentive did not meet the requirements for recognition in the balance sheet; accordingly, it had no effect on the Group's deferred taxes and, as such, no tax relief effects for the calculation of income tax.

Deferred tax liabilities for taxable differences arising from investments in subsidiaries and joint ventures

In accordance with IAS 12, no deferred tax liabilities were recognized for temporary differences amounting to €158 million (previous year: €156 million) that arose in connection with investments in subsidiaries and joint ventures because MTU controls the appropriation of profit of those investments at the reporting data, within the scope of joint control if applicable. If, in the future, these differences meet the requirements for recognizing deferred tax liabilities, they would result in a tax liability amounting to €16 million (previous year: €16 million), based on current tax legislation.

IV. Other disclosures

35. Financial risks

In the ordinary course of business, MTU is exposed to credit risks, liquidity risks and market risks. The objective of financial risk management is to minimize the risks arising from operating activities and the resulting financing requirements through the use of selected derivative and non-derivative hedging instruments.

Risks in connection with the procurement, financing and sale of MTU's products and services are described in detail in the management report. In order to counter financial risks, MTU has put in place an integrated risk management system, which is monitored by the Supervisory Board. The principles of this system aim at promptly identifying, analyzing, and communicating risks and taking countermeasures. Market risks, particularly the net exposure from currency risks and commodity price risks derived on the basis of the Group's operational planning across multiple years, are analyzed in respect of their potential impact on the Group's assets, financial position and results of operations and mitigated through the targeted use of derivative financial instruments.

Credit risks

MTU is exposed to credit risks arising from its operating activities in both the OEM and MRO segments. From the perspective of the MTU Group, the risk situation deteriorated further in the reporting period, especially given the geopolitical developments in connection with the Russia-Ukraine war and the Israel-Palestine conflict in the Middle East. The more difficult refinancing conditions led to a reduction in the credit ratings of some customers of direct relevance for MTU and customers of the program consortia in which it has stakes.

In view of the importance of managing credit risks, engine and aircraft financing arrangements to which MTU is a party as a result of its engine program and MRO alliances are managed by a team of sales specialists, supported by advice from the central Legal and Treasury departments. Further details of engine and aircraft financing arrangements can be found in *Note 33. Additional disclosures relating to financial instruments*.

Financing transactions in connection with liquidity management, e.g., time deposits or forward foreign exchange contracts, also expose the Group to a certain degree of credit risk. MTU's internal guidelines therefore stipulate that such transactions may only be entered into centrally by the central Funding & Treasury department, and only with contracting parties with a credit rating of at least investment grade. Counterparty limits are assigned and monitored on the basis of credit rating and company size.

The carrying amounts of the financial assets recognized on the balance sheet, i.e., trade receivables, contract assets, cash and cash equivalents, and other financial assets, plus the amount of financial guarantees and financing commitments, reflect their maximum credit risk. The unsecured portions of financial assets were included in the calculation of the expected credit losses using an impairment matrix. For this purpose, the assets were allocated to groups with credit standings A, B and C, for which the respective credit loss rate was determined using specific, publicly available information (analyst reports, press releases, etc.) and/or credit ratings from international agencies:

Expected credit losses as of Dec. 31, 2025

in € million	Credit standing A	Credit standing B	Credit standing C	Total
Expected credit loss rate	0.07%	1.38%	4.59%	
Gross amount	4,725	390	198	5,312
Expected credit losses	3	5	9	18

Expected credit losses as of Dec. 31, 2024

in € million	Credit standing A	Credit standing B	Credit standing C	Total
Expected credit loss rate	0.07%	1.41%	4.68%	
Gross amount	4,233	203	286	4,722
Expected credit losses	3	3	13	19

In addition, individual value allowances are recognized in cases where credit losses are specifically expected. Further details can be found in *Note 21. Contract assets*. Other than participation in collateralization rights relating to engine and aircraft financing arrangements, there were no material agreements at the reporting date that could reduce the maximum credit loss risk. In relation to its stake in engine consortia, MTU is also subject to additional liability risks on a pro rata basis, particularly in the commercial engine business (part of the OEM business). More details are provided in *Note 37. Contingent liabilities and financial liabilities*.

Market risks

Currency risks

Based on the financial information for the reporting year and the forecasts from the company's multi-year operational plans, more than 85% of MTU's revenue is generated in U.S. dollars, whereby more than 75% of the currency risk arising from the resulting generated income is expected to be hedged naturally through expenditure in U.S. dollars. The remaining expenses are incurred mainly in euros, and to a lesser extent in Canadian dollars and Polish zloty. As standard practice, the Group applies the hedging strategy outlined below for its exposure to U.S. dollar currency risks that are not naturally hedged. With regard to the remaining currency risks, which are not deemed to be material and are not part of the hedging strategy, changes in exchange rates have a direct impact on net income and the cash flow.

Hedging strategy

MTU uses a defined hedging model to hedge defined portions of its expected foreign currency risk from revenue-generating transactions in U.S. dollars (hedged item). The purpose is to minimize the impact of the volatility of the U.S. dollar exchange rate on net income and the cash flow. The forward foreign exchange contracts generally used for this purpose are designated as financial instruments to hedge cash flows from expected sales realized in U.S. dollars. The hedge ratio decreases the longer the hedging horizon is.

An economic hedging relationship exists between the hedged item and the hedging instrument, since the terms of the forward foreign exchange contracts correspond to the terms of the highly probable forecast transactions with regard to the nominal amount and the expected payment date. MTU uses the hypothetical derivative method to measure the effectiveness of the hedge and prospectively compares the changes in fair value of the hedging instrument with the changes in fair value of the hedged items that are attributable to the hedged risk.

Hedge ineffectiveness can arise for a number of reasons:

- when the timing of the cash flows from the hedged item and the hedging instruments differs or the expected amount of cash flows from the hedged item and the hedging instrument changes. MTU considers it unlikely that an effective risk could arise in such cases since only the expected gross revenue volume in U.S. dollars is hedged as a proportion of the underlying transaction through derivatives, and sufficient foreign currency cash inflows are therefore available to service the scope of the hedging instruments concluded on the basis of the planned net U.S. dollar exposure.
- different effects of the counterparty credit risk on the changes in fair value of the hedged item and the hedging instrument.
  MTU believes that this poses a low effective risk because all banks with which MTU enters into hedging transactions and MTU itself must have an investment grade rating. The priced credit risk between MTU and the commercial banks is therefore very low at present and thus immaterial.

Translation differences arising from the translation of financial statements of international subsidiaries into the Group's functional currency and effects from measurement at the closing rate (translations risks) are not included when deriving the hedging volume.

As at December 31, 2025, MTU held open forward foreign exchange contracts with maturities up to April 2029 in a nominal amount of U.S.$3,320 million. This corresponded to holdings of €2,826 million, translated at the closing rate. The fair values of the open forward foreign exchange contracts maturing in and after 2026 increased by €180 million in the reporting period (previous year: decreased by €162 million for maturities in and after 2025). Changes in the value of the hedged item corresponded inversely to those of the hedging instrument, so that the hedging instruments were effective. As at December 31 of the previous year, MTU had hedged cash flows for fiscal years 2025 through 2028 amounting to U.S.$3,620 million (which translates into €3,484 million at the exchange rate prevailing on December 31, 2024).

The forward foreign exchange contracts open at the reporting date had the following maturities:

Cash flow hedges

	Dec. 31, 2025			
	Due in less than 1 year	Due in more than 1 year and less than 2 years	Due in more than 2 years	Total
Forward foreign exchange contracts				
Nominal amounts (in U.S.$ million)	1,940	1,020	360	3,320
Average forward rate (€/U.S.$)	1.13	1.14	1.17	1.14
thereof recognized as				
Financial assets				
Nominal amounts (in U.S.$ million)				2,840
Carrying amounts of the spot component (in € million)				199
Financial liabilities				
Nominal amounts (in U.S.$ million)				480
Carrying amounts of the spot component (in € million)				3

Cash flow hedges

	Dec. 31, 2024			
	Due in less than 1 year	Due in more than 1 year and less than 2 years	Due in more than 2 years	Total
Forward foreign exchange contracts				
Nominal amounts (in U.S.$ million)	1,740	1,280	600	3,620
Average forward rate (€/U.S.$)	1.10	1.11	1.13	1.10
thereof recognized as				
Financial assets				
Nominal amounts (in U.S.$ million)				200
Carrying amounts of the spot component (in € million)				11
Financial liabilities				
Nominal amounts (in U.S.$ million)				3,420
Carrying amounts of the spot component (in € million)				94

As at the reporting date at the end of fiscal year 2025, the following amounts were recognized in equity for financial instruments measured at fair value through other comprehensive income:

Impact of hedging relationships on equity

in € million	Hedge reserves	Hedging costs reserves	Total
Carrying amount as of Jan. 1, 2024	**51**	**–37**	**14**
Changes in fair value of (derivative) financial instruments that are part of hedging	–113	82	–30
Amounts recycled to profit or loss, to revenues or other operating income/expense	–31	–56	–88
Deferred taxes	46	–8	38
Carrying amount as of Jan. 1, 2025	**–46**	**–19**	**–65**
Changes in fair value of (derivative) financial instruments that are part of hedging	83	39	122
Amounts recycled to profit or loss, to revenues or other operating income/expense	143	–68	75
Deferred taxes	–73	9	–63
Carrying amount as of Dec. 31, 2025	**106**	**–39**	**68**

No transactions were hedged in prior periods that are no longer expected to occur.

Currency swaps

In relation to the optimization of liquidity in U.S. dollars, temporary need arose during the reporting year to purchase and sell U.S. dollars, which was achieved by way of short-term currency swaps. Due to the negligible difference between purchase and sales prices, the associated risks were classified as immaterial. As at December 31, 2025, currency swaps with a nominal value of U.S.$278 million were concluded with maturities up to January 2, 2026.

Exchange rate sensitivity analysis

The sensitivity analysis showing the effects of hypothetical changes in exchange rates on net income and equity relates to the foreign currency positions included in the respective balance sheet items at the reporting date. In this context, it is assumed that the volume at the reporting date is representative of the full year.

As at December 31, 2025, significant portions of trade receivables (U.S.$1,561 million), other financial assets (U.S.$1,342 million), refund liabilities (U.S.$3,364 million), program liabilities with financing character (U.S.$316 million), trade payables (U.S.$509 million), lease liabilities (U.S.$226 million) and miscellaneous other financial liabilities (U.S.$98 million) were invoiced in U.S. dollars and were therefore subject to exchange rate fluctuations as at the reporting date. All other non-derivative financial instruments to which hedge accounting is not applied are already denominated in the Group's functional currency (the euro), and are therefore not included in the following exchange rate sensitivity analysis. The equity instruments held by the Group are not of a monetary nature and therefore do not present a currency risk as defined by IFRS 7.

If the exchange rate of the euro to the U.S. dollar at December 31, 2025, or at the prior-year reporting date had been 10% higher or lower, this would have produced the following hypothetical effects on net income and equity, particularly due to the effects of measurement of foreign currency receivables and liabilities on the reporting date:

Exchange rate sensitivity analysis

	2025		2024 [2]	
in € million	-10%	+10%	-10%	+10%
Exchange rate sensitivity (€/U.S.$)				
Closing exchange rate Dec. 31, 2025: 1.1750 (Dec. 31, 2024: 1.0389)	1.06	1.29	0.94	1.14
Net income	**–192**	**157**	**–205**	**168**
Equity [1]	**–161**	**132**	**–200**	**164**

[1] Considering deferred tax effects.
[2] Prior-year figures restated.

Interest rate risks

MTU is exposed to interest rate risks in direct relation to increases in financial liabilities and indirectly in relation to the recognition and measurement of specific financial assets and liabilities in the form of provisions and obligations (e.g. program liabilities, pension provisions). After deducting present values, MTU is in a net debt position in relation to its financial liabilities, as has been the case in previous years. More details are provided in *Note 28. Financial liabilities*.

The interest rates on financial liabilities are currently stipulated in the agreements, while interest income from investing cash and cash equivalents is aligned with the short-term money market indices.

Changes in the market interest rate of non-derivative financial instruments bearing fixed market interest rates have an effect on net income and equity only if these financial instruments are measured at fair value through profit or loss or were classified as such at initial recognition. Consequently, all fixed-interest financial instruments measured at amortized cost have no interest-rate-induced effects on net income and equity that have to be accounted for, apart from future amounts to be charged to net interest income/expense.

In fiscal year 2025, floating-rate financial instruments and financial instruments measured at fair value held at the reporting date were not exposed to any significant interest rate risks. Indirect interest rate risks still have to be taken into account in view of pension obligations and in relation to impairment tests. Additional details on the significance of interest rate risks can be found in *Note 25. Pension provisions, Note 14. Intangible assets & goodwill* and *section I. Accounting policies and principles – Discretionary scope, measurement uncertainties and sensitivity*.

Price risks

There is a general risk of price increases for commodities. This risk is mitigated mainly by procuring goods with corresponding multi-year price agreements and only to a small extent by supplementary derivative financial instruments.

As at December 31, 2025, MTU had entered into nickel forward contracts with credit institutions for a volume of 1,750 metric tons of nickel (previous year: 1,400 metric tons) for the years 2026 through 2027 and contracted fixed prices for nickel of between U.S.$15.1 thousand and U.S.$17.6 thousand per metric ton (previous year: between U.S.$16.1 thousand and U.S.$23.3 thousand per metric ton).

If the market price of nickel on the respective due date is higher than the agreed fixed price, MTU receives a compensation payment from the nickel forward contracts amounting to the difference. If the market price of nickel is lower, MTU is obliged to make a payment from the forward contracts. Hedge accounting within the meaning of IFRS 9 was not applied to these transactions. The change in fair value of €1 million (previous year: €-3 million) arising from these forward commodity purchases is recognized in other financial income/expense. For further information see section II. Notes to the consolidated income statement, *Note 9. Other financial income/expense*.

If the market prices in nickel forward contracts had been 10% higher or lower, net income would have been €2 million (previous year: €1 million) higher or lower.

Liquidity risks

MTU's liquidity risk arises from the potential inability to meet future payment obligations in full due to the insufficient availability of cash and cash equivalents. In order to ensure the solvency and financial flexibility of MTU at all times, credit lines and liquid funds are managed on the basis of multi-year corporate planning and rolling monthly liquidity planning.

To optimize capital costs, liquidity reserves are invested in demand deposits, money market funds and other short-term money market papers. To limit the risk of credit losses, the selected counterparties always have a credit rating of at least investment grade. In addition, MTU has access to a long-term, syndicated credit facility in the amount of €500 million. The liquidity reserves available from credit facilities that have not been drawn down and available cash and cash equivalents support MTU's estimation that the company is adequately prepared in terms of liquidity to ensure solvency in times of business growth and advancement, as well as against a backdrop of multiple crises negatively impacting the macroeconomic environment.

For further information, see *Note 28. Financial liabilities*, and *Note 33. Additional disclosures relating to financial instruments* as well as section *I. Accounting policies and principles – Discretionary scope, measurement uncertainties and sensitivity*.

36. Leases

Group as lessee

The Group has entered into leases for land and buildings, technical equipment and machinery, and operational and office equipment.

The Group primarily acts as lessee in the following cases:

- Real estate leases for production, logistics and office capacities (land and buildings). Some of the underlying contracts include price escalation clauses linked to the consumer price index. The lease terms are between two and 17 years; some leases have renewal options.
- Leasing of vehicles and industrial trucks (operational and office equipment). The underlying leases regularly take into account variable components of the lease rates. The lease terms are between two and five years; some leases have renewal options.
- Engine leasing (operational and office equipment): The underlying leases may take into account variable components of the lease rates. The lease terms are between a few months and 7 years; some leases have renewal options. Engines are provided to MRO customers on the basis of sub-leases.

The tables below show the changes in carrying amounts and depreciation expenses of the right-of-use assets recognized in the balance sheet:

Right-of-use assets 2025

in € million	As of Jan. 1, 2025	Currency translation differences or foreign currency valuation	Additions	Transfers	Disposals	As of Dec. 31, 2025
Purchase cost						
Land, leasehold rights and buildings, including buildings on third-party land	184	–2	16		–8	191
Technical equipment, plant and machinery	2					2
Other equipment, operational and office equipment	195	0	166		–52	309
thereof Leased engines	177		163		–52	288
Total purchase cost	**381**	**–2**	**182**		**–60**	**502**
Depreciation						
Land, leasehold rights and buildings, including buildings on third-party land	–58	1	–15		0	–73
Technical equipment, plant and machinery	–2					–2
Other equipment, operational and office equipment	–83	–0	–63		39	–107
thereof Leased engines	–69		–61		39	–91
Total depreciation	**–143**	**1**	**–78**		**39**	**–182**
Carrying amount	**238**	**–1**	**104**		**–21**	**319**

Right-of-use assets 2024

in € million	As of Jan. 1, 2024	Currency translation differences or foreign currency valuation	Additions	Transfers	Disposals	As of Dec. 31, 2024
Purchase cost						
Land, leasehold rights and buildings, including buildings on third-party land	144	–0	40		–0	184
Technical equipment, plant and machinery	2					2
Other equipment, operational and office equipment	112	0	114		–31	195
thereof Leased engines	96		112		–31	177
Total purchase cost	**258**	**–0**	**154**		**–31**	**381**
Depreciation						
Land, leasehold rights and buildings, including buildings on third-party land	–44	–0	–14			–58
Technical equipment, plant and machinery	–2					–2
Other equipment, operational and office equipment	–50	–0	–49		16	–83
thereof Leased engines	–39		–46		16	–69
Total depreciation	**–97**	**–0**	**–63**		**16**	**–143**
Carrying amount	**161**	**–0**	**92**		**–14**	**238**

In terms of right-of-use assets related to land, leasehold rights and buildings, including buildings on third-party land, additions during the reporting year relate primarily to the lease of a warehouse in Hannover. Outflows result from the adjustment of a leasing agreement at MTU Maintenance Fort Worth, Fort Worth, USA and the utilization of an option to buy a previously leased piece of land and building in Berlin-Brandenburg as of January 1, 2025. The development of right-of-use assets in the area of operational and office equipment is related to the positive business development of MTU's engine leasing business. Further information on this can be found under *Group as lessor* below. The maturity analysis for lease liabilities is presented in *Note 33. Additional disclosures relating to financial instruments*.

Additional information on leases:

in € million	2025	2024
Income		
Income from subleasing right-of-use-assets	125	118
Gains arising from sale and leaseback transactions	1	0
Lease income	**126**	**118**
Expenses		
Depreciation of right-of-use assets	78	63
Impairment losses on right-of-use assets		
Interest expense for lease liabilities	12	8
Short-term lease expense	5	4
Low-value asset lease expense	2	2
Variable lease payment expense not included in the measurement of lease liabilities	55	49
Lease expense	**152**	**126**

In the reporting period, the Group's cash outflows for leases amounted to €168 million (previous year: €130 million). Future cash outflows for amounts not recognized on the balance sheet are presented below in *Note 37. Contingent liabilities and other financial obligations*.

Group as lessor

MTU leases out engines that are owned by the Group as well as engines that are leased by MTU. The leases generally have terms of between a few months and three years. In this context, tailored engine leases are offered by the Group to its customers, especially airlines. The engines are primarily marketed under operating leases. Extension and premature termination options are granted on a case-by-case basis. In principle, MTU protects itself from any cost risks induced by residual values in its leasing business by transferring these risks to the respective lessee through contractual provisions.

The maturity analyses of lease payments are as follows:

Maturity analysis of operating lease payments

in € million	Dec. 31, 2025	Dec. 31, 2024
Expected cash inflows from operating leases		
Less than 1 year	47	39
1 to 2 years	14	9
2 to 3 years	7	1
3 to 4 years	5	1
4 to 5 years	2	1
More than 5 years	0	0
Total	**75**	**50**

Lease revenue of €217 million was earned from operating leases in the reporting period (previous year: €182 million). MTU acts as a lessor primarily through the leasing of engines, which are recognized as technical equipment, operational and office equipment. The corresponding net carrying amounts are €114 million for owned engines (previous year: €80 million) and €125 million for leased right-of-use assets (previous year: €65 million).

37. Contingent liabilities and other financial obligations

Contingent liabilities

The following table contains an overview of the contingent liabilities of the MTU Group on the reporting date for 2025 and the previous year.

Contingent liabilities

in € million	Dec. 31, 2025	Dec. 31, 2024
Bank guarantees	65	58
Guarantees and other contingent liabilities	315	355
Total contingent liabilities	**380**	**414**

Analogously to previous years, bank guarantees and guarantees and other contingent liabilities initially comprise contract fulfillment and customs bonds of a customary amount and guarantees assumed for credit facilities and investment subsidies.

Furthermore, as in the previous year, the item "guarantees and other contingent liabilities" includes the expected value of specific obligations related to legal costs and liability risks arising from arbitration proceedings. MTU would be party to the commitments as part of its participation in commercial engine programs (OEM segment). The materialization of these commitments continues to be assessed as unlikely but still possible as at the reporting date. As in the previous year, no payment commitments resulted in this regard during the reporting year.

Lastly, the item "guarantees and other contingent liabilities" includes possible repayment obligations for public sector grants received in Germany and Serbia insofar as the promoted projects are not completed or not all of the associated conditions are met.

In addition to the reported contingent liabilities, as at the reporting date, there were unutilized financing commitments for equity investments in the form of committed capital contributions or shareholder loans totaling €121 million (previous year: €150 million) as well as commitments to OEM customers relating to shares in sales financing commitments in respect of commercial engine programs (OEM segment). As at the reporting date, the nominal amount of such financing commitments granted was €689 million (previous year: €889 million). MTU treats these commitments as a component of its gross liquidity risk within the meaning of IFRS 7. For further information, please see *Note 33. Additional disclosures relating to financial instruments*.

Other financial obligations

Obligations arising from leases

In the case of both the reporting year and the previous year, there were no leases leading to future cash outflows for which lease liabilities have not yet been recognized because the criteria have not (yet) been met.

Purchase commitments for financial obligations

As at December 31, 2025, purchasing commitments for the purchase of intangible assets amounted to €13 million (previous year: €305 million). The prior-year figure was affected by the agreements concerning the acquisition of MRO license rights for the location in Fort Worth (USA). Further details can be found in *Note 14. Intangible assets and goodwill*. Purchasing commitments for the purchase of property, plant and equipment amounted to €176 million (previous year: €137 million), which is within the normal scope for business, taking expansion investments into account.

38. Related party disclosures

Related companies

Transactions between Group companies and related companies, joint ventures or associates were, without exception, entered into in the normal course of business and, on principle, on an arm's length basis.

Transactions between consolidated companies were eliminated in the consolidated financial statements and are therefore not disclosed separately in this Note.

Business with related companies

During the reporting period, intragroup transactions involving the supply of goods and services were conducted by Group companies as part of their normal operating activities (e.g., development, repairs, assembly, IT support). In the reporting period and the previous year, the following volume of transactions resulting in current receivables and liabilities were entered into on an arm's length basis between related companies that are not consolidated within the scope of normal business activity:

Trade receivables from invoiced and trade payables to related companies

	Trade receivables		Trade payables	
in € million	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024
Associates	640	622	19	23
Joint ventures	79	148	123	109
Subsidiaries accounted for at fair value	4	5	1	0
Total	**724**	**775**	**143**	**132**

The balance sheet items mentioned above explicitly do not take into account the additional accrued assets and liabilities in the form of contract assets and liabilities or refund liabilities.

Income/expense from invoiced deliveries and services from related companies

	Income		Expenses	
in € million	**Dec. 31, 2025**	Dec. 31, 2024	**Dec. 31, 2025**	Dec. 31, 2024
Associates [1]	3,094	2,553	–1,452	–1,190
Joint ventures	564	579	–1,372	–844
Subsidiaries accounted for at fair value	0	4	–16	–41
Total	**3,658**	**3,136**	**–2,840**	**–2,075**

[1] Prior-year value adjusted.

Furthermore, there is a guarantee from MTU Aero Engines AG of €128 million for credit lines of the joint venture EME Aero sp. z o.o. This guarantee is recognized as a contingent liability (guarantees and other contingent liabilities).

In addition, there were unutilized financing commitments to EME Aero sp. z o. o., Ceramic Coating Center S.A.S, Airfoil Services Sdn. Bhd. and AES Aerospace Embedded Solutions GmbH in the form of capital contributions or shareholder loans totaling €121 million (previous year: €150 million). More details are provided in *Note 37. Contingent liabilities and other financial obligations, and Note 28. Financial liabilities*.

List of shareholdings

The list of major shareholdings shows the equity investments of MTU Aero Engines AG, Munich, and the equity of each company as at December 31, 2025:

List of shareholdings

Name and registered office of entity	Shareholding (in %) Dec. 31, 2025
I. Investments in subsidiaries	
3D.aero GmbH, Hamburg, Germany [1]	100.00
eMoSys GmbH, Starnberg, Germany [1]	100.00
MS Engine Leasing LLC, Rocky Hill, USA [3]	75.20
MTU Aero Engines Finance Netherlands B.V., Amsterdam, Netherlands [1]	100.00
MTU Aero Engines Investment Holding GmbH i.G. München, Germany [1]	100.00
MTU Aero Engines North America Inc., Rocky Hill, USA	100.00
MTU Aero Engines Polska sp. z o.o., Jasionka, Poland	100.00
MTU Aero Engines (Shanghai) Ltd., Shanghai, China [1]	100.00
MTU Maintenance Berlin-Brandenburg GmbH, Ludwigsfelde, Germany	100.00
MTU Maintenance Canada Ltd., Delta, Canada	100.00
MTU Maintenance Fort Worth Inc., Grapevine, USA	100.00
MTU Maintenance Hannover GmbH, Langenhagen, Germany	100.00
MTU Maintenance do Brasil LTDA, Cotia, Brazil [1]	100.00
MTU Maintenance Lease Services B.V., Amsterdam, Netherlands	100.00
MTU Maintenance Serbia d.o.o., Nova Pazova, Serbia	100.00
MTU Maintenance Australia Pty. Ltd., Perth, Australia [1]	100.00
MTU Maintenance Service Center Ayutthaya Ltd., Ayutthaya, Thailand [1]	100.00
MTU Maintenance Singapore Pte. Ltd., Singapore [1]	100.00
MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH, Munich, Germany [1]	100.00
II. Investments in associates	
IAE International Aero Engines AG, Zurich, Switzerland	25.25
IAE International Aero Engines LLC, East Hartford, USA	18.00
PW1100G-JM Engine Leasing LLC, East Hartford, USA	18.00
III. Equity investments in joint ventures	
AES Aerospace Embedded Solutions GmbH, Munich, Germany	50.00
Airfoil Services Sdn. Bhd., Kota Damansara, Malaysia	50.00
Ceramic Coating Center SAS, Châtellerault, France	50.00
EME Aero sp.z.o.o., Jasionka, Poland	50.00
EPI Europrop International GmbH, Munich, Germany [2]	28.00
EUMET GmbH, Munich, Germany [2]	50.00
EURA SAS, Bordes, France [2]	50.00
EUROJET Turbo GmbH, Hallbergmoos, Germany [2]	33.00
MTU Maintenance Hong Kong Ltd., Hong Kong, China [2] [3]	50.00
MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China	50.00
MTU Turbomeca Rolls-Royce GmbH, Hallbergmoos, Germany [2]	33.33
MTU Turbomeca Rolls-Royce ITP GmbH, Hallbergmoos, Germany [2]	25.00
Pratt & Whitney Canada Customer Service Centre Europe GmbH, Ludwigsfelde, Germany [3]	50.00
Turbo-Union GmbH, Hallbergmoos [2]	39.98
IV. Other Shares	
GSB - Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen, Germany [2]	0.10

[1] Waiver of inclusion in the consolidated financial statements through full consolidation due to the materiality criterion.
[2] Waiver of updating at equity due to the materiality criterion.
[3] Indirect shareholding.

Non-controlling interests

In the reporting year and previous year, the non-controlling interests relate to the Sumitomo Group's 24.80% share in MS Engine Leasing LLC, Rocky Hill (USA):

Non-controlling interests

in € million	Dec. 31, 2025	Dec. 31, 2024
Percentage of non-controlling interests	**24.80%**	**24.80%**
Non-current assets	241	292
Net assets	**241**	**292**
Net assets of non-controlling interests companies	**61**	**74**
Gains (+)/Losses (-)	45	38
Other comprehensive income	–39	19
Comprehensive income	**6**	**57**
Non-controlling interests assigned profit	**11**	**9**
Non-controlling interests assigned other comprehensive income	**–10**	**5**
Cash flow from operating activities	60	26
Cash flow from financing activities	–59	–37
thereof: dividend for minority-owned companies	12	9

Related persons

Other than the transactions specified in Other related party transactions, no Group companies entered into transactions subject to disclosure requirements with members of the Group's Executive Board or Supervisory Board, or with close members of their families.

Members of the Executive Board

Katja Garcia Vila was appointed as a new member of the Executive Board of MTU Aero Engines AG, Munich, with effect from April 1, 2025. She succeeded Peter Kameritsch as Chief Financial Officer and Chief Information Officer on July 1, 2025 following his departure from the Executive Board on June 30, 2025 with the approval of the Supervisory Board. Dr. Johannes Bussmann was also appointed to the Executive Board with effect from July 15, 2025. He succeeded Lars Wagner as Chief Executive Officer on September 1, 2025 following Mr. Wagner's departure from the Executive Board on August 31, 2025 with the approval of the Supervisory Board. In addition, during the year under review, the Supervisory Board also appointed Dr. Ottmar Pfänder as a new member of the Executive Board with effect from January 1, 2026. He became Chief Program Officer, succeeding Michael Schreyögg who left the Executive Board at the end of December 31, 2025 with the Supervisory Board's approval. As such, the Executive Board comprised the following members as at December 31, 2025:

Members of the Executive Board

Dr. Johannes Bussmann
Chief Executive Officer

Katja Garcia Vila
Chief Financial Officer and Chief Information Officer

Michael Schreyögg
Chief Program Officer

Dr. Silke Maurer
Chief Operating Officer for OEM Operations

Executive Board compensation

Detailed information on the compensation system in place for members of MTU's Executive Board, the breakdown and amounts paid to individual board members, and other compensation-related details are provided in the *management compensation report 2025*.

The members of the Executive Board received total compensation amounting to €19 million (previous year: €18 million) for their work as board members in fiscal year 2025. Total compensation breaks down into the following components:

Compensation of the Executive Board

	2025		2024	
	in € million	**in %**	in € million	in %
Short-term employee benefits	**10**	**53**	**11**	**58**
Long-term employee benefits (Share-based payment benefits)	**5**	**28**	**7**	**37**
Benefits due to termination of employment	**2**	**11**		
Post-employment benefits (IAS 19)	**1**	**8**	**1**	**5**
Total compensation	**19**	**100**	**18**	**100**

Members of the Executive Board did not receive any compensation for board appointments in Group companies. In the reporting period, as in the previous year, no loans or advances were granted to members of the Executive Board. Similarly, as in the previous year, no contingent liabilities were assumed by the company in favor of members of the Executive Board.

Provisions for pensions and entitlements of former Executive Board members were €19 million as at December 31, 2025 (previous year: €22 million).

Total remuneration of the Executive Board in accordance with Section 315e(1) in conjunction with Section 314(1)(6) of the German Commercial Code (HGB) amounted to €15 million (previous year: €14 million) in fiscal year 2025. This total remuneration includes share-based compensation granted for the fiscal year with a value of €5 million (previous year: €3 million) at the time of granting and 14,370 (previous year: 20,708) performance shares. Former members of the Executive Board were granted total remuneration of €3 million (previous year: €1 million).

Compensation of the Supervisory Board members

Detailed information on the compensation system in place for members of MTU's Supervisory Board, the amounts paid to individual board members, and other compensation-related details are provided in the *Management compensation report 2025*.

As in the previous year, members of the Supervisory Board did not receive any additional compensation over and above that received for their appointment to the Supervisory Board of MTU Aero Engines AG, Munich. The compensation amounted to €2 million (previous year: €2 million).

In fiscal year 2025, MTU employees appointed as employee representatives to the Supervisory Board of MTU Aero Engines AG received salaries under their normal employment contracts (excluding Supervisory Board compensation) totaling €1 million (previous year: €1 million). The total amount represents the sum of their respective gross salaries.

In the reporting period, as in the previous year, no loans or advances were granted to members of the Supervisory Board. Similarly, as in the previous year, no contingent liabilities were assumed by the company in favor of members of the Supervisory Board.

V. Segment information

39. Segment reporting

Consolidated segment report

in € million	Commercial and military engine business (OEM segment)		Commercial maintenance business (MRO segment)		Total reportable segments		Consolidation/ reconciliation		MTU Group	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
External revenue	2,837	2,379	5,927	5,032	8,763	7,411			8,763	7,411
Revenue from intersegment sales	85	74	33	35	118	109	–118	–109		
Total revenue	**2,922**	**2,454**	**5,960**	**5,066**	**8,882**	**7,520**	**–118**	**–109**	**8,763**	**7,411**
Adjusted revenue	**2,875**	**2,531**	**5,960**	**5,066**	**8,835**	**7,597**	**–118**	**–109**	**8,717**	**7,488**
Cost of goods sold	–1,758	–1,708	–5,435	–4,581	–7,193	–6,289	118	111	–7,075	–6,178
Gross profit	**1,164**	**745**	**525**	**485**	**1,688**	**1,231**	**–0**	**2**	**1,688**	**1,233**
Amortization of intangible assets	58	55	9	9	68	64			68	64
Depreciation of property, plant and equipment	132	126	164	132	295	258			295	258
Non-cash amortization of acquired program assets and acquired development work	49	125			49	125			49	125
Impairment losses		31	3	1	3	32			3	32
Amortization/value adjustments/depreciation/impairment losses	**239**	**336**	**175**	**142**	**415**	**478**			**415**	**478**
Earnings before interest and taxes (EBIT)	**902**	**517**	**477**	**438**	**1,379**	**955**	**–0**	**–0**	**1,379**	**955**
thereof: special item "effects of purchase price allocation"	18	18	0	0	19	19			19	19
thereof: special item "effects from increase in the stake in IAE-V2500"	26	25			26	25			26	25
thereof: special item "GTF™ fleet management plan"	–73	52			–73	52			–73	52
Adjusted earnings before interest and taxes (adjusted EBIT)	**873**	**612**	**478**	**438**	**1,351**	**1,051**	**–0**	**–0**	**1,351**	**1,050**
Profit/loss of companies accounted for using the equity method	51	40	106	82	156	122			156	122
Carrying amount of companies accounted for using the equity method	292	342	396	385	688	727			688	727

in € million	Commercial and military engine business (OEM segment)		Commercial maintenance business (MRO segment)		Total reportable segments		Consolidation/ reconciliation		MTU Group	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
Assets	**10,686**	**10,684**	**4,429**	**3,866**	**15,115**	**14,550**	**–2,394**	**–2,066**	**12,721**	**12,484**
Liabilities	**7,021**	**7,885**	**3,033**	**2,611**	**10,054**	**10,496**	**–1,708**	**–1,449**	**8,346**	**9,046**
Material other non-cash items	**–89**	**34**	**–18**	**6**	**–106**	**40**	**–1**		**–107**	**40**
Capital expenditure:										
Intangible assets	85	83	161	100	246	183			246	183
Property, plant and equipment	193	263	426	340	619	603		5	619	608
Acquired program assets, development work and other assets	38	53			38	53			38	53
Total capital expenditure	**316**	**398**	**586**	**440**	**903**	**839**		**5**	**903**	**844**
Key segment data:										
Gross margin (in % of revenue)	39.8	30.4	8.8	9.6	19.0	16.4			19.3	16.6
EBIT (in % of revenue)	30.9	21.1	8.0	8.7	15.5	12.7			15.7	12.9
Adjusted EBIT (in % of revenue)	30.4	24.2	8.0	8.7	15.3	13.8			15.5	14.0

MTU reports on two operating segments: the OEM segment (commercial and military engine business) and the MRO segment (commercial maintenance business). Segmentation is based on the internal organizational structure and the corresponding management reporting system, which takes into account the different risk and return structures for both segments.

The key indicator used by management to measure the operating performance of each segment is adjusted earnings before interest and taxes (adjusted EBIT).

Intersegment sales are transacted at arm's length at standard market terms and invoiced in the same way as transactions with external third parties. Companies in the OEM segment generated internal revenue of €85 million with companies in the MRO segment, while companies in the MRO segment generated internal revenue of €33 million with companies in the OEM segment.

The material other non-cash items in the reporting period included profit contributions arising from foreign currency translation.

Commercial and military engine business (OEM segment)

In the commercial and military engine business (OEM segment), the Group develops, manufactures, assembles and delivers commercial and military engines and components. The maintenance, repair and overhaul of military engines is also included in this segment.

Commercial maintenance business (MRO segment)

In the commercial maintenance business, the Group maintains, repairs and overhauls aircraft engines and industrial gas turbines. In addition to complete engine maintenance, the services provided include engine module and parts repairs as well as related services, such as engine leasing.

Profit/loss of companies accounted for using the equity method

The carrying amount and the share in profit/loss of Group companies accounted for using the equity method are included in the consolidated financial statements if these companies can be directly allocated to an operating segment.

Segment assets and segment liabilities

Segment assets comprise all assets that can be directly allocated to specific operating activities and whose positive or negative operating results have an impact on earnings before interest and tax (EBIT/adjusted EBIT). Assets and liabilities are allocated to the operating segment in which they are used to generate business. To determine segment assets, the carrying amounts of subsidiaries and receivables between the segments were consolidated.

The cash and cash equivalents of the German Group companies are managed centrally by the parent company in a cash pooling system. The parent company's operating activities are allocated to the OEM segment, which is why the associated interest income and expense arise mainly in that segment.

Segment capital expenditures

Segment capital expenditures relate to additions to intangible assets, property plant and equipment, acquired program assets and acquired development work.

Capital expenditure on intangible assets & goodwill, property, plant and equipment, acquired program assets and acquired development work

in € million	2025	2024
Germany	404	445
Europe (excluding Germany)	309	291
North America	189	102
Total capital expenditure	**903**	**839**

Approximately 45% (previous year: approximately 53%) of capital expenditure on intangible assets, property, plant and equipment, acquired program assets and acquired development work relates to Group companies in Germany.

Consolidation / reconciliation column

The amounts in the "consolidation/reconciliation" column for (adjusted) consolidated earnings before interest and tax (EBIT/adjusted EBIT) are used to eliminate the effect of intersegment sales.

Segment information by region

External revenue, capital expenditure on intangible assets, property, plant and equipment and non-current assets are divided into the following regions: Germany, Europe (excluding Germany) and North America. Revenue from business with third parties is allocated according to the country where the customer is domiciled. Further details of the segment breakdown by region is presented in *Note 1 Revenue*.

The regional allocation of capital expenditure and non-current assets is based on the location of the respective asset or where it is mainly used.

Non-current assets

in € million	2025	2024
Germany	3,773	3,783
Europe (excluding Germany)	878	723
North America	488	459
Total non-current assets	**5,139**	**4,965**

VI. Events after the reporting date

Following the end of the fiscal year, MTU successfully issued a convertible bond in the amount of €600 million (conversion price €578, term until 2033), the proceeds of which were used to repurchase and redeem the convertible bond of €500 million issued in 2019 (conversion price €378, term until 2027).

Furthermore, the USA and Israel began military operations in Iran after the end of the fiscal year. The effects on global energy markets and supply chains are already becoming apparent. For the aviation industry, the current large-scale grounding of large aircraft fleets in the United Arab Emirates and Qatar is also noteworthy. MTU is monitoring the possible impacts of these critical operations, particularly in relation to its demand levels, supply chains and capacity situation, and is working closely with its business partners to develop countermeasures.

Furthermore, MTU is not aware of any events of material importance that occurred that could have a significant impact on the net assets, financial position and results of operations of the MTU Group as presented in this report.

VII. Determination of the net profit available for distribution on the basis of the annual financial statements

Unlike the consolidated financial statements, which are based on the IFRSs issued by the IASB and endorsed by the EU, the annual financial statements of MTU Aero Engines AG, Munich, are prepared in accordance with the requirements of the German Commercial Code (HGB) and German Stock Corporation Act (AktG).

Income statement of MTU Aero Engines AG (German Commercial Code [HGB])

			Change against previous year (adjusted)	
in € million	2025	2024	in € million	in %
Revenue	**5,256**	**4,424**	**832**	**18.8**
Cost of goods sold	–4,417	–3,904	–513	–13.1
Gross profit	**839**	**520**	**319**	**61.3**
Selling expenses	–116	–99	–17	–17.2
General administrative expenses	–79	–63	–16	–25.4
Other operating profit	154	19	135	>100
Net financial income/expense	474	313	161	51.4
Earnings before tax	**1,272**	**690**	**582**	**84.3**
Tax expense	–317	–196	–121	–61.8
Net profit for the year	**955**	**494**	**461**	**93.3**
Allocation to other retained earnings	–477	–247	–230	–92.9
Net profit available for distribution	**477**	**247**	**230**	**93.3**

Proposed profit distribution

Subject to the approval of the Supervisory Board, a proposal will be made at the Annual General Meeting to use part of the net profit available for distribution to pay a dividend of €3.60 per eligible share (previous year: €2.20) and to transfer the remaining amount to other retained earnings.

In accordance with Section 58 (4) (2) of the German Stock Corporation Act (AktG) as applicable since January 1, 2017, the claim to payment of the dividend is on the third business day following the resolution passed at the Annual General Meeting – and therefore on May 12, 2026.

Company register

The annual financial statements, consolidated financial statements and combined management report of MTU Aero Engines AG, Munich, are published in the company register. Printed copies can be obtained on request from MTU Aero Engines AG, 80995 Munich, Germany.

Declaration of conformity with the German Corporate Governance Code

The declaration of conformity by the Executive Board and Supervisory Board of MTU Aero Engines AG, Munich, pursuant to Section 161 of the German Stock Corporation Act (AktG) is published in the MTU Annual Report 2025 and has also been made permanently available to shareholders on the MTU website at www.mtu.de.

Munich, March 13, 2026

signed
Dr. Johannes Bussmann
Chief Executive Officer

signed
Katja Garcia Vila
Chief Financial Officer and Chief Information Officer

signed
Dr Silke Maurer
Chief Operating Officer

signed
Dr. Ottmar Pfänder
Chief Program Officer

Responsibility statement and Independent Auditor's Report

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Responsibility statement

We hereby affirm that, to the best of our knowledge, the separate annual financial statements of MTU Aero Engines AG and the consolidated financial statements of the MTU Group present a true and fair view of their respective net assets, financial position and results of operations in accordance with the applicable financial reporting standards, and that the combined management report provides a true and fair view of the business performance of the MTU Group and of MTU Aero Engines AG, including the course of business and the business results, and outlines the significant opportunities and risks of the MTU Group's and MTU Aero Engines AG's likely future development.

Munich, March 9, 2026

signed
Dr. Johannes Bussmann
Chief Executive Officer

signed
Katja Garcia Vila
Chief Financial Officer and
Chief Information Officer

signed
Dr. Ottmar Pfänder
Chief Program Officer

signed
Dr. Silke Maurer
Chief Operating Officer

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor's Report

To MTU Aero Engines AG, Munich

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of MTU Aero Engines AG, Munich and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2025, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from January 1 to December 31, 2025, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of MTU Aero Engines AG and the Group for the financial year from January 1 to December 31, 2025.

In accordance with German legal requirements we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

The combined management report includes cross-references that are not provided for by law and are marked as unaudited. We have not audited these cross-references in terms of content or the information to which the cross-references refer in accordance with German statutory provisions.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2025, and of its financial performance for the financial year from January 1 to December 31, 2025, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor´s report. The combined management report includes cross-references, marked as unaudited, that are not provided for by law. Our audit opinion does not cover these cross-references or the information they refer to.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

The amount of revenue from commercial engine business in the OEM segment and the measurement of refund liabilities.

Please refer to section I of the notes to the consolidated financial statements for the accounting principles applied.

Information on the amount of revenue from commercial engine business in the OEM segment and reimbursement liabilities in general can be found in the notes to the consolidated financial statements under II. 1 and III. 31.

RISKS FOR THE FINANCIAL STATEMENTS

Revenue generated in the commercial engine business in the Group's OEM segment amounted to EUR 2.307 million in the 2025 financial year (previous year: EUR 1.842 million). These revenues are generated as part of program partnerships, so-called risk- and revenue-sharing partnerships, with other engine manufacturers. These program partnerships are controlled by other companies (consortium leaders). The main performance obligations relate in particular to the production, assembly and delivery of engine parts and the provision of technology.

In accordance with IFRS 15, the consortium leaders or, in individual cases, specific consortium companies were identified as customers. The basis for the amount of revenue recognized for deliveries and services by the Group is a list price fixed in the consortium agreement. By participating in risk and revenue sharing partnerships, all income and expenses of the program are also allocated to the program participants on a pro rata basis. These constitute variable consideration for the performance obligations or payments to the customer and therefore increase or decrease the amount of revenue. As a rule, they are only finally determined at a later date when the consortium leader delivers the product to its end customers or fulfills the other obligations arising from the contracts with the end customers.

A refund liability within the meaning of IFRS 15 is recognized if the company receives consideration from a customer and expects to refund all or part of this consideration to the customer. A refund liability is measured in the amount of the consideration received that is not expected to be due to the company as at the reporting date. This relates to the above-mentioned variable consideration and payments to the customer. The revenue-reducing accrual is recognized in the refund liabilities, which amounted to EUR 3,083 million as at the reporting date, corresponding to 24.2 % of total assets. The Executive Board's estimates for the amount of variable consideration and payments to customers are complex and discretionary. They are essentially based on the customers' program reports, which are assessed by the Executive Board and adjusted if there are deviating estimates.

There is a risk for the consolidated financial statements that the amount of variable consideration and payments to customers may be inaccurately estimated and thus the sales revenue and the refund liability may be incorrectly calculated or measured.

OUR AUDIT APPROACH

For the audit of revenue recognition, we assessed the design, implementation and effectiveness of selected internal controls with regard to revenue recognition. In addition, we assessed the accounting policy for revenue recognition in the commercial engine business in the OEM segment for compliance with IFRS 15.

On the basis of representatively selected samples, we verified the preliminary revenue recognition upon delivery to the customer by inspecting delivery bills and other underlying documentation. In doing so, we compared the underlying prices with the price lists of the program partnerships.

In addition, we reconciled a representative sample of variable consideration and payments to the customer with the program reports and assessed the valuation methods and significant assumptions and data used in the estimate. We also verified the mathematical accuracy of the calculation. We discussed and evaluated the underlying contracts, agreements and correspondence with the program partners as well as other relevant documentation with the responsible parties. Furthermore, we assessed the quality of the estimates to date by comparing the originally estimated values for variable consideration and payments to the customer with the program reports received.

OUR CONCLUSIONS

The company's approach to recognizing revenue is appropriate. The assumptions and data used to estimate the variable consideration and payments to the customer and therefore the measurement of the refund liability are appropriate.

The cut-off in the recognition of revenues from civil maintenance business in the MRO segment

Please refer to section I of the notes to the consolidated financial statements for information on the accounting policies applied and the assumptions made.

Information on the amount of sales revenue from civil maintenance business in the MRO segment can be found in the notes to the consolidated financial statements under II. 1.

RISKS FOR THE FINANCIAL STATEMENTS

Revenues generated in the civil maintenance business in the Group's MRO segment amounted to EUR 5,960 million in fiscal year 2025 (previous year: EUR 5,066 million). These revenues represent 68% of the Group's total revenues and thus constitute the most significant portion of revenues in quantitative terms.

Revenue in the civil maintenance business in the MRO segment is largely generated from maintenance events for civil aircraft engines as part of so-called shop visits. Contracts for the provision of maintenance services for civil aircraft engines are mostly short-term in nature but are individually structured.

In accordance with IFRS 15, this revenue is recognized over a period of time in line with the respective progress of performance, because customer-controlled assets are modified. The basis for this is the ratio of the costs incurred for the shop visit as of the reporting date to the expected costs of the entire order. Until the test run has been successfully completed, the margin of a shop visit cannot be reliably estimated. For this reason, revenue is only recognized in the amount of the costs incurred up to that point. Billing risks are then provided for via reductions in revenue.

The legal representatives of MTU Aero Engines AG have set out the criteria for revenue recognition in a group-wide accounting policy and implemented processes to ensure correct recognition and deferral.

Due to the large number of different contractual agreements and the associated complexity, there is a risk for the consolidated financial statements that the cut-off for sales revenues for shop visits not yet completed as of the reporting date will be incorrect. In addition, there is a risk that the refund liabilities will be determined incorrectly.

OUR AUDIT APPROACH

To audit revenue recognition, we assessed the design and implementation of selected internal controls relating to the cut-off of revenue. In addition, we reviewed the presentation of revenue recognition in the civil maintenance business in the MRO segment in the Group-wide accounting policy for compliance with IFRS 15 and reviewed revenue recognition in accordance with this for a risk-oriented selection of contracts.

Based on representative samples, we assessed the revenue recognition of completed shop visits close to the reporting date by reviewing contracts, orders, test stand reports, freight documents, and other underlying documentation.

Furthermore, for a representative sample of sales revenues for shop visits for which no test run had yet been performed as of the reporting date, we compared the amount of sales revenues with the underlying costs and the contractual basis.

In addition, we used a risk-based sample of completed shop visits for which no payment had been made by the audit date to verify the correct determination of the provision for sales deductions and assess its appropriateness.

OUR CONCLUSIONS

The company's approach to recognizing revenue in the civil maintenance business in the MRO segment is appropriate.

Other Information

Management respectively supervisory board are responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the Group sustainability report, which includes the combined non-financial statement of the Company and the Group, which is contained in the section "Group non-financial statement" of the combined management report, and
- the combined corporate governance statement of the company and the group included in section "Corporate governance statement" of the combined management report.
- the information contained in the combined management report that is not related to the management report and is marked as unaudited.

The other Information includes also the remaining parts of the annual report. The other Information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the above-mentioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [and supplementary compliance with the ISAs] will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file „MTUKA-2025-12-31.xbri" (SHA256 hash-value: 499de5e45be0a86b5e9b87d72ad2a8036475799b37f344dba944c7cfe6695450) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2025 contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1 (09.2022)).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the annual general meeting on May 8, 2025. We were engaged by the supervisory board on May 30, 2025. We have been the auditor of the MTU Aero Engines AG without interruption since the financial year 2023.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter – Use of the Auditor's Report
Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the examined ESEF documents. The consolidated financial statements and group management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement
The German Public Auditor responsible for the engagement is Johannes Hanshen.

Munich, March 17, 2026

KPMG AG
Wirtschaftsprüfungsgesellschaft
Original German version signed by:

Huber-Straßer	Hanshen
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

Assurance report of the independent German Public Auditor on a limited assurance engagement in relation to the Consolidated Sustainability Statement[1]

To MTU Aero Engines AG, Munich

Assurance Conclusion

We have conducted a limited assurance engagement on the Consolidated Sustainability Statement, included in section "Consolidated Sustainability Statement" of the combined management report, of MTU Aero Engines AG, Munich (hereinafter "Company" or "MTU Aero Engines") for the financial year from 1 January to 31 December 2025. The Consolidated Sustainability Statement was prepared to fulfil the requirements of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 (Corporate Sustainability Reporting Directive, CSRD) and Article 8 of Regulation (EU) 2020/852 applying Delegated Regulation (EU) 2026/73 of the European Commission, adopted on 4 July 2025 as well as Sections 315b and 315c of the HGB [Handelsgesetzbuch: German Commercial Code] for a consolidated non-financial statement and Sections 289b to 289e of the HGB for a non-financial statement of the company.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the accompanying Consolidated Sustainability Statement is not prepared, in all material respects, in accordance with the requirements of the CSRD and Article 8 of Regulation (EU) 2020/852 applying Delegated Regulation (EU) 2026/73 of the European Commission, adopted on 4 July 2025, Sections 315b and 315c HGB for a consolidated non-financial statement, Sections 289b to 289e of the HGB for a non-financial statement of the company and the supplementary criteria presented by the executive directors of the Company. This assurance conclusion includes that nothing has come to our attention that causes us to believe that:

- the accompanying Consolidated Sustainability Statement does not comply, in all material respects, with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the entity to identify information to be included in the Consolidated Sustainability Statement (the materiality assessment) is not, in all material respects, in accordance with the description set out in section "Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1)"of the Consolidated Sustainability Statement, or
- the disclosures in section "Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)" of the Consolidated Sustainability Statement do not comply, in all material respects, with Article 8 of Regulation (EU) 2020/852 applying Delegated Regulation (EU) 2026/73 of the European Commission, adopted on 4 July 2025.

Basis for the Assurance Conclusion

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB).

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under ISAE 3000 (Revised) are further described in the section "German Public Auditor's Responsibilities for the Assurance Engagement on the Consolidated Sustainability Statement".

We are independent of the entity in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Our audit firm has applied the requirements for a system of quality control as set forth in the IDW Quality Management Standard issued by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW): Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)) and International Standard on Quality Management (ISQM) 1 issued by the IAASB. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

[1] Our engagement applied to the German version of the Consolidated Sustainability Statement. This text is a translation of the Assurance report of the independent German Public Auditor issued in the German language, whereas the German text is authoritative.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Sustainability Statement

The executive directors are responsible for the preparation of the Consolidated Sustainability Statement in accordance with the requirements of the CSRD and the applicable German legal and other European requirements as well as with the supplementary criteria presented by the executive directors of the Company and for designing, implementing and maintaining such internal control that they have considered necessary to enable the preparation of a Consolidated Sustainability Statement in accordance with these requirements that is free from material misstatement, whether due to fraud (i.e., fraudulent sustainability reporting in the Consolidated Sustainability Statement) or error.

This responsibility of the executive directors includes establishing and maintaining the materiality assessment process, selecting and applying appropriate reporting policies for preparing the Consolidated Sustainability Statement, as well as making assumptions and estimates and ascertaining forward-looking information for individual sustainability-related disclosures.

The Supervisory Board is responsible for overseeing the process for the preparation of the Consolidated Sustainability Statement.

Inherent Limitations in Preparing the Consolidated Sustainability Statement

The CSRD and the applicable German legal and other European requirements contain wording and terms that are subject to considerable interpretation uncertainties and for which no authoritative, comprehensive interpretations have yet been published. As such wording and terms may be interpreted differently by regulators or courts, the legality of measurements or evaluations of sustainability matters based on these interpretations is uncertain. As further set forth in section „Value chain estimation" of the Consolidated Sustainability Statement, the quantification of the metric Scope 3 CO_2 emissions is also subject to inherent uncertainties due to estimations.

These inherent limitations also affect the assurance engagement on the Consolidated Sustainability Statement.

German Public Auditor's Responsibilities for the Assurance Engagement on the Consolidated Sustainability Statement

Our objective is to express a limited assurance conclusion, based on the assurance engagement we have conducted, on whether any matters have come to our attention that cause us to believe that the Consolidated Sustainability Statement has not been prepared, in all material respects, in accordance with the CSRD, the applicable German legal and other European requirements and the supplementary criteria presented by the company's executive directors, and to issue an assurance report that includes our assurance conclusion on the Consolidated Sustainability Statement.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised), we exercise professional judgment and maintain professional skepticism. We also:

- obtain an understanding of the process used to prepare the Consolidated Sustainability Statement, including the materiality assessment process carried out by the entity to identify the disclosures to be reported in the Consolidated Sustainability Statement.
- identify disclosures where a material misstatement due to fraud or error is likely to arise, design and perform procedures to address these disclosures and obtain limited assurance to support the assurance conclusion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. In addition, the risk of not detecting a material misstatement in information obtained from sources not within the entity's control (value chain information) is ordinarily higher than the risk of not detecting a material misstatement in information obtained from sources within the entity's control, as both the entity's executive directors t and we as practitioners are ordinarily subject to restrictions on direct access to the sources of the value chain information.
- consider the forward-looking information, including the appropriateness of the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the forward-looking information.

Summary of the Procedures Performed by the German Public Auditor

A limited assurance engagement involves the performance of procedures to obtain evidence about the sustainability information. The nature, timing and extent of the selected procedures are subject to our professional judgment.

In performing our limited assurance engagement, we:

- evaluated the suitability of the criteria as a whole presented by the executive directors in the Consolidated Sustainability Statement
- inquired of the executive directors and relevant employees involved in the preparation of the Consolidated Sustainability Statement about the preparation process, including the materiality assessment process carried out by the entity to identify the disclosures to be reported in the Consolidated Sustainability Statement, and about the internal controls relating to this process
- evaluated the reporting policies used by the executive directors to prepare the Consolidated Sustainability Statement
- evaluated the reasonableness of the estimates and related information provided by the executive directors. If, in accordance with the ESRS, the executive directors estimate the value chain information to be reported for a case in which the executive directors are unable to obtain the information from the value chain despite making reasonable efforts, our assurance engagement is limited to evaluating whether the executive directors have undertaken these estimates in accordance with the ESRS and assessing the reasonableness of these estimates, but does not include identifying information in the value chain that the executive directors were unable to obtain
- performed analytical procedures and made inquiries in relation to selected information in the Consolidated Sustainability Statement
- conducted site visits at selected sites
- considered the presentation of the information in the Consolidated Sustainability Statement
- considered the process for identifying taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Statement.

Restriction of Use/Clause on General Engagement Terms

This assurance report is solely addressed to MTU Aero Engines AG Munich.

The engagement, in the performance of which we have provided the services described above on behalf of MTU Aero Engines AG, was carried out on the basis of the General Engagement Terms for Wirtschaftsprüferinnen, Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüferinnen, Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) dated as of 1 January 2024 (www. kpmg.de/AAB_2024). By taking note of and using the information as contained in our report each recipient confirms to have taken note of the terms and conditions stipulated in the aforementioned General Engagement Terms (including the liability limitations to EUR 4 million specified in item No. 9 included therein) and acknowledges their validity in relation to us.

Munich, 17 March 2026

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Hanshen	Vogl
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Additional information

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Glossary of engine terms

Claire technology agenda
Clean Air Engine (Claire) is MTU's technology agenda. It formulates possible solutions and potential for sustainable commercial engines as part of the shift to emission-free flying. The aim of these endeavors is to reduce the climate impact, in other words, CO_2 and NOX emissions and condensation trails. Reducing energy consumption is also important. The focus is on evolutionary development of gas turbine technology based on the Geared Turbofan and completely new, revolutionary propulsion concepts. Sustainable aviation fuels (SAFs) and hydrogen play a key role.

Compressor
The task of the compressor is to ingest air and compress it before it is fed into the combustor. Compressors consist of bladed disks (rotors) that rotate at very high speed between stationary guide vanes (stators). In order to achieve a compression ratio of over 40:1, which is standard in all modern two-shaft engines, it is necessary to use multi-stage low-pressure and high-pressure compressors rotating at different speeds on dual concentric shafts. These are driven by the corresponding turbines.

Fan
The first rotor of the low-pressure compressor is called the fan. It accelerates the bypass stream flowing aftward and provides the engine's main thrust. It is driven by the low-pressure turbine via the low-pressure shaft.

Flying Fuel Cell™
Revolutionary new propulsion concepts are needed to meet the ambitious targets of the Paris Agreement on Climate Change. MTU is driving forward a revolutionary concept of this type for the fullest possible electrification of the powertrain. The company considers that converting liquid hydrogen into water with the aid of a fuel cell has the greatest potential. This concept is known as the Flying Fuel Cell™ or FFC for short. The FFC would initially be used for short regional flights. It has the potential to reduce climate impact by 95 percent to almost zero, making it almost emission-free. The only emission is water. Improved efficiency should also allow the FFC to be used on short- and medium-haul flights from 2050, which would further reduce the climate impact of commercial aviation.

Geared Turbofan™
What sets the Geared Turbofan™ propulsion system apart is that it features a reduction gearbox between the fan and low-pressure shaft on which the low-pressure compressor and low-pressure turbine that drives the fan are seated. The gearbox allows the fan with its large diameter to rotate more slowly and, at the same time, the low-pressure compressor and turbine to rotate much faster. This enables lower fan pressure ratios and therefore higher bypass ratios to be achieved so the individual components can operate at their respective optimum speeds. As a result, the efficiency of the Geared Turbofan is greatly boosted. Therefore, fuel consumption as well as carbon dioxide and noise emissions are significantly reduced. The propulsion system is moreover lighter than a conventional engine owing to the reduced compressor and turbine stage count. In addition, the maintenance costs are lower.

Industrial gas turbines
The operating principle of an industrial gas turbine is essentially the same as that of an aero engine. However, instead of the customary low-pressure turbine used in aircraft, industrial gas turbines have a power turbine. This turbine delivers the power, either directly or via a gear unit, to an additional attached power unit such as a pump or generator. Nearly all industrial gas turbines of the lower and intermediate power classes are aero-engine derivatives.

MRO business
MRO stands for maintenance, repair and overhaul. At MTU, the term "MRO business" is also used more specifically to designate one of the company's operating segments, where it refers to maintenance services for commercial engines, or commercial MRO.

OEM business
OEM stands for original equipment manufacturer. At MTU, the term "OEM business" is used to designate one of the company's operating segments, where it refers to the development, manufacture and assembly of (new) commercial and military engines. Spare parts for (in-service) commercial and military engines and maintenance services for military engines are also included in this operating segment.

Risk- and revenue-sharing partnership
In a risk- and revenue-sharing partnership, each partner contributes a certain share of the resources needed for a specific engine program (work capacity and funding), thus bearing part of the risk. In return, each partner is entitled to a corresponding percentage of the overall sales revenue from that program.

Subsystem
A complete aircraft engine is made up of a number of subsystems. These include the high-pressure and low-pressure compressors, the combustor, the high-pressure and low-pressure turbines and the engine control system.

Thrust class
Jet engines are generally grouped into three thrust classes: engines with a thrust of between 2,500 and around 20,000 pounds (roughly 10 to 90 kN), mainly used to power business and regional jets; engines with a thrust of between 20,000 and approximately 50,000 pounds (roughly 90 to 225 kN), used to power medium-haul aircraft; and engines with a thrust ranging from 50,000 to over 100,000 pounds (roughly 225 to 450 kN), used to power long-haul aircraft.

Turbine
In a turbine, the energy contained in the gases emerging from the combustor is converted into mechanical energy. Like the compressor, the turbine is subdivided into a high-pressure and a low-pressure section, each of which is directly connected to the corresponding compressor via the respective shaft. The turbine has to withstand much higher stresses than the compressor, as it has to deal not only with the high gas temperatures but also with extreme centrifugal forces of several tons acting on the outer rim of its disks.

Turbine center frame
The turbine center frame connects the high-pressure to the low-pressure turbine. It has to be able to withstand high mechanical and thermal loads. The center frame includes struts, clad with an aerodynamic fairing, to support the shaft bearings and the air and oil supply lines.

Turbofan engine
The turbofan is an advancement of the turbojet principle, the main difference being its enlarged first compressor stage, the fan. While in turbojet engines all of the ingested air flows consecutively through the compressor, the combustor and the turbine, turbofans separate the air stream behind the fan. Part of the air flows through further compressor stages to the combustor and then the turbine, flowing through the core engine. The rest, however – which constitutes a much larger fraction – is channeled around the inner components, providing the engine's main thrust. The ratio between these two airflows is known as the bypass ratio. The greater the bypass ratio, the more economical, environmentally compatible and silent the engine.

Turboprop engine
The most noticeable external feature of a turboprop is its propeller. Inside, however, the engine differs only slightly from the turbojet and the turbofan. The turbine is larger and drives not only the compressor but also the propeller, the latter via a gear unit. Consequently, more energy has to be drawn from the exhaust gas stream in the turbine of a turboprop than in other engine types. Over 90% of the energy is required for the compressor and the propeller. Turboprop airplanes can achieve flight speeds of up to 800 km/h. They are thus slower than turbojet or turbofan airplanes, but they do have the advantage of consuming far less fuel. This predestines them for use in roles where speed is less important, such as on short-haul routes or for air freight.

Turboshaft engine
Turboshaft engines are used in helicopters and are similar to turboprops.

Overview of engines

Commercial Engines

Development/ Manufacturing	Widebody jets	Narrowbody / regional jets	Business jets
	CF6	JT8D-200	PW300
	GE9X	GTF™ engine family	PW500
	GEnx	PW2000	PW800
	GP7000	V2500	
	PW4000		

Maintenance	Widebody jets	Narrowbody / regional jets	Business jets
	CF6-80C2[1]	CF34-8/-10E	PW300
	GE90-110B/-115B	CFM56-5B/-7B	PW500
	GE9X – TCF MRO (planned)	GTF™ engine family	PW800
	GEnx – TCF MRO	LEAP-1A/-1B	
	GP7000 – LPT MRO	PW2000	
		V2500-A5 [1]	

	Helicopters		
	PW200		

Military Engines

Development/ Manufacturing	Fighter jets	Helicopters	Transporters
	EJ200	MTR390	TP400-D6
	F110	T408	
	F414	T64	
	Larzac 04		
	RB199		

Maintenance[2]	Fighter jets	Helicopters	Transporters
		T64	TP400-D6

Maintenance within the scope of the cooperation with Germany's armed forces	Fighter jets	Helicopters	Transporters
	EJ200	MTR390	
	RB199		

[1] incl. military applications: F138 and V2500-E5.
[2] Maintenance conducted by MTU Aero Engines.
LPT = low-pressure turbine, TCF = turbine center frame.

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Financial calendar

April 30, 2026	Quarterly Statement as of March 31, 2026
	Conference calls with journalists, analysts and investors
May 7, 2026	Annual General Meeting
July 30, 2026	Interim report as of June 30, 2026
	Conference calls with journalists, analysts and investors
October 29, 2026	Quarterly Statement as of September 30, 2026
	Conference calls with journalists, analysts and investors

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The annual report follows the rules for the use of inclusive language at MTU.

This annual report of MTU Aero Engines AG is also available in German. It can be found as a PDF in German and English on the MTU website.

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