



*Convenience translation
The German version is decisive*

Annual General Meeting

**MTU Aero Engines Holding AG
on
22. April 2010**

Agenda item 12: Resolution on the Approval of the Compensation System for Members of the Board of Management

The regulatory framework conditions for the compensation of board members of German listed companies have been fundamentally changed by the German Act on the Reasonableness of the Compensation of Board Members ("*Gesetz zur Angemessenheit der Vorstandsvergütung - VorstAG*"), which entered into force on 5 August 2009, and the amended German Corporate Governance Code ("*Deutsche Corporate Governance Kodex - DCGK*") of 18 June 2009. Accordingly the compensation must, inter alia, be aligned even more with the sustainable success of the business. Furthermore, the opportunity for the General Meeting to vote on the approval of the compensation system for the members of the Board of Management has been enshrined in the German Stock Corporation Act ("*AktG*").

The compensation system for the board members of MTU Aero Engines Holding AG has been revised in accordance with the new regulatory requirements and will be introduced in the period up until 1 January 2011. The Supervisory Board proposes that the new system for the Board of Management's compensation explained below be approved in accordance with Paragraph 120(4) German Stock Corporation Act ("*AktG*"):

The Compensation System

The plenary Supervisory Board stipulates a reasonable compensation for the individual members of the Board of Management.

The duties and performance of the board member, the company's situation and customary practice defined by a comparison with the M-Dax and according to industry sector, size and country as well as the internal compensation structure form the reasonableness criteria.

The compensation of the members of the Board of Management comprises both fixed and variable components. The compensation is structured according to basic salary, annual performance-related compensation and long-term compensation split

40:30:30. The variable components are in principle based on the company's and the Board of Management's performance over several years and are therefore aligned with the sustainable success of the business.

The new compensation system is structured as follows:

- **Basic Compensation**

An annual fixed basic compensation is granted, which is non-performance-related and is paid out in monthly instalments and constitutes the fixed compensation component.

- **Short-Term Variable Compensation**

A short-term variable compensation is granted in addition. The statutory requirement of, in principle, calculating this compensation component on the basis of multiple years is met by withholding one-half of the bonus sum achieved. One-half of the sum withheld is intended to be paid out in each of the two subsequent years; however, the actual amount depends on the achievement of the respective targets in said two subsequent years. The value of the withheld portions therefore depends entirely on the company's success in the subsequent years - with the risk that the sums may be lost completely as well as with the opportunity that they will increase in the event that performance is very good.

The amount of the short-term variable compensation depends on the level to which two performance targets are achieved and on individual performance. The performance targets are EBIT and free cash flow and are weighted equally. The values to be achieved for a 100% payout of the target compensation are stipulated annually in advance by the Supervisory Board taking into account the annual planning.

In addition an entry threshold of 30% below the target value is laid down for each performance target, which entry threshold corresponds to a 50 % target achievement. Below said entry threshold there is no right to any short-term variable compensation. Likewise the maximum level of target achievement of 180 % is fixed at 15 % above the target value for each of the two performance targets. The level of target achievement is interpolated linearly between the threshold value and the maximum value.

The Supervisory Board takes into account the individual performance of the respective board member by being able to adjust the target achievement values for the two performance targets with a factor of between 0.8 and 1.2 depending on the personal performance determined by the Supervisory Board.

The method of adjusting and paying out withheld compensation components remains unchanged even in the event that a board member leaves before the last payout.

- **Long-Term Variable Compensation**

The board members of MTU Aero Engines Holding AG also have a right to a reasonable long-term compensation. The long-term compensation system comprises a virtual Performance Share Plan with a four-year performance period and an optional subsequent Share Matching Plan with a three-year holding period.

The Supervisory Board resolves how much long-term compensation is to be granted if the targets are achieved. From this, and from the average share price of the shares in MTU Aero Engines Holding AG over the last 30 trading days before the beginning of the performance period, a corresponding number of virtual shares is deduced. At the beginning of the plan each member of the Board of Management is provisionally promised said number of virtual shares, which corresponds to said member's individual target compensation. After a four-year performance period has expired the number of virtual shares actually attained is determined by the return on shares (Total Shareholder Return, TSR) of the MTU share compared with the other values of the MDAX. The relevant criteria is the rank attained by the MTU-TSR compared with the TSR values of the other MDAX companies at the end of the performance period. In this connection an entry threshold of rank 45 is laid down, at which 25 % of the stipulated number of virtual shares is attained. Below said threshold there is no claim to any virtual shares. Attainment of rank 25 corresponds to a claim of 100 %. The amount of the claim is limited to 150 % in the event that rank 5 or above is attained. In the areas in between, the level of target achievement is in each case interpolated linearly. The payout is made in cash and is the product of the number of virtual shares obtained and the average share price of the shares in MTU Aero Engines Holding AG over the last 30 trading days before the end of the performance period. The maximum payout is limited to 300 % of the individual long-term target compensation.

The board members can invest the sum to be paid out after the deduction of tax in shares in MTU Aero Engines Holding AG, which must then be held for a further period of three years. At the end of the holding period the shares are then matched on the basis of a Share Matching Plan under which the board member is allocated an additional MTU share for every 3 MTU shares held.

If the board member leaves before the end of the scheduled four-year term of a Performance Share Plan, the number of virtual shares actually attained according to the MTU share's TSR rank attained up until the effective date of departure compared with the other MDAX companies is calculated and the correspondingly evaluated virtual shares are paid out in cash.

- **Company Pension**

The members of the Board of Management of MTU Aero Engines Holding AG have a right to a reasonable pension. The pension commitment based on final salary, which has been granted to date, has been transferred to a contribution-based system. As a result, the members of the Board of Management receive an annual contribution towards the company pension scheme that has been agreed

in their contract for services. This has significantly increased the calculability and transparency of the commitment. The contributions to the company pension scheme bear interest analogously to the MTU Pension Plan for Management ("*MTU Pensionsplan für Führungskräfte*"). It provides for a regular pension age of 60. At the beneficiary's option, payment out is made either as a one-off payment, in instalments or as the payment of an annuity.

- **Fringe Benefits**

The members of the Board of Management of MTU Aero Engines Holding AG also have a right to the following fringe benefits.

- o Company car for business and personal use
- o Accident and invalidity insurance
- o Liability insurance for economic loss (D&O insurance); each member of the Board of Management is subject to a deductible (excess) of 10 % of the loss up to a maximum of one-and-a-half times the board member's fixed annual compensation.

- **Severance Payments in the event of Early Termination of a Board Member's Services / Change-of-Control**

Payments for early termination of a board member's services without good cause are limited to a maximum of twice the board member's annual compensation and do not exceed the compensation provided for the remaining term of the board member's contract (Severance Payment Cap). In the event of a change of control the severance payments are limited to 150 % of the Severance Payment Cap.

Munich, March 2010