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Annual General Meeting

MTU Aero Engines AG

on

21 April 2021

Further information on agenda item 7: Approval of the compensation system for the Executive Board

A. Principles of the compensation system for the Executive Board

The corporate strategy of MTU Aero Engines AG (MTU) is geared to profitable growth and customer satisfaction. MTU's growth strategy is aimed at four target areas.

- A balanced product portfolio – Participation in rapidly growing new programs
- Cutting-edge technologies – Maintaining and expanding technological leadership
- Enhanced competitiveness – Increased productivity accompanied by a reduction in capital tie-up
- Innovative corporate culture – Motivated employees in a creative environment

MTU optimizes its risk profile as well as growth opportunities by means of a balanced product portfolio achieved through participation in rapidly growing new programs. The digitalization of products, services and value creation processes is of growing importance, which is why maintaining and expanding MTU's technological leadership is of fundamental relevance. MTU encourages a culture of continuous improvement in order to secure its competitiveness. The focus here is on optimizing structures, processes and capital tie-up in all areas of the Company. Digitalization and automation technologies (Industry 4.0) play a key role here. MTU regards responsible economic activity as an important criterion of its competitiveness, and acts in harmony with its sustainability strategy. Highly motivated, skilled workers are crucial to the successful growth of the MTU Group. MTU's corporate culture places emphasis on personal development and achievement coupled with a strong sense of social responsibility. The Company promotes cultural and individual diversity, flexible working conditions and high-quality basic and further training opportunities for its workforce. MTU is confident that activities with a long-term focus, targeted investments and continuous development of the corporate culture will enable it to achieve its strategic objectives.

The compensation system for the Executive Board of MTU represents an important control element geared to ensure that corporate governance is optimally aligned with the long-term interests of the Company and its investors. The performance criteria of the compensation system are derived from MTU's value-driving key performance indicators and are reflected in the

compensation system as adjusted EBIT and free cash flow. In this way, incentives are set to implement MTU's growth strategy and the compensation of the Executive Board is thus oriented toward the Company's positive and sustainable development. Accordingly, the Executive Board compensation takes into account an appropriate composition of non-performance-related and performance-related components, particularly with a long-term incentive effect. The Executive Board compensation system is thus aligned with the market and has been revised in its current version as of fiscal year 2021.

The Supervisory Board is guided by the following principles in structuring the Executive Board compensation system:

- **Strategic aspect:** Considering ambitious and long-term performance criteria as part of the performance-related compensation components with reference to MTU's corporate strategy, thus providing an incentive to achieve strategically important goals
- **Pay-for-performance:** Ensuring an adequate and ambitious link between performance and compensation.
- **Sustainability and long-term focus:** Promoting the sustainable and long-term development of MTU through predominantly share-based and long-term performance-related compensation as well as consideration of non-financial sustainability targets (environment, social, governance – ESG)
- **Harmonization of interests:** Aligning the interests of the Executive Board with those of shareholders through relative measurement of performance
- **Conformity:** Considering regulatory requirements as well as market practice of relevant peer-group companies
- **Appropriateness:** Ensuring that the compensation of Executive Board members is appropriate in relation to their duties and performance and to MTU's position, and taking into account the compensation and employment conditions of the employees

B. Procedure for determining, implementing, and reviewing the compensation system

At the proposal of the Personnel Committee, which is independent within the meaning of the German Corporate Governance Code (GCGC), the Supervisory Board of MTU Aero Engines AG decides on a system of compensation for the members of the Executive Board. The compensation system resolved by the Supervisory Board is submitted to the Annual General Meeting for approval. If the compensation system is not approved by the Annual General Meeting, the Supervisory Board will present a revised compensation system for approval at the next Annual General Meeting.

The structure of the compensation system for the Executive Board is regularly reviewed by the Personnel Committee to identify any need for adjustment. If there is a need for change, the Personnel Committee submits proposals for adjustment to the Supervisory Board. In the event of significant changes, but at least every four years, the compensation system is again submitted to the Annual General Meeting for approval.

The Supervisory Board determines the specific compensation of the Executive Board members for each fiscal year in accordance with the compensation system submitted to the Annual General Meeting. Furthermore, for the upcoming fiscal year, the Supervisory Board defines the target values for the performance criteria incorporated into the compensation system in order to measure the performance of the Executive Board.

B.1 Appropriateness of Executive Board compensation

When determining the compensation of the members of the Executive Board, the Supervisory Board ensures, in accordance with Section 87 (1) German Stock Corporation Act (AktG), that the compensation is appropriate in relation to the duties and performance of the respective Executive Board member as well as with the position of the Company and the success and future prospects of MTU. It also ensures that the customary compensation is not exceeded without good cause.

The Personnel Committee reviews the appropriateness and alignment with the market of the Executive Board compensation at regular intervals. To this end, benchmarking is conducted with DAX and MDAX companies with the support of an independent compensation expert (horizontal comparison).

In addition, the terms and conditions of employment for employees are taken into account when determining compensation, and a vertical comparison is made which examines MTU's internal compensation structure. For this purpose, the compensation of the Executive Board is compared with that of tier 1 managers (OFK), of tier 2 managers (FK) and of employees covered by the collective wage agreement, and the status quo and the development of these ratios over time are examined.

B.2 Measures to avoid and deal with conflicts of interest

The recommendations of the GCGC and the Supervisory Board's rules of procedure are observed when dealing with conflicts of interest. Each member of the Supervisory Board shall disclose conflicts of interest to the Supervisory Board for the attention of the Chairman. If the conflict of interests is material and not merely temporary, the Supervisory Board member shall resign from office. When reporting to the Annual General Meeting, the Supervisory Board shall provide information on the conflicts of interests that arose and how they were handled.

C. Overview of the Executive Board compensation system

C.1 Components of the compensation system

The following table shows the basic components of the compensation system.

Overview of the compensation components		
	Fixed compensation	Fixed, contractually agreed compensation, paid out in twelve equal installments
Non-performance-related components	Fringe benefits	<ul style="list-style-type: none"> – Taxable reimbursements of expenses – Cash equivalents of payments in kind – Insurance premiums – In exceptional cases: Payment of forfeited compensation from the previous employer
	Pension benefits	As of January 1, 2021, newly appointed Executive Board members receive an annual cash payment in lieu of pension contributions for their own provision instead of a defined benefit commitment to a company pension plan
Performance-related components	Short-term incentive (STI)	Financial performance criteria: <ul style="list-style-type: none"> – Adjusted EBIT – Free cash flow Capped at 0 - 200% Non-financial ESG targets taken into account via multiplier (0.8 - 1.2)
	Restricted Stock Plan (RSP)	Performance period: 3 years Financial performance criteria: <ul style="list-style-type: none"> – Adjusted EBIT – Relative total shareholder return Capped at 0 - 200% Granted as MTU shares (vesting period of 4 years)
Additional compensation provisions	Maximum compensation	Limitation of total remuneration awarded for a fiscal year in accordance with Section 87a (1) sentence 2 no.1 AktG: <ul style="list-style-type: none"> – CEO: €5.5 million – Ordinary Board members: €3.0 million
	Shareholding requirement	Obligation to hold MTU shares amounting to 300% (CEO) or 200% (Ordinary Board members) of the fixed compensation (gross) until two years after the end of the Board member's term of office
	Malus and clawback provisions	Possibility for the Supervisory Board to partially or fully reduce or reclaim performance-related compensation components in the event of serious violations or incorrect consolidated financial statements
	Severance payment cap	Payments in the event of premature contract termination, including in the event of a change of control, may not exceed two years' compensation and may not compensate for more than the remaining term of the contract

C.2 Compensation components and structure

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

The non-performance-related components comprise fixed compensation, fringe benefits and pension benefits. The performance-related components consist of short-term variable compensation in the form of the short-term incentive (STI) and long-term variable compensation in the form of a Restricted Stock Plan (RSP).

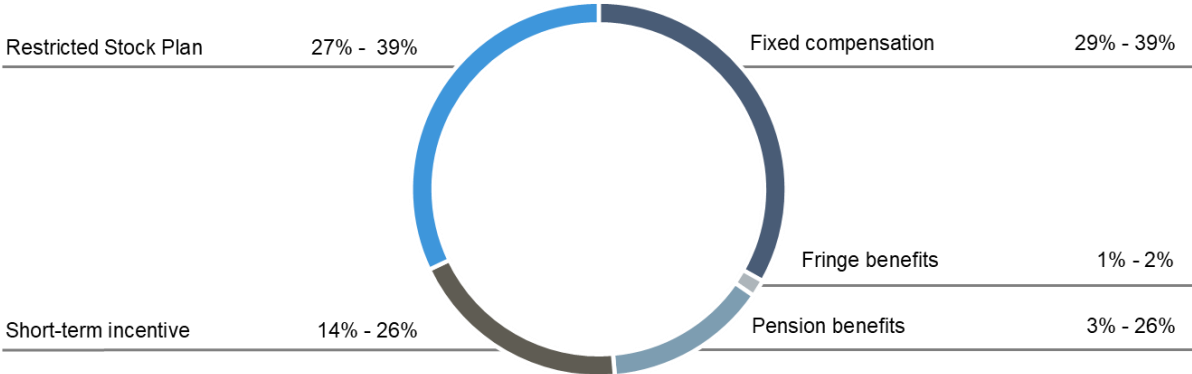
The sum of the fixed compensation, the STI target amount and the RSP grant value constitutes the target direct compensation of the Executive Board members. To reinforce the pay-for-performance concept of the compensation system, the target direct compensation consists mainly

of performance-related components. In addition, the majority of the performance-related components are linked to the achievement of long-term targets. As a consequence, the structure of the target direct compensation is geared to the long-term and sustainable development of the Company.

The sum of total direct compensation, fringe benefits and pension benefits constitutes the total target compensation of the Executive Board members. The share of fixed compensation in total target compensation is between 29% and 39%. The short-term variable compensation accounts for around 40% of the performance-related components and contributes between 14% and 26% to the total target compensation. Long-term variable compensation, which makes up around 60% of the performance-related components, accounts for 27% to 39% of total target compensation.

The share of fringe benefits regularly ranges from 1% to 2% of total target compensation. Pension benefits make up between 3% and 26% of total target compensation. If a member of the Executive Board receives a payment as compensation for the loss of compensation entitlements from their previous employer in connection with his or her initial appointment, the proportions of the individual components may differ slightly.

Structure of the total target compensation



C.3 Maximum compensation

In accordance with Section 87a (1) sentence 2 no. 1 German Stock Corporation Act (AktG), the Supervisory Board has set a maximum compensation for each Executive Board member that includes all fixed and variable components (fixed compensation, fringe benefits, pension, short-term incentive and Restricted Stock Plan). The maximum compensation limits the total amount of compensation awarded for a given fiscal year, regardless of the payout date. This amounts to €5.5 million for the CEO and €3.0 million for Ordinary Board members.

D. Detailed analysis of the individual compensation components

D.1 Non-performance-related components

Non-performance-related compensation consists of fixed compensation, fringe benefits and pension benefits.

D.1.1 Fixed compensation

Fixed compensation is a fixed, contractually agreed compensation that is paid in twelve equal installments.

D.1.2 Fringe benefits

Fringe benefits comprise taxable reimbursements of expenses and the cash equivalent of payments in kind, such as the use of a company car for business and private purposes, an annual medical check-up, and insurance premiums, including any taxes on such benefits that have been reimbursed. Insurance premiums include premiums for a D&O insurance policy concluded for the Executive Board members with a deductible of 10% of the damage for up to an amount of 1.5 times the annual fixed compensation.

If a member of the Executive Board loses compensation claims against his or her previous employer as a result of changing to MTU, the Supervisory Board may, in exceptional cases, grant compensatory payments to members of the Executive Board appointed for the first time in an appropriate manner that is in line with the market. This is intended to ensure that the best possible candidates can be recruited for MTU. A one-time compensatory payment of this kind is disclosed separately and justified in the compensation report.

D.1.3 Pension benefits

Executive Board members appointed to the Executive Board prior to December 31, 2020 receive a defined benefit commitment. The members of the Executive Board earn Company pension entitlements in accordance with the "MTU Pension Capital" plan that governs post-employment benefits for members of the Executive Board of MTU Aero Engines AG. The benefit target is to provide a pension amounting to 60% of the defined fixed compensation after 15 years of service on the Executive Board.

An initial transfer amount was determined to replace the vested benefits from the previous commitment earned up to December 31, 2009. This initial transfer amount was paid into a pension account, to which additional 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. The contribution period is normally limited to 15 years of service on the Executive Board and ends at the age of 60. From the age of 61, the pension account earns interest at 4% p.a. until the pension is drawn. The amounts resulting from this interest calculation constitute the bonus amount. The total of 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 a member of the Executive Board dies before reaching the 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. When an insured event occurs, the pension capital is generally granted as a one-time payment. However, at the request of the Executive Board member and subject to the Group's approval, the balance accumulated on the pension account may either be drawn as capital in ten installments (with a 4% increase in the balance accumulated) or as life annuity with annual increments of 1%. When an insured event occurs, the pension account is topped up to the level of benefit commitment under the previous plan (guaranteed capital). Pension benefits do not become payable until an insured event occurs (i.e., on reaching pensionable age, or in the event of disability or death), even if the insured party leaves the Executive Board. The pension entitlement is vested from inception.

Under the rules of January 1, 2010, if a member of the Executive Board becomes disabled before reaching the age of 60, 50% of the benefits earnable up to the maximum age limit are added to the balance on the pension account from the time of disablement. The amount credited is based on the contribution paid at the time of exit.

Executive Board members newly appointed to the Executive Board as of January 1, 2021 receive a cash payment in lieu of pension contributions as a lump-sum, earmarked amount paid out annually for their own pension provision. This allows the Executive Board members to take

responsibility for their own pension provision at their own discretion. By awarding a cash payment in lieu of pension contributions, MTU eliminates all interest rate risks and other biometric risks associated with financing a pension plan.

D.2 Performance-related components

Performance-related compensation consists of a short-term incentive (STI) and the Restricted Stock Plan (RSP).

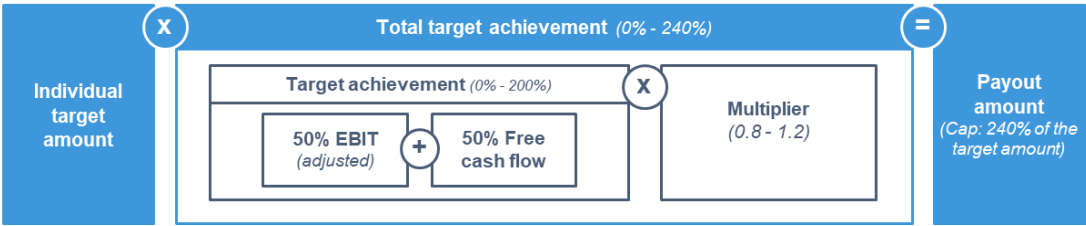
D.2.1 Short-term incentive (STI)

D.2.1.1 Main features of the STI

The short-term Incentive (STI) is granted as performance-related compensation with a short-term incentive effect. It amounts to around 40% of the performance-related Executive Board compensation and is intended to ensure the achievement of operational targets important for the long-term development of MTU. The actual amount depends on the degree of target achievement for two financial performance criteria – the equally weighted key performance indicators at Group level, adjusted EBIT and free cash flow. In addition, non-financial ESG targets are taken into account in determining the overall target achievement via the multiplier.

The payout amount is based on the individual target amount and the overall target achievement determined for the fiscal year. The overall target achievement of the STI is determined on the basis of the arithmetic mean of the two target achievements of the performance criteria, which can assume a value of 0% to 200%, multiplied by the multiplier, which ranges from 0.8 to 1.2.

Short-term incentive (STI)



The individual target amount, the defined target values of the financial performance criteria, the agreed non-financial targets within the scope of the multiplier as well as the determined target achievements and the overall target achievement are published ex-post in the compensation report for each fiscal year with the resulting payout amount.

D.2.1.2 Financial performance criteria of the STI

As part of the STI, adjusted EBIT and free cash flow are considered as financial performance criteria with equal weighting.

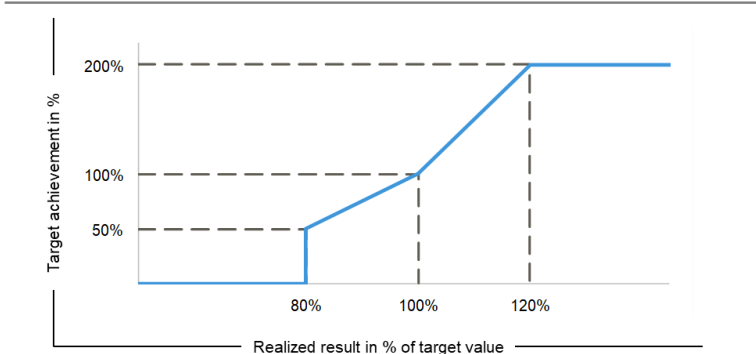
Adjusted EBIT describes MTU’s adjusted earnings before interest and taxes. The adjustment serves to factor out special items. In this way, the success of managing operating activities is measured. Adjusted EBIT therefore makes it possible to assess the economic success of MTU and its focus on sustainable and profitable growth.

In addition to EBIT, the second performance criterion – free cash flow – represents an additional value-driving key performance indicator for MTU. The purpose of optimizing cash flow is to ensure that the group maintains its financial strength. This makes it possible to invest in

maintaining MTU's technological leadership and consequently to achieve MTU's growth strategy. The inclusion of free cash flow into the STI provides incentives for implementing the corporate strategy. MTU determines its free cash flow by combining its cash flow from operating activities and cash flows from investing activities. Cash flow from investing activities is adjusted for non-recurring cash outflows – comprising payment for the acquisition of shares in engine programs, payments in connection with interest-bearing loans and financial assets held for the purpose of liquidity management.

The target values to be achieved in the respective fiscal year to ensure payment of 100% of the STI are set annually in advance by the Supervisory Board, taking the operational business plan into account. In addition, an entry threshold is set at 80% of the target value which, if achieved, corresponds to an STI payment of 50%. There is no STI entitlement below this entry threshold. Similarly, the upper limit of 200% of the payout applies if the maximum degree of target achievement of 120% is reached. Between the entry threshold, the 100% level and upper limit, the total target achievement percentage is interpolated linearly.

Short-term incentive – Target achievement curve



D.2.1.3 Non-financial ESG targets of the STI

In addition to financial performance criteria, non-financial ESG targets are also taken into account as part of the STI by means of a multiplier ranging from 0.8 to 1.2. The following criteria catalog takes into account both non-financial strategic targets based on MTU's business strategy and ESG targets derived from the sustainability strategy. This offers the Supervisory Board the possibility to implement non-financial targets in the STI that are relevant to the long-term and sustainable success of MTU.

Before the start of the fiscal year, the Supervisory Board selects relevant criteria based on the criteria catalog and defines explicit targets and corridors for evaluating the criteria.

Criteria catalog for the multiplier

Environmental management	Compliance	Corporate social responsibility	Growth and resilience	Product stewardship and quality
Innovation	Attractiveness as an employer	Employees & diversity	Environmental protection in production	Digital

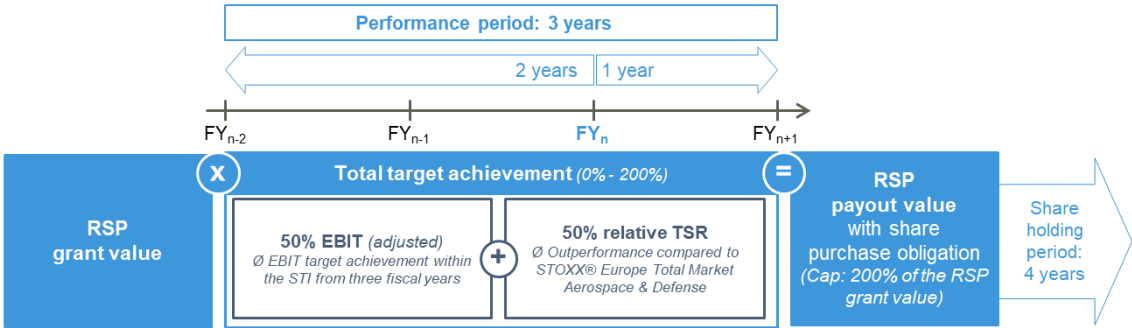
The specific targets for each fiscal year and the resulting target achievement are published ex-post in the compensation report.

D.2.2 Restricted Stock Plan (RSP)
D.2.2.1 Main features of the RSP

Performance-related long-term incentive compensation is awarded under the Restricted Stock Plan (RSP). This compensation component is share-based and represents around 60% of variable compensation. The measurement is based on a multi-year perspective taking into account the two previous years and one year ahead and starts on January 1 of the second fiscal year prior to the grant date of the respective tranche and ends at the end of December 31 of the fiscal year in which the tranche is granted (“performance period”).

The RSP payout value is based on the contractually agreed RSP grant value and depends on two equally weighted performance criteria, adjusted EBIT and relative total shareholder return (TSR) measured against the STOXX® Europe Total Market Aerospace and Defense. Target achievement can assume a value of 0% to 200%.

Restricted Stock Plan (RSP)



Technically, the RSP is awarded in the form of a cash settlement; its net amount (after income tax) must be reinvested immediately and in full in restricted MTU shares by the respective member of the Executive Board. These shares must be held for a holding period of four years. The MTU shares are freely available to the Executive Board member after the end of the holding period and thus after a total term of seven years.

D.2.2.2 Performance criteria of the RSP

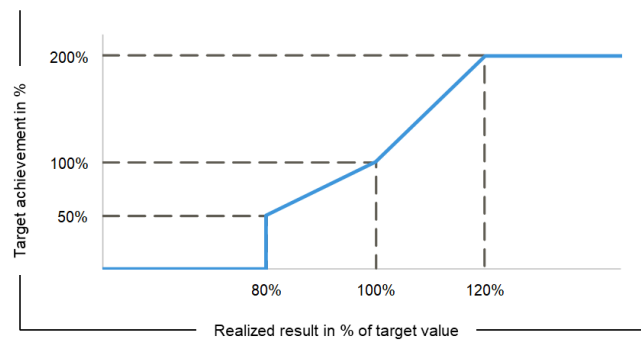
The relevant performance criteria for determining the RSP payout value are adjusted EBIT and relative TSR.

Adjusted EBIT

Adjusted EBIT describes MTU’s adjusted earnings before interest and taxes. The adjustment serves to factor out special items. In this way, the success of managing operating activities is measured. Inclusion of adjusted EBIT in the RSP enables the economic success of MTU to be assessed over a number of fiscal years and consequently provides incentives for sustainable, long-term profitable growth.

If the realized result for adjusted EBIT is below 80% (entry threshold) of the target value set by the Supervisory Board, target achievement is 0%, while at 80% of the target value, the threshold of 50% target achievement is reached. If the realized result is equal to the target value, target achievement is 100%. If the realized result is 120% of the target value, this equals a target achievement of 200%. Target achievement is limited to 200% (upper limit), thus a realized result of more than 120% of the target value does not lead to a further increase in target achievement. Intermediate values are interpolated linearly. The target value for a year equals the target value for adjusted EBIT set by the Supervisory Board as part of the STI.

Restricted Stock Plan – Target achievement curve for adjusted EBIT



The decisive target achievement for each RSP tranche is calculated as the average of the annual adjusted EBIT target achievements determined during the three-year performance period. The defined annual target values and target achievements as well as the resulting total target achievement are published ex-post in the compensation report after the end of the performance period.

Relative total shareholder return (TSR)

Relative TSR is recognized as an external performance criterion geared to the capital market. It enables relative measurement of performance against relevant competitors and a link between the interests of the Executive Board and shareholders. Relative TSR compares MTU's TSR performance with the TSR performance of the STOXX® Europe Total Market Aerospace and Defense. This creates incentive for long-term and sustainable outperformance of the MTU share on the capital market.

To determine the annual target achievement of relative TSR, the annual TSR performance of the MTU AG share is calculated during the performance period and compared with the annual TSR performance of the STOXX® Europe Total Market Aerospace & Defense ("benchmark index").

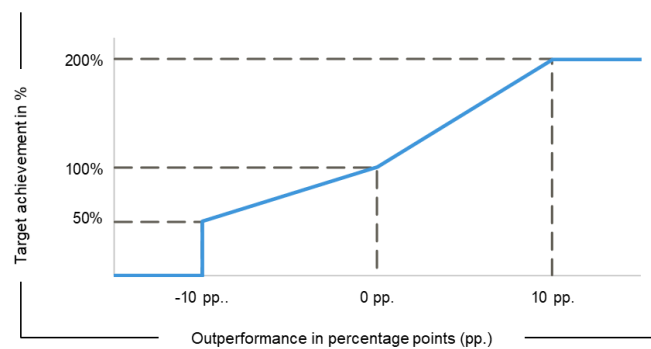
In the event that the selected benchmark index is significantly restructured, adjusted or discontinued during the performance period, the Supervisory Board of MTU AG reserves the right to select an alternative benchmark index and, if necessary, to recalibrate the target achievement curve.

The TSR performance of MTU refers to the development of the share price plus hypothetically reinvested gross dividends during a fiscal year and is determined on the basis of data from a recognized data provider (e.g. Bloomberg, Thomson Reuters). The initial and final TSR values are based on the arithmetic mean of the last 30 trading days prior to the start and prior to the end of the respective fiscal year. The TSR performance of the benchmark index (STOXX® Europe Total Market Aerospace & Defense) is determined in the same way as the TSR performance of MTU AG.

Annual target achievement is determined by calculating the difference between the TSR performance of MTU AG and the TSR performance of the benchmark index. The resulting difference in percentage points ("outperformance") is plotted on the target achievement curve to obtain the percentage value for target achievement.

If the difference is greater than -10 percentage points (entry threshold), target achievement is 0%, whereas if the difference is -10 percentage points, the threshold of 50% target achievement is achieved. If the difference is 0 percentage points (target value), target achievement is 100%. If the difference is +10 percentage points, target achievement is 200% (upper limit). Further increases in the difference do not lead to any further increase in target achievement. Intermediate values are interpolated linearly.

Restricted Stock Plan – Target achievement curve for relative TSR



The decisive target achievement for each RSP tranche is calculated as the average of the annual relative TSR target achievements determined during the three-year performance period. The annually determined outperformance values and target achievements as well as the resulting total target achievement are published ex-post in the compensation report after the end of the performance period.

D.3 Malus and clawback

The Supervisory Board has the option in certain cases to reduce performance-related compensation components that have not yet been paid out or to reclaim performance-related compensation components that have already been paid out.

In the event of a serious breach of MTU's fundamental principles of conduct, a material contractual obligation or duties of care as defined in Section 93 German Stock Corporation Act (AktG), the Supervisory Board may, at its due discretion, reduce performance-related compensation components in part or in full (malus).

If the performance-related compensation components have already been paid out, the Supervisory Board may in the above cases also, at its due discretion, demand partial or full repayment of amounts paid out (compliance clawback).

Moreover, the Supervisory Board has the option to demand partial or full repayment of performance-related compensation components already determined or paid out on the basis of incorrect consolidated financial statements (performance clawback) if, on the basis of corrected consolidated financial statements, a lower amount or no amount at all would have resulted from the performance-related compensation components.

D.4 Share ownership guidelines

To strengthen the long-term and sustainable development of MTU and to further align the interests of the Executive Board and shareholders, the compensation system stipulates share ownership guidelines for the Executive Board members. The members of the Executive Board are obliged to acquire MTU shares equivalent to 300% (CEO) or 200% (Ordinary Board members) of their gross fixed compensation within a four-year build-up phase and to hold these shares for a period of two years after their term of office as an Executive Board member has ended. Shares from the Restricted Stock Plan count towards the share ownership guidelines.

E. Compensation-related transactions

E.1 Terms of the Executive Board contracts of service

The term of Executive Board contracts of service is based on the respective appointment period resolved by the Supervisory Board. The Supervisory Board observes the requirements of the German Stock Corporation Act as well as the recommendations of the GCGC both when

appointing Executive Board members and in the agreed term for Executive Board contracts of service. For this reason, Executive Board contracts of service are concluded for a maximum term of five years. Executive Board contracts of service do not provide for the possibility of ordinary termination; the right of both parties to terminate without notice for good cause remains unaffected. In the event of premature termination of an appointment, the Executive Board contract of service may be terminated by either party with six months' notice prior to the end of a calendar year.

E.2 Provisions in the event of joining or leaving during the year

In the event of joining or leaving the Company during the fiscal year, entitlements to fixed compensation and performance-related compensation components are reduced on a pro rata temporis basis.

In the event that the Executive Board contract of service commences during the fiscal year, when determining the total target achievement within the framework of the RSP for the fiscal years in which the Executive Board member was not yet in office or was not in office for the full year, the target achievement for the two performance criteria is set at 100%. For the years in which the Executive Board member was in office for the full year, the actual annual target achievements for adjusted EBIT and free cash flow are used.

E.3 Premature termination

E.3.1 Severance payment

Members of the Executive Board whose contract of service is terminated prematurely 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 Restricted Stock Plan (RSP) 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 good cause, no severance package is paid. In such cases, MTU also has the right to demand the repayment of the RSP tranche granted in the fiscal year in which the contract was terminated.

In the event of a change of control, Executive Board members have the right to resign their office as a member of the Executive Board for good cause. Under the contracts of service for members of the Executive Board in effect since January 1, 2016, a change of control is deemed to have occurred if a shareholder, alone or on the basis of voting rights attributable to him or her pursuant to Section 22 of the German Securities Trading Act (WpHG), acquires the majority of the voting rights and this results in significant disadvantages for the Executive Board. Material disadvantages are, in particular, if the Executive Board member is removed, if his/her 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 his/her contract of service. In such a 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 his/her 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 achievement is agreed for the variable compensation components. The maximum amount of the severance payment is limited to the severance payment cap.

E.3.2 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 his or her 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. The compensation from the Restricted Stock Plan is reduced on a pro rata temporis basis if the incapacity for work lasts longer than 12 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.

E.3.3 Performance-related compensation in the event of premature termination

Short-term incentive (STI)

If the appointment is revoked by MTU for good cause, the Executive Board member will not receive any short-term incentive for the fiscal year in progress at the time of expiry of fiscal unity if the Executive Board contract of service is terminated without notice. In the event of due and proper termination of the Executive Board contract of service by MTU or by the Executive Board member, the Executive Board member is entitled to receive a prorated share of the short-term incentive up to the date of termination.

Restricted Stock Plan (RSP)

The Executive Board member is obliged to reimburse the RSP payout value (gross) if the Executive Board contract of service ends as a result of extraordinary termination by MTU for good cause as defined in Section 626 (1) of the German Civil Code (BGB), or as a result of the Executive Board member resigning without mutual agreement prior to the end of the holding period, or if the appointment is revoked by the Supervisory Board for good cause prior to the end of the holding period as defined in Section 84 (3) German Stock Corporation Act (AktG), or if the Executive Board member resigns prior to the end of the holding period.

E.4 Secondary activities of Executive Board members

Any paid or unpaid secondary activity, an office as a member of a supervisory board or advisory board, an honorary office in the commercial sector or similar requires the prior written approval of the Supervisory Board, which may be revoked at any time.

At the request of the Supervisory Board, the Executive Board member shall accept, without separate compensation, supervisory board mandates and similar offices in companies in which MTU holds a direct or indirect interest. The Executive Board member will give up or resign from such activities and offices at any time at the request of the Supervisory Board, but no later than upon leaving the Company.

F. Temporary deviations from the compensation system

In accordance with Section 87a (2) sentence 2 German Stock Corporation Act (AktG), the Supervisory Board has the right to temporarily deviate from the established compensation system in special and exceptional circumstances (e.g. in the event of a serious financial or economic crisis) if this becomes necessary in the interests of MTU's long-term well-being. Generally unfavorable market developments are expressly not considered to be special and exceptional circumstances that permit a temporary deviation from the compensation system.

Deviation from the compensation system is only possible by means of a resolution to this effect by the Supervisory Board, based on a proposal by the Personnel Committee and after careful consideration of the necessity. Even in the event of a deviation, compensation must continue to be geared to the long-term, sustainable development of MTU and be in line with the success of the Company and the performance of the Executive Board.

The components of the compensation system from which it is possible to deviate in the previously described circumstances are the performance criteria of the STI and the RSP and their weighting, ranges of possible target achievement and the methods for determining target

achievement. The Supervisory Board may also temporarily grant additional compensation components or replace individual compensation components with other compensation components if the incentive effect of the Executive Board compensation cannot be adequately reconstituted by adjusting existing compensation components.