

## Management compensation report

---

The management compensation report describes the principles applied when establishing the compensation to be awarded to members of the Executive Board and Supervisory Board of MTU Aero Engines AG, and states the amount and composition of that compensation. The management compensation report follows the provisions of Section 314 (1) no. 6 of the German Commercial Code (HGB), German Accounting Standard DRS 17 “Reporting on the remuneration of members of governing bodies,” the recommendations of the German Corporate Governance Code (GCGC), and the International Financial Reporting Standards (IFRSs).

### Principles of the compensation system for members of the Executive Board

At the proposal of the Personnel Committee, which is independent in the meaning of the GCGC, the Supervisory Board decides on a system of compensation for the members of the Executive Board, including the main components of their contracts such as the amount and composition of the total compensation, which includes non-performance-related and performance-related components. The Personnel Committee reviews the appropriateness and the alignment with the market of the management compensation at regular intervals. This includes compiling regular comparisons of MTU and selected peer companies with the support of an independent compensation expert. This benchmarking is conducted on a sector-specific basis by taking into account 21 companies from the industrial and capital goods sector which are listed in the DAX and MDAX stock indexes. A separate expert opinion was commissioned for the CEO’s compensation. The Personnel Committee concluded from these comparisons that MTU’s Executive Board compensation lies within the average bandwidth for these peer companies.

Developed with the support of independent external compensation experts, the present management compensation system is oriented toward the company’s positive and sustainable development. The remuneration awarded to the members of the Executive Board is therefore composed of non-performance-related and performance-related components, particularly in the form of a long-term incentive. This ensures that corporate management is optimally aligned with the long-term interests of the company and its investors. The management compensation system is thus aligned with market conditions and was introduced in its current form with effect of the financial year 2016.

## Structure of the total compensation

### [T8] Structure of the compensation system (total target direct compensation)

Non-performance-related components	~ 40%	Basic salary	Fixed compensation Fringe benefits
			~ 40% of the variable portion of the compensation
Performance-related components / variable compensation	~ 60%	Short-term incentive (STI)	Key characteristics: Distribution based on goal achievement as regards EBIT adjusted and free cash flow Limitation 0 - 180% (Extraordinary performance bonus/malus (in accordance with the GCGC) of up to 20%)
			~ 60% of the variable portion of the compensation
		Restricted Stock Plan (RSP) long-term incentive (LTI)	Key characteristics: Distribution based on 3-year goal achievement as regards EBIT adjusted and free cash flow Limitation 0 - 180% Awarded in MTU shares (vesting period 4 years)

#### Non-performance-related components

The non-performance-related compensation (basic salary), which makes up around 40% of the total compensation, is paid on a monthly basis and consists of the fixed compensation and fringe benefits. The latter comprise taxable reimbursements of expenses and the noncash benefit deriving from payments in kind such as insurance premiums and the use of a company car for business and private purposes, including any taxes on such benefits paid by the company.

#### Performance-related components

The performance-related compensation makes up around 60% of the total compensation and consists of a short-term incentive (STI) plan and a long-term incentive (LTI) in the form of the Restricted Stock Plan (RSP).

##### Short-term incentive (STI)

A short-term incentive (STI) plan has been established for members of the Executive Board. Payments under this plan represent around 40% of the performance-related management compensation.

The actual payout depends on the achievement of two equally weighted performance criteria at group level - EBIT adjusted and free cash flow.

The targets to be achieved in the respective financial year to ensure payment of 100% of the short-term incentive are set annually in advance by the Supervisory Board, taking the operational business planning figures into account. In addition, an entry threshold is set at 70% of the target level for each performance metric which, if achieved, corresponds to an STI entitlement of 50%. Should this threshold not be met, no STI shall be payable.

Similarly, the maximum award is limited to 180% which is payable if the maximum achievement level of 115% is reached in respect of the targets set for each of the two performance metrics. Between the entry threshold, the 100% level and the maximum achievement limit, the entitlement is interpolated using a straight-line method. The effective STI entitlement is calculated on the basis of the arithmetical mean of the achievement of the two performance targets. As stipulated in the GCGC, the Supervisory Board is entitled to take each Executive Board member's individual performance into account by adjusting the STI entitlement for the respective financial year by up to 20% (bonus/malus), based on the individual performance determined by the Supervisory Board. In this regard, the Supervisory Board resolved in March 2011 generally not to apply a bonus or malus regulation. Accordingly, the STI entitlement was not adjusted in 2018 or in 2017.

##### Long-term incentive (LTI)

A performance-related long-term incentive is awarded in the form of the Restricted Stock Plan (RSP). This compensation component is share-based and represents around 60% of the variable portion of the total compensation. The RSP is awarded in the form of a cash settlement, subject to income tax, the full net amount of which the respective member of the Executive Board must immediately reinvest in MTU shares subject to disposal restrictions. The shares awarded under this plan must be held for a vesting period of four years.

To strengthen the long-term incentive effect of this compensation component, the value of these RSP shares at the grant date is adjusted according to a long-term

performance target. The latter is calculated by taking the arithmetical mean of the STI entitlements established for the three financial years preceding the year in which the RSP shares were granted. It is capped at a maximum of 180%. In the case that a new Executive Board member joins the company, their multi-year performance level for the missing years is established by assuming an STI entitlement of 100%.

Beyond that, the employment contracts of the Executive Board members do not stipulate any share ownership guidelines. Nevertheless, the share ownership guidelines<sup>\*</sup> applied by a limited number of other MDAX-listed companies were fulfilled by the CEO of MTU in 2018 and 2017.

### Value of performance-related components

#### Short-term incentive (STI)

The performance targets set by the Supervisory Board for the 2018 STI were € 610.0 million for EBIT adjusted (actual EBIT adjusted in 2018: € 671.4 million) and € 180.0 million for free cash flow (actual free cash flow in 2018: € 202.9 million).

The achievement of the two key performance indicators at group level was 110.07% (2017: 115.54%) for EBIT adjusted and 112.72% (2017: 137.36%) for free cash flow. The overall achievement was thus 111.40% (2017: 126.45%), resulting in an STI entitlement of 160.80% (2017: 180.00%).

#### Long-term incentive (LTI)

The value of Restricted Stock Plan (RSP) shares at the grant date is derived in the reporting period from the fixed amount of the total compensation allocated for this purpose and the multi-year performance target reached. The latter was calculated for each Executive Board member in 2018 by taking the arithmetical mean of the STI entitlements established for the financial years 2015, 2016 and 2017.

The following numbers of MTU shares (with a vesting period of four years from the date of acquisition) were acquired by Executive Board members under the terms of the RSP:

<b>[T9] Purchased RSP shares</b>				
Executive Board members	Year	Number of shares	Purchase price per share in €	Vesting period until
<b>Reiner Winkler</b>	<b>2018</b>	<b>4,460</b>	<b>143.30</b>	<b>April 30, 2022</b>
	2017	4,339	130.55	April 30, 2021
<b>Peter Kameritsch <sup>1)</sup></b>	<b>2018</b>	<b>1,941</b>	<b>143.30</b>	<b>April 30, 2022</b>
	2017			
<b>Michael Schreyögg</b>	<b>2018</b>	<b>2,976</b>	<b>143.30</b>	<b>April 30, 2022</b>
	2017	2,896	130.55	April 30, 2021
<b>Lars Wagner <sup>1)</sup></b>	<b>2018</b>	<b>1,941</b>	<b>143.30</b>	<b>April 30, 2022</b>
	2017			

<sup>1)</sup> Member of the Executive Board since January 1, 2018.

<sup>\*</sup> According to an analysis of the 50 MDAX-listed companies by an independent consultant in 2017, only 8 of them implemented share ownership guidelines. The strictest rules concerning share ownership quotas are applied by 2 companies, whose CEOs are required to invest at least 200% of their annual basic salary in shares of the company they direct.

The following table shows the basis for establishing the multi-year achievement level in respect of the Restricted Stock Plan (RSP):

**[T10] Entitlements granted in respect of variable compensation (in %)**

	2018	2017	2016	2015	2014
STI	160.80	180.00	153.81	170.61	149.17
RSP / LTI	168.14	157.86	138.51		

**Compensation of individual members of the Executive Board**

**Benefits granted (target figures) for 2018 (GCGC)**

In line with the recommendations of the German Corporate Governance Code (GCGC) (model table), the following table shows benefits granted for the financial years 2018 and 2017 based on 100% goal achievement as well as the minimum and maximum amounts applicable for the financial year 2018:

The differences with regard to the recognized service cost or the recognized amount of pension provisions for two members of the Executive Board, Peter Kameritsch and Lars Wagner, result from differences in the actuarial

treatment of their respective promised benefits under the MTU Pension Capital scheme for members of the Executive Board of MTU Aero Engines AG, which are otherwise materially comparable. The difference between the stated amounts results from the application of IAS 19, whereby the present value of pension provisions is accounted for using the diminishing balance method, based on the higher of the two amounts, taking years of service into account, and used as the basis for measuring the present value of acquired post-employment benefits. Given their long years of service with the MTU group, the post-employment benefits promised to Messrs. Winkler, Schreyögg and Kameritsch are measured using the diminishing balance method, whereas those for Lars Wagner are measured on the present value of the promised benefits.

**[T11] Benefits granted**

**Reiner Winkler**  
Chief Executive Officer

Individual items in €	2018	2018 (min)	2018 (max)	2017
Fixed compensation	787,500	787,500	787,500	750,000
Fringe benefits <sup>1)</sup>	25,400	25,400	25,400	27,163
<b>Total</b>	<b>812,900</b>	<b>812,900</b>	<b>812,900</b>	<b>777,163</b>
STI	567,000		1,224,720	540,000
RSP / LTI	777,000		1,398,600	740,000
<b>Total fixed and variable compensation</b>	<b>2,156,900</b>	<b>812,900</b>	<b>3,436,220</b>	<b>2,057,163</b>
Service cost in accordance with IAS 19 <sup>2)</sup>	668,202	668,202	668,202	225,211
<b>Total compensation (GCGC)</b>	<b>2,825,102</b>	<b>1,481,102</b>	<b>4,104,422</b>	<b>2,282,374</b>

**Peter Kameritsch**  
Chief Financial Officer and Chief Information Officer  
from January 1, 2018

Individual items in €	2018	2018 (min)	2018 (max)	2017
Fixed compensation	360,000	360,000	360,000	
Fringe benefits <sup>1)</sup>	19,195	19,195	19,195	
<b>Total</b>	<b>379,195</b>	<b>379,195</b>	<b>379,195</b>	
STI	225,000		486,000	
RSP / LTI	315,000		567,000	
<b>Total fixed and variable compensation</b>	<b>919,195</b>	<b>379,195</b>	<b>1,432,195</b>	
Service cost in accordance with IAS 19 <sup>3)</sup>	1,918,064	1,918,064	1,918,064	
<b>Total compensation (GCGC)</b>	<b>2,837,259</b>	<b>2,297,259</b>	<b>3,350,259</b>	

**Michael Schreyögg**  
Chief Program Officer

Individual items in €	2018	2018 (min)	2018 (max)	2017
Fixed compensation	525,000	525,000	525,000	500,004
Fringe benefits <sup>1)</sup>	34,395	34,395	34,395	31,043
<b>Total</b>	<b>559,395</b>	<b>559,395</b>	<b>559,395</b>	<b>531,047</b>
STI	325,500		703,080	310,000
RSP / LTI	483,000		869,400	460,000
<b>Total fixed and variable compensation</b>	<b>1,367,895</b>	<b>559,395</b>	<b>2,131,875</b>	<b>1,301,047</b>
Service cost in accordance with IAS 19	116,468	116,468	116,468	116,834
<b>Total compensation (GCGC)</b>	<b>1,484,363</b>	<b>675,863</b>	<b>2,248,343</b>	<b>1,417,881</b>

**Lars Wagner**  
Chief Operating Officer  
since January 1, 2018

Individual items in €	2018	2018 (min)	2018 (max)	2017
Fixed compensation	360,000	360,000	360,000	
Fringe benefits <sup>1)</sup>	15,110	15,110	15,110	
<b>Total</b>	<b>375,110</b>	<b>375,110</b>	<b>375,110</b>	
STI	225,000		486,000	
RSP / LTI	315,000		567,000	
<b>Total fixed and variable compensation</b>	<b>915,110</b>	<b>375,110</b>	<b>1,428,110</b>	
Service cost in accordance with IAS 19 <sup>3)</sup>	383,060	383,060	383,060	
<b>Total compensation (GCGC)</b>	<b>1,298,170</b>	<b>758,170</b>	<b>1,811,170</b>	

<sup>1)</sup> Fringe benefits include charges to taxable income covering personal use of company vehicles amounting to € 88,166 (2017: € 61,445) and premiums for insurance policies taken out on behalf of members of the Executive Board amounting to € 5,934 (2017: € 5,404).

<sup>2)</sup> Including past service cost on account of an improved commitment from January 1, 2019.

<sup>3)</sup> Including past service cost on account of a new commitment and improved commitment from January 1, 2019.

**[T12] Prerequisites for achieving the maximum amounts of variable compensation awarded in 2018**

**One-year variable compensation**

STI	Target achievement of EBIT adjusted 115% (STI entitlement 180%) and Target achievement of free cash flow 115% (STI entitlement 180%) and extraordinary performance bonus (in accordance with the GCGC) of up to 20%
-----	---

**Multi-year variable compensation**

RSP / LTI	STI entitlement in each of the 3 years prior to grant date 180%.
-----------	--

**Compensation for the financial year 2018 under the German Commercial Code (Section 314 (1) no. 6a HGB) and allocation in the reporting period (GCGC)**

The members of the Executive Board were awarded total compensation determined under the German Commercial Code (HGB) amounting to €7.5 million (2017 €7.5 million) for their activities on the board in the financial year 2018. Of this amount, €2.1 million (2017: €1.8 million) was non-performance-related and €5.4 million (2017: €5.7 million) was performance-related.

The table below shows the total compensation for the individual members of the Executive Board for the years 2018 and 2017 as defined by Section 314 (1) no. 6a HGB, and, in accordance with the German Corporate Governance Code (GCGC) recommendations (model table), the allocation of fixed and variable compensation for the financial years 2018 and 2017 as well as the service cost (benefit expense) for the pension plan:

**[T13] Total compensation (HGB) / allocation (GCGC)**

Executive Board members	Reiner Winkler Chief Executive Officer		Peter Kameritsch Chief Financial Officer and Chief Information Officer since January 1, 2018		Michael Schreyögg Chief Program Officer		Lars Wagner Chief Operating Officer since January 1, 2018	
	2018	2017	2018	2017	2018	2017	2018	2017
in €								
Fixed compensation	787,500	750,000	360,000		525,000	500,004	360,000	
Fringe benefits <sup>1)</sup>	25,400	27,163	19,195		34,395	31,043	15,110	
<b>Total</b>	<b>812,900</b>	<b>777,163</b>	<b>379,195</b>		<b>559,395</b>	<b>531,047</b>	<b>375,110</b>	
STI <sup>2)</sup>	911,736	972,000	361,800		523,404	558,000	361,800	
RSP / LTI	1,306,448	1,168,164	529,641		812,116	726,156	529,641	
Deferred STI 2 <sup>3)</sup>		414,583				287,905		
<b>Total fixed and variable compensation (Total compensation Section 314 (1) no. 6a HGB)</b>	<b>3,031,084</b>	<b>3,331,910</b>	<b>1,270,636</b>		<b>1,894,915</b>	<b>2,103,108</b>	<b>1,266,551</b>	
Service cost in accordance with IAS 19 <sup>4)</sup>	668,202	225,211	1,918,064		116,468	116,834	383,060	
<b>Total compensation (GCGC)</b>	<b>3,699,286</b>	<b>3,557,121</b>	<b>3,188,700</b>		<b>2,011,383</b>	<b>2,219,942</b>	<b>1,649,611</b>	

<sup>1)</sup> Fringe benefits include charges to taxable income covering personal use of company vehicles amounting to € 88,166 (2017: € 61,445) and premiums for insurance policies taken out on behalf of members of the Executive Board amounting to € 5,934 (2017: € 5,404).

<sup>2)</sup> The amount reported for the one-year variable compensation corresponds to the amount promised for the financial year 2018 to be paid out in 2019 after adoption of the annual financial statements.

<sup>3)</sup> Awarded under the management compensation system in place until the end of financial year 2015. See under "Subsequent effects of the compensation system up until December 31, 2015."

<sup>4)</sup> Including past service cost on account of a new commitment and improved commitment from January 1, 2019.

Members of the Executive Board did not receive any compensation for mandates on boards of MTU group companies, nor were they granted any loan facilities by the company in 2018 or 2017.

### Subsequent effects of the management compensation system in place up to December 31, 2015

The management compensation system was modified with effect from the financial year 2016. The objective was to make the compensation system easier to understand by reducing its complexity, and thus increasing its transparency. However, deferred components awarded in respect of the multi-year performance-based variable compensation under the old compensation system must also be taken into account. The tables showing the total compensation (HGB) / allocation (GCGC) of the individual Executive Board members therefore also include deferred components from the financial year 2015. The impacts of this are described in the following. For a full description of the previous compensation system in place until the end of 2015, please refer to the management compensation report in the Annual Report 2015.

#### Deferred STI payment

Up to and including the financial year 2015, only 50% of the STI was paid out in the calendar year following the financial year in which it was awarded, the deferred component in two equal portions over the following two financial years (deferred STI 1 and 2). The ultimate amount of the deferred STI depended on the target achievement attained in respect of the two key performance indicators at group level (EBIT adjusted and free cash flow) in the respective financial years prior to the payment of the deferred STI. In exceptional cases, a bonus or malus determined at the discretion of the Supervisory Board of up to 20% for a given financial year would also have applied in line with GCGC guidelines.

In accordance with the original commitment, the remaining deferred STI components for 2015 were paid as agreed. Accordingly, in addition to the STI allocated and granted for the respective year, the tables showing the total compensation (HGB) / allocation (GCGC) of the Executive Board members for the financial years 2018 and 2017 also show deferred STI entitlements and allocations relating to 2015.

### Rules when terminating the contracts of members of the Executive Board

The members of the Executive Board are insured under a defined benefit plan. The benefits payable to members of the Executive Board under this plan correspond to those of their peers in comparable companies.

#### Retirement and survivors' pensions

The members of the Executive Board earn company pension entitlements in accordance with the "MTU Pension Capital" plan, which constitutes the current post-employment benefits plan for members of the Executive Board of MTU Aero Engines AG. The goal of the plan is to provide a pension amounting to 60% of each member's basic salary after 15 years of service on the Executive Board. When this plan was introduced on January 1, 2010, the vested benefits that each member of the Executive Board had earned up until December 31, 2009 under the previous plan were transferred to the new plan in the form of initial units. This entitlement represents the benefit payable at age 60 under the old plan, adapted to reflect the ratio between the actual number of years of service with the company and the number of years from start of service with the company until age 60. The initial units transferred to the new plan correspond to the current cash value of the pension converted into a lump sum.

Once this amount had been determined, a pension account was opened for each member of the Executive Board to which further capital units are credited annually. The annual capital units are calculated on the basis of an individual contribution and an age-dependent factor, with the latter taking into account an interest rate of 6% per annum up to the age of 60. The contribution period is as a rule capped at 15 years of service on the Executive Board, or at age 60, whichever comes first. As of the age of 61, the pension account earns interest at an annual rate of 4% until such time as the pension is drawn (= bonus amount). The accrued capital units plus the units initially transferred to the account plus any bonus amounts credited to the account together make up the pension capital available to finance post-employment benefits. If a member of the Executive Board dies before reaching age 60, 50% of the benefits that he/she would otherwise have earned up to that age are added to the accrued balance on the pension account - taking into account the permissible contribution period.

As a general rule, the pension capital is paid as a single lump sum. However, at the request of the Executive Board member and subject to the company's approval, the pension capital may be drawn either in ten installments (with the amassed pension capital being increased by 4% before payment of the installments) or as a lifelong pension with annual increments of 1%. In any insured event, the pension account is topped up to the level of benefits the insured party would have reached under the previous plan (guaranteed capital). Pension benefits do not become payable until such time as 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 cannot be forfeited once the initial contribution has been paid.

Reiner Winkler had already been promised under the previous pension plan that his years of service with former group companies would count toward his pension.

Details of the above-mentioned obligations and benefits are shown in the following table:

**[T14] Existing post-employment benefit entitlements**

Members of the Executive Board in €	Initial transfer amount <sup>1)</sup>	Guaranteed capital <sup>2)</sup>	Annual contribution	End of contribution period	One-time payment
Reiner Winkler	1,625,140 <sup>3)</sup>	2,510,788	400,000	August, 1, 2021 <sup>4)</sup>	8,537,538 <sup>5)</sup>
Peter Kameritsch	461,573	461,573	226,027 <sup>6)</sup>	April 1, 2029	4,324,204
Michael Schreyögg	365,627	365,627	215,478	August, 1, 2026	4,801,945
Lars Wagner	207,344	207,344	211,965 <sup>6)</sup>	January 1, 2033	6,791,104

<sup>1)</sup> Credit for past service up to date of changeover to new system.  
Reiner Winkler: December 31, 2009; Michael Schreyögg: July 1, 2013;  
Peter Kameritsch and Lars Wagner: January 1, 2018

<sup>2)</sup> Level of benefits to which the insured party would have been entitled under the previous pension plan.

<sup>3)</sup> Reiner Winkler was promised a special transfer amount of € 575,065 in 2010 in connection with the changeover of his pension entitlements to the new system.

<sup>4)</sup> As part of the contract extension in 2018, the contribution period was extended to age 60.

<sup>5)</sup> With 4% p.a. interest cost, the one-time payment at the end of the settlement period on September 30, 2024 will amount to € 9,511,228.

<sup>6)</sup> Due to the salary increase for members of the Executive Board resolved by the Supervisory Board in the 2018 reporting period, which takes effect from January 1, 2019, the contributions for Peter Kameritsch and Lars Wagner will be increased. The annual contributions for Peter Kameritsch and Lars Wagner in 2018, prior to this salary increase, amounted to € 144,145 and € 143,340 respectively.

The differences in the annual contributions to the MTU pension accounts result from the remaining periods of service until the end of the respective contribution period, from the respective age-dependent factors, and from the different salary amounts eligible for pension contributions.



The following table shows the service cost for the financial years 2018 and 2017, and the corresponding carrying amounts of pension provisions recognized for members

of the Executive Board in accordance with both IFRSs and the German Commercial Code (HGB):

<b>[T15] Allocations to pension provisions and total amounts recognized</b>					
Members of the Executive Board	Year	Service cost (IFRS)	Service cost (HGB)	Carrying amount of pension provisions at Dec. 31 (IFRS)	Carrying amount of pension provisions at Dec. 31 (HGB)
in €					
<b>Reiner Winkler</b>	<b>2018</b>	<b>668,202</b> <sup>2)</sup>	<b>246,519</b>	<b>7,620,475</b>	<b>6,890,376</b>
	2017	225,211	200,390	6,694,772	6,093,190
<b>Peter Kameritsch</b> <sup>1)</sup>	<b>2018</b>	<b>1,918,064</b> <sup>3)</sup>	<b>1,647,618</b>	<b>3,274,661</b>	<b>2,746,169</b>
	2017				
<b>Michael Schreyögg</b>	<b>2018</b>	<b>116,468</b>	<b>98,026</b>	<b>3,477,192</b>	<b>3,051,934</b>
	2017	116,834	92,286	3,348,230	2,766,611
<b>Lars Wagner</b> <sup>1)</sup>	<b>2018</b>	<b>383,060</b> <sup>3)</sup>	<b>293,705</b>	<b>687,282</b>	<b>522,105</b>
	2017				
<b>Total</b>	<b>2018</b>	<b>3,085,794</b>	<b>2,285,868</b>	<b>15,059,610</b>	<b>13,210,584</b>
<b>Total</b>	<b>2017</b>	<b>342,045</b>	<b>292,676</b>	<b>10,043,002</b>	<b>8,859,801</b>

<sup>1)</sup> Member of the Executive Board since January 1, 2018.

<sup>2)</sup> Including past service cost on account of an improved commitment from January 1, 2019.

<sup>3)</sup> Including past service cost on account of a new commitment and improved commitment from January 1, 2019.

The pension obligations toward former members of the Executive Board in accordance with International Accounting Standards (DBO) amounted to € 16,262,628 (2017: € 7,968,694).

### Disability pensions

Under the new pension rules of January 1, 2010, if a member of the Executive Board is disabled before reaching the age of 60, 50% of the benefits to which he/she would normally have been entitled up to the maximum age limit are added to the balance on the pension account at the time of disablement. The amount credited is based on the contributions paid in the last year of employment. This arrangement also applies if the insured party dies before reaching the age of 60.

### Severance payments on premature termination of contracts for members of the Executive Board

Members of the Executive Board are entitled to receive a severance payment if MTU prematurely terminates their employment contract. This severance package comprises pro-rata amounts of the board member's basic salary, STI entitlement and Restricted Stock Plan (RSP) benefits covering the period up to the date on which his/her contract would normally have expired. The total amount of the severance payment is capped at twice the departing board member's total annual compensation. If the employment contract is terminated by MTU for cause, no severance package is payable. In such cases, MTU also has the right to demand repayment of the tranche of RSP shares granted in the financial year in which the contract was terminated (claw-back). No other claw-back regulations are applied because the German Stock Corporation Act (Section 93 AktG) already provides for damage claims against members of the Executive Board who violate their duties.

### **Severance payments on premature termination of contracts for members of the Executive Board in the event of a change of control or substantial changes in the ownership of MTU Aero Engines AG**

In accordance with the contracts for members of the Executive Board in force as of January 1, 2016, a change of control is deemed to have occurred if, pursuant to Section 22 of the German Securities Trading Act (WpHG), a shareholder directly or indirectly acquires a majority of the voting rights and this results in significant disadvantages for members of the Executive Board. Significant disadvantages exist in particular if the member of the Executive Board is dismissed, their duties and responsibilities significantly change or if the Executive Board member is asked to agree to a reduction in salary or premature termination of their contract. In such cases, Executive Board members are accorded special rights of termination, which must be exercised within six months, with three months' notice to the end of the month. If a member of the Executive Board makes use of these special termination rights, or if the Executive Board member's contract is terminated by mutual agreement within nine months of the change of control, the board member is entitled to a severance package comprising all outstanding compensation components covering the period up to the date on which their contract would normally have expired. When calculating the amount of the severance payment, a target achievement level of 100% is assumed for the variable compensation components. The maximum amount of the severance payment is capped at three times the total annual compensation.

### **Supervisory Board compensation**

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

Pursuant to Article 12 of the articles of association of MTU Aero Engines AG, members of the Supervisory Board receive a fixed annual payment of € 50,000, payable at the end of the financial year. This sum is tripled in the case of the chair of the Supervisory Board and multiplied by one and a half in the case of the deputy chair. In addition to the fixed annual payment, members serving on one of the Supervisory Board's committees receive an additional € 10,000 and a further € 20,000 if they chair a committee. Further, members of the Supervisory Board receive an attendance fee of € 3,000 for each meeting of the Supervisory Board and its committees, subject to an upper limit of € 3,000 per day. The attendance fee is halved for meetings convened by the chair or deputy chair that take place via telephone or video conference. Expenses incurred in connection with the exercise of their office are reimbursed, as is the value-added tax payable on the fees.

The members of the Supervisory Board do not receive any share-based compensation.