

## Management compensation report

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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 compensation report follows the provisions of Section 314 (1) no. 6 of the German Commercial Code (HGB), German Accounting Standard (GAS) 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 (IFRS).

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

At the proposal of the Personnel Committee, which is independent within the meaning of the GCGC, the Supervisory Board decides on a system of compensation for the members of the Executive Board, including the material components of their contracts such as the amount and breakdown into non-performance-related and performance-related components. The Personnel Committee reviews the appropriateness and alignment with the market of the Executive Board compensation at regular intervals.

Developed with the support of independent external compensation experts, the present compensation system for the Executive Board is primarily oriented toward the group’s positive and sustainable development. The compensation awarded to members of the Executive Board is therefore composed of non-performance-related and performance-related components, particularly in the form of long-term incentives. This ensures that corporate governance is optimally aligned with the long-term interests of the group and its investors. This means that the compensation system is aligned with market conditions; it was introduced in its current form with effect from the fiscal year 2016.

## Structure of total compensation

### [T29] Structure of the compensation system (total target direct compensation)

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

### Non-performance-related components

Non-performance-related compensation (basic salary), which makes up around 40% of total compensation, is paid on a monthly basis and consists of fixed compensation and 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 and insurance premiums, including any taxes on such benefits that have been reimbursed.

### Performance-related components

Performance-related compensation makes up around 60% of total compensation; it consists of a short-term incentive (STI) and the Restricted Stock Plan (RSP).

#### Short-term incentive (STI)

Performance-related compensation is paid in the form of short-term incentive (STI) compensation. This amounts to around 40% of the performance-related Executive Board compensation.

The actual amount depends on the degree of target achievement for two equally weighted key performance indicators at group level – adjusted EBIT and free cash flow.

The targets 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 70% of the defined target level which, if achieved, corresponds to an STI payment of 50%. There

is no STI entitlement below this entry threshold. Similarly, the maximum payment is limited to 180%, which is payable if the maximum degree of target achievement of 115% is reached. Between the entry threshold, the 100% level and maximum target achievement, the payment percentage is interpolated on a straight line. The effective STI payment percentage is calculated by taking the arithmetic mean of the degree of achievement of the two performance targets.

In accordance with the GCGC, the Supervisory Board has the right to take each Executive Board member's individual performance into account by adjusting the STI for the respective fiscal year by up to 20% (bonus/penalty), based on the individual performance determined by the Supervisory Board. In this context, the Supervisory Board resolved in March 2011 generally not to grant any bonus or apply any penalty. Accordingly, the STI was not adjusted by a bonus or penalty in the reporting period or in the previous year.

#### Restricted Stock Plan (RSP)/long-term incentive (LTI)

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. Technically, the RSP is awarded in the form of a cash settlement; its net amount (less income tax) must be reinvested immediately in restricted MTU shares by the respective member of the Executive Board. The shares awarded in this way must be held for a holding period of four years (shareholding requirements).

To strengthen the long-term incentive effect of this compensation component, the grant value of these RSP shares is weighted with a long-term performance factor, which is calculated by taking the arithmetic mean of the STI payment percentages for the three fiscal years preceding the granting of the RSP shares. A maximum of 180% is applied. If a new Executive Board member joins the group, their multi-year performance level for the years prior to their joining the group is determined by assuming an STI payment percentage of 100%.

### Adjustment of the compensation system for the Executive Board from the 2021 fiscal year

To take account of the requirements of the second Shareholders' Rights Directive (ARUG II) and the new German Corporate Governance Code (GCGC), in the reporting period the Personnel Committee decided to modify the compensation system for the Executive Board with effect from the 2021 fiscal year. For this purpose, it consulted independent external compensation experts.

As a result of the change, in addition to taking into account the achievement of the financial performance targets (adjusted EBIT and free cash flow), payment of the short-term incentive (STI) now includes the achievement of non-financial performance targets, i.e., environmental, social and governance (ESG) targets.

Achievement of the financial performance targets will still be calculated as the arithmetic mean of achievement of the adjusted EBIT and free cash flow targets. The entry threshold for payment of the STI, which corresponds to payment percentage of 50%, is to be raised from 70% to 80%, and maximum target achievement, corresponding to a payment of 200%, is to be increased from 115% to 120%. Between the entry threshold, 100% and maximum achievement of the financial targets, the payment percentage will be interpolated on a straight line.

The non-financial performance targets of relevance for the STI comprise ESG targets from the areas of environmental management, compliance, growth and resilience, product stewardship & quality, innovation, attractiveness as an employer, employees & diversity, responsible procurement and digital issues. The ESG targets, their level and the target achievement ranges will be defined annually by the Personnel Committee. The corresponding payment percentage will then be derived from the achievement of the ESG targets and will take the form of a scaled increase or reduction of the STI payment up to 20%.

Measurement of target achievement for the long-term incentive (LTI) compensation, which comprises the Restricted Stock Plan (RSP), is being adjusted from 2021. It is now calculated as the arithmetic mean of the average achievement of the adjusted EBIT target used for the STI and the average outperformance of the total shareholder return on MTU shares compared with the STOXX Europe Total Market Aerospace & Defense (TSR) index in the fiscal year in which the LTI is granted and the two preceding years. The target range for the LTI is set at between 80% and 120% and the corresponding payment percentage is 50% to 200%. The entry threshold for the TSR has been set at a relative performance versus the reference index of -10 percentage points. This corresponds to a payment level of 50%. The maximum TSR target achievement is outperformance of the index by +10 percentage points, corresponding to an LTI payment level of 200%. Analogously to the STI, the TSR target achievement level is interpolated on a straight line between the entry threshold, and a relative performance of zero and maximum target achievement. The LTI is awarded as a taxable cash settlement and is contingent upon reinvestment of the full amount in MTU shares with a holding period of four years.

For new appointments, the company pension entitlement has been altered from the previous defined-contribution pension entitlement to an annual contribution to a personal pension plan. Furthermore, the new compensation system for the Executive Board contains penalty and claw-back rules, including retrospective adjustment of compensation in the event of serious breaches of contract (compliance cases) and compensation calculated on the basis of inaccurate consolidated financial statements. Moreover, share ownership guidelines have been adopted. These require Executive Board members to purchase MTU shares, including those acquired under the RSP, corresponding to a percentage of their gross basic salary within a period of four years. The percentage of the basic salary is 300% for the CEO and 200% for the other members of the Executive Board. The shares are subject to a two-year lock-up period when a member leaves the Executive Board.

As from now, termination benefits paid to a member of the Executive Board as a result of early termination of their contract, including in the event of a change of control, will be limited to two years' compensation (cap on termination benefits) or the compensation due for the remaining term of the contract, whichever is lower. Finally, the Personnel Committee agreed to include an

escape clause in the compensation system, especially in the event of an economic or corporate crisis, and scope to grant a sign-on bonus to new members of the Executive Board to cover benefits forfeited from their previous employer.

In accordance with the applicable regulations, MTU will present the modified compensation system agreed for the Executive Board at the Annual General Meeting in 2021 so that the shareholders can adopt a resolution approving the compensation system.

## Value of performance-related components

### Short-term incentive (STI)

The Supervisory Board set the following performance targets for the performance period: for the short-term incentive (STI), adjusted EBIT of €800 million (actual: €416 million) and free cash flow (FCF) of €405 million (actual: €105 million). Consequently, the entry threshold for target achievement for the STI was not reached in the reporting period and the payment percentage was therefore 0% (previous year: 180%).

### Restricted Stock Plan (RSP)/ long-term incentive (LTI)

The grant value of Restricted Stock Plan (RSP) shares was derived in the reporting period from the amount allocated as the percentage of total compensation and the multi-year performance target reached. The latter was calculated for each Executive Board member in the reporting period by taking the arithmetic mean of the short-term incentive (STI) payment percentages for the fiscal years 2017, 2018 and 2019.

The following numbers of MTU shares (each with a holding period of four years) were acquired by Executive Board members under the RSP:

**[T30] Purchased RSP shares**

Members of the Executive Board	Year	Number of shares	Purchase price per share in €	Vesting period until
<b>Reiner Winkler</b>	<b>2020</b>	<b>6,491</b>	<b>119.20</b>	<b>April 30, 2024</b>
	2019	3,512	209.20	April 30, 2023
<b>Peter Kameritsch</b>	<b>2020</b>	<b>3,694</b>	<b>119.20</b>	<b>April 30, 2024</b>
	2019	1,999	209.20	April 30, 2023
<b>Michael Schreyögg</b>	<b>2020</b>	<b>3,694</b>	<b>119.20</b>	<b>April 30, 2024</b>
	2019	1,999	209.20	April 30, 2023
<b>Lars Wagner</b>	<b>2020</b>	<b>3,694</b>	<b>119.20</b>	<b>April 30, 2024</b>
	2019	1,999	209.20	April 30, 2023

The following table shows the basis for determining the multi-year performance target achievement level under the Restricted Stock Plan (RSP):

**[T31] Entitlements granted in respect of variable compensation (in %)**

	2020	2019	2018	2017	2016
STI	0	180	161	180	154
RSP / LTI	174	165	168	158	139

**Compensation of individual members of the Executive Board**  
**Benefits granted (target figures) for the reporting period (GCGC)**

In accordance with the recommendations of the GCGC (model table), the following table shows benefits granted for the fiscal years 2020 and 2019 based on 100% target achievement as well as the minimum and maximum amounts achievable for the fiscal year 2020.

The service cost reported and the level of provisions recognized for post-employment benefits arising from the pension commitments to all members of the Executive Board were determined on the basis of the present value, which is calculated pro rata with a diminishing balance.

**[T32] Benefits granted**

**Reiner Winkler**  
Chief Executive Officer

Individual data in €	2020	2020 (Min.)	2020 (Max.)	2019
Fixed compensation	924,000	924,000	924,000	924,000
Fringe benefits <sup>1)</sup>	27,111	27,111	27,111	25,848
<b>Total</b>	<b>951,111</b>	<b>951,111</b>	<b>951,111</b>	<b>949,848</b>
STI <sup>2)</sup>	665,000		1,436,400	665,000
RSP / LTI <sup>3)</sup>	911,000		1,639,800	911,000
<b>Total fixed and variable compensation</b>	<b>2,527,111</b>	<b>951,111</b>	<b>4,027,311</b>	<b>2,525,848</b>
Service cost in accordance with IAS 19	255,395	255,395	255,395	76,928
<b>Total compensation (German Corporate Governance Code)</b>	<b>2,782,506</b>	<b>1,206,506</b>	<b>4,282,706</b>	<b>2,602,776</b>

**Peter Kameritsch**  
Chief Financial Officer and Chief Information Officer

Individual data in €	2020	2020 (Min.)	2020 (Max.)	2019
Fixed compensation	525,000	525,000	525,000	525,000
Fringe benefits <sup>1)</sup>	15,788	15,788	15,788	19,666
<b>Total</b>	<b>540,788</b>	<b>540,788</b>	<b>540,788</b>	<b>544,666</b>
STI <sup>2)</sup>	325,500		703,080	325,500
RSP / LTI <sup>3)</sup>	483,000		869,400	483,000
<b>Total fixed and variable compensation</b>	<b>1,349,288</b>	<b>540,788</b>	<b>2,113,268</b>	<b>1,353,166</b>
Service cost in accordance with IAS 19	138,191	138,191	138,191	127,851
<b>Total compensation (German Corporate Governance Code)</b>	<b>1,487,479</b>	<b>678,979</b>	<b>2,251,459</b>	<b>1,481,017</b>

<sup>1)</sup> Fringe benefits include charges to taxable income covering benefits in kind amounting to €78,246 (previous year: €84,273) and premiums for insurance policies taken out on behalf of members of the Executive Board amounting to €6,997 (previous year: €6,838).

<sup>2)</sup> One-year variable compensation.

<sup>3)</sup> Multi-year variable compensation.

**Michael Schreyögg**  
Chief Program Officer

Individual data in €	2020	2020 (Min.)	2020 (Max.)	2019
Fixed compensation	525,000	525,000	525,000	525,000
Fringe benefits <sup>1)</sup>	31,724	31,724	31,724	33,500
<b>Total</b>	<b>556,724</b>	<b>556,724</b>	<b>556,724</b>	<b>558,500</b>
STI <sup>2)</sup>	325,500		703,080	325,500
RSP / LTI <sup>3)</sup>	483,000		869,400	483,000
<b>Total fixed and variable compensation</b>	<b>1,365,224</b>	<b>556,724</b>	<b>2,129,204</b>	<b>1,367,000</b>
Service cost in accordance with IAS 19	124,184	124,184	124,184	116,682
<b>Total compensation (German Corporate Governance Code)</b>	<b>1,489,408</b>	<b>680,908</b>	<b>2,253,388</b>	<b>1,483,682</b>

**Lars Wagner**  
Chief Operating Officer

Individual data in €	2020	2020 (Min.)	2020 (Max.)	2019
Fixed compensation	525,000	525,000	525,000	525,000
Fringe benefits <sup>1)</sup>	10,621	10,621	10,621	12,097
<b>Total</b>	<b>535,621</b>	<b>535,621</b>	<b>535,621</b>	<b>537,097</b>
STI <sup>2)</sup>	325,500		703,080	325,500
RSP / LTI <sup>3)</sup>	483,000		869,400	483,000
<b>Total fixed and variable compensation</b>	<b>1,344,121</b>	<b>535,621</b>	<b>2,108,101</b>	<b>1,345,597</b>
Service cost in accordance with IAS 19	299,930	299,930	299,930	465,979
<b>Total compensation (German Corporate Governance Code)</b>	<b>1,644,051</b>	<b>835,551</b>	<b>2,408,031</b>	<b>1,811,576</b>

<sup>1)</sup> Fringe benefits include charges to taxable income covering benefits in kind amounting to €78,246 (previous year: €84,273) and premiums for insurance policies taken out on behalf of members of the Executive Board amounting to €6,997 (previous year: €6,838).

<sup>2)</sup> One-year variable compensation.

<sup>3)</sup> Multi-year variable compensation.

**[T33] Prerequisites for achieving the maximum amounts of variable compensation granted in 2020**

**One-year variable compensation**

STI	Target achievement for adjusted EBIT Target achievement for free cash flow
	Arithmetical mean of both figures 115% (payment percentage of 180%) and exceptional performance bonus/penalty of up to 20% in accordance with the German Corporate Governance Code

**Multi-year variable compensation**

RSP / LTI	STI entitlement 180% for each of the 3 years prior to grant date
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**Compensation for the reporting period (Section 314 (1) no. 6a of the German Commercial Code [HGB]) and benefits granted in the reporting period (GCGC)**

The members of the Executive Board received total compensation within the meaning of Section 314 of the German Commercial Code (HGB) amounting to €7 million (previous year: €9 million) for the fiscal year 2020. Of this amount, €3 million (previous year: €3 million) was non-performance-related and €4 million (previous year: €7 million) was performance-related.

In view of the pressure on the aviation sector and on MTU and its employees as a result of the Covid-19 pandemic, in March 2020 the members of the Executive

Board decided to waive part of their short-term incentive (STI) for the 2019 fiscal year. The remuneration waived by the CEO was €500,000 and by the other Executive Board members €250,000 each. These amounts were used to set up an emergency relief fund to support MTU employees who were having financial difficulty supporting their families as a result of the pandemic-related operating restrictions and the use of short-time working.

The table below discloses the total compensation for individual Executive Board members pursuant to Section 314 (1) no. 6a of the German Commercial Code (HGB) as well as the actual fixed and variable compensation granted and the service cost in accordance with the GCGC's recommendations (model table) for the fiscal years 2020 and 2019:

**[T34] Total compensation (HGB) / allocation (GCGC)**

Members of the Executive Board	Reiner Winkler Chief Executive Officer		Peter Kameritsch Chief Financial Officer and Chief Information Officer		Michael Schreyögg Chief Program Officer		Lars Wagner Chief Operating Officer	
	2020	2019	2020	2019	2020	2019	2020	2019
in €								
Fixed compensation	924,000	924,000	525,000	525,000	525,000	525,000	525,000	525,000
Fringe benefits <sup>1)</sup>	27,111	25,848	15,788	19,666	31,724	33,500	10,621	12,097
<b>Total</b>	<b>951,111</b>	<b>949,848</b>	<b>540,788</b>	<b>544,666</b>	<b>556,724</b>	<b>558,500</b>	<b>535,621</b>	<b>537,097</b>
STI <sup>2)</sup>		1,197,000		585,900		585,900		585,900
RSP / LTI	1,581,496	1,501,966	838,488	796,322	838,488	796,322	838,488	796,322
<b>Total fixed and variable compensation (total compensation in accordance with Section 314 (1) no. 6a of the German Commercial Code)</b>	<b>2,532,607</b>	<b>3,648,814</b>	<b>1,379,276</b>	<b>1,926,888</b>	<b>1,395,212</b>	<b>1,940,722</b>	<b>1,374,109</b>	<b>1,919,319</b>
Service cost in accordance with IAS 19	255,395	76,928	138,191	127,851	124,184	116,682	299,930	465,979
<b>Total compensation (German Corporate Governance Code)</b>	<b>2,788,002</b>	<b>3,725,742</b>	<b>1,517,467</b>	<b>2,054,739</b>	<b>1,519,396</b>	<b>2,057,404</b>	<b>1,674,039</b>	<b>2,385,298</b>

1) Fringe benefits include charges to taxable income covering benefits in kind amounting to €78,246 (previous year: €84,273) and premiums for insurance policies taken out on behalf of members of the Executive Board amounting to €6,997 (previous year: €6,838).

2) The amount reported for the one-year variable compensation corresponds to the amount promised for 2020, to be paid out in 2020 after adoption of the annual financial statements. In accordance with decision to waive part of their STI, the STI payments for 2019 were reduced by the following amounts for the benefit of the emergency relief fund: Reiner Winkler €500,000, Peter Kameritsch €250,000, Michael Schreyögg €250,000, Lars Wagner €250,000.

3) Multi-year variable compensation.



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

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

The members of the Executive Board are given defined benefit commitments whose structure corresponds to that of pension commitments for members of governing bodies of peer-group companies.

### Retirement and survivors' pensions

The members of the Executive Board earn company pension entitlements in accordance with the "MTU Pension Capital" plan, which governs the 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 basic salary after 15 years of service on the Executive Board. When the previous plan was replaced, the benefits earned up until December 31, 2009, were transferred to the new plan as the initial transfer amount. This entitlement represents the benefits payable under the old plan at the age of 60, adjusted by the ratio of actual years of service with the group to the number of years from joining the group until the age of 60. The initial transfer amount corresponds to the pension equivalent converted into a one-time capital amount.

Once the initial transfer amount has been determined, a pension account is opened for each 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. 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 (= 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 a 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.

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

#### [T35] 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	1.8.2021 <sup>4)</sup>	8,537,538 <sup>5)</sup>
Peter Kameritsch	461,573	461,573	226,027	1.4.2029	4,324,204
Michael Schreyögg	365,627	365,627	215,478	1.8.2026	4,801,945
Lars Wagner	207,344	207,344	211,965	1.1.2033	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 had already been promised under the previous pension plan that his years of service with former group companies would count toward his pension. In connection with the transfer of his pension entitlements to the new plan, he was promised a special transfer amount of € 575,065 in 2010.

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

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

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

The following table shows the service cost for the fiscal years 2020 and 2019, and the corresponding levels of provisions, recognized in accordance with IFRS and the German Commercial Code (HGB) for members of the Executive Board:

**[T36] Allocations to pension provisions and total amounts recognized**

	Year	Service cost (IFRS)	Service - cost (German Commercial Code)	Carrying amount of pension provisions as of Dec. 31 (IFRSs)	Carrying amount of pension provisions as of Dec. 31 (German Commercial Code)
Members of the Executive Board					
in €					
<b>Reiner Winkler</b>	<b>2020</b>	<b>255,395</b>	<b>234,398</b>	<b>8,608,974</b>	<b>7,905,351</b>
	2019	76,928	71,010	8,142,654	7,349,686
<b>Peter Kameritsch</b>	<b>2020</b>	<b>138,191</b>	<b>118,398</b>	<b>4,051,864</b>	<b>3,404,331</b>
	2019	127,851	110,627	3,738,115	3,086,058
<b>Michael Schreyögg</b>	<b>2020</b>	<b>124,184</b>	<b>110,046</b>	<b>4,115,516</b>	<b>3,649,182</b>
	2019	116,682	103,850	3,859,434	3,363,355
<b>Lars Wagner</b>	<b>2020</b>	<b>299,930</b>	<b>223,804</b>	<b>1,938,897</b>	<b>1,435,098</b>
	2019	465,979	356,922	1,518,331	1,107,808
<b>Total</b>	<b>2020</b>	<b>817,700</b>	<b>686,646</b>	<b>18,715,251</b>	<b>16,393,962</b>
<b>Total</b>	<b>2019</b>	<b>787,440</b>	<b>642,409</b>	<b>17,258,534</b>	<b>14,906,907</b>

The defined benefit obligations for former members of the Executive Board, measured in accordance with International Financial Reporting Standards (IFRSs), amount to € 19,480,470 (previous year: € 18,372,009).

### Disability

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.

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

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 basic salary, 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. If the contract of service is terminated by MTU for 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 (clawback). No other clawback regulations are applied because the German Stock Corporation Act (Section 93 of the AktG) already provides for damage claims against members of the Executive Board who breach their duties.

### 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, 2016, a change of control is deemed to have occurred if a shareholder, alone or on the basis of the 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 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 fulfillment is agreed for the variable compensation components. The maximum amount of the severance payment is capped at three times the total annual compensation.

### 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 articles of association of MTU Aero Engines AG, members of the Supervisory Board receive fixed annual compensation of €50,000, payable at 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 €10,000 and a further €20,000 if they chair a committee. 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. The attendance fee is halved for meetings convened by the chair or deputy chair if they are conducted by means of telecommunication (telephone or video conference). Expenses incurred in connection with the exercise of their office are reimbursed, as is the value-added tax payable on compensation.

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

In view of the pressure on the aviation sector and on MTU and its employees due to the Covid-19 pandemic, in May 2020 the members of the Supervisory Board decided to waive their attendance fees for future meetings in the reporting period. These amounts were paid into an emergency relief fund to support MTU employees who were having financial difficulty supporting their families as a result of the pandemic-related operating restrictions and the use of short-time working.