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Invitation

TO THE ANNUAL
GENERAL MEETING OF
MTU AERO ENGINES AG

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MTU Aero Engines AG
Munich

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and

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Invitation to the Annual General Meeting of MTU Aero Engines AG

We hereby invite the shareholders of our Company to attend the Annual General Meeting, which will be held on

Wednesday, April 21, 2021 at 10:00 a.m. CEST (8:00 a.m. UTC)

as a virtual meeting without the physical presence of shareholders or their proxies.

For the purposes of the German Stock Corporation Act (AktG), the place of the meeting is the Company's domicile at Dachauer Strasse 665, 80995, Munich, Germany.

The entire proceedings of the Annual General Meeting, starting at 10 a.m. CEST on April 21, 2021, will be broadcast live to shareholders via a portal on the Company's website at www.mtu.de/hv. Other interested parties will be able to follow the Annual General Meeting up to the end of the speech delivered by the CEO, via the above-mentioned link. For information on how to participate in the virtual Annual General Meeting and exercise voting rights, please see Section III, "Further information concerning the convocation".

I. Agenda

1. Presentation of the adopted annual financial statements, the approved consolidated financial statements, the combined management report for the Company and the Group, and the report of the Supervisory Board including the explanatory report of the Executive Board on the statements pursuant to Sections 289a and 315a of the German Commercial Code (HGB), each for fiscal year 2020

The above-mentioned documents will be made available on the Company's website at www.mtu.de/hv as of the date on which the Annual General Meeting is convened.

According to the statutory requirements, no resolution is necessary in respect of this item of the agenda, because the Supervisory Board has already approved the annual financial statements and the consolidated financial statements.

2. Resolution on the appropriation of net profit

The Executive Board and Supervisory Board propose that the net profit generated by MTU Aero Engines AG in the financial year 2020, amounting to EUR 66,597,311.25 be appropriated as follows:

Appropriation of net profit			
Payment of a dividend of EUR 1.25 on each non-par share entitled to receive a dividend		Eur	66,597,311.25
Allocation to revenue reserves		Eur	0.00

According to Section 58 (4) Sent. 2 German Stock Corporation Act (AktG), the dividend is payable on the third working day after the resolution has been passed by the Annual General Meeting, i.e. Monday, April 26, 2021.

Treasury shares held by the Company are not entitled to a dividend. The number of non-par shares entitled to a dividend may change prior to the date of the Annual General Meeting. In this case, an appropriately modified proposal for the appropriation of net profit will be presented to the Annual General Meeting which still allows a dividend of EUR 1.25 to be paid on each non-par share entitled to a dividend.

3. Resolution on the discharge of members of the Executive Board for fiscal year 2020

The Executive Board and Supervisory Board propose that discharge be granted to the members of the Executive Board for fiscal year 2020.

4. Resolution on the discharge of members of the Supervisory Board for fiscal year 2020

The Executive Board and Supervisory Board propose that discharge be granted to the members of the Supervisory Board for fiscal year 2020.

5. Resolution on the appointment of the auditor for fiscal year 2021

Following the recommendation of the Audit Committee, the Supervisory Board proposes that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, be appointed to audit the annual and consolidated financial statements for fiscal year 2021 and to review the half-year interim report pursuant to sec. 115, 117 German Securities Trading Act (WpHG) for the financial year 2021.

The Audit Committee has declared that its recommendation is free from undue influence by third parties as defined in Article 16 (2) subparagraph 3 of EU Regulation 537/2014, and that no restrictive clause within the meaning of Article 16 (6) of the aforementioned Regulation had been imposed regarding its choice.

6. Election of a member of the Supervisory Board

Pursuant to Sections 95, 96 (1) and 101 German Stock Corporation Act (AktG) in conjunction with Sections 1 (1), 5 (1) and Section 7 (1) sentence 1, no. 1 German Co-Determination Act (MitbestG) and Section 7 (1) of the Articles of Association, the Supervisory Board is made up of twelve members. Six members are elected by the Annual General Meeting (shareholder representatives) and six are elected in accordance with the provisions of the German Co-Determination Act (MitbestG) (employee representatives).

Pursuant to Section 96 (2) sentence 1 German Stock Corporation Act (AktG), at least 30% of the seats on the supervisory board of a listed company that is subject to the German Co-Determination Act (MitbestG) must be held by women and at least 30% by men. Given that an appeal has been lodged against overall compliance (i.e. applicable to the Supervisory Board as a whole), the quota must be met separately by both sides of the Supervisory Board: the shareholder representatives and the employee representatives. This means that there must be at least two women and two men among each set of representatives. The following proposal for a resolution respects these minimum percentages.

Following the proposal of the Nomination Committee, the Supervisory Board proposes the following candidate for election as a member of the Supervisory Board:

Dr. Rainer Martens, independent consultant,
former member of the Executive Board of MTU Aero Engines AG, residing in Rastede.

Dr. Martens was appointed as a member of the Supervisory Board in January 2021 per resolution of the Munich Local Court (Section 104 German Stock Corporation Act (AktG)). He replaces Prof. Dr. Steffens, who has withdrawn from his position as of December 31, 2020.

The elected candidate will take up their duties as of the end of the Annual General Meeting on 21. April 2021. Their term of office ends after the Annual General Meeting entrusted with granting discharge on their third financial year of service, not including the financial year in which they were appointed.

These proposals comply with statutory requirements and with the objectives set by the Supervisory Board in accordance with the German Corporate Governance Code (GCGC) regarding the board's composition and the desired profile of skills and expertise of its members. The skills and expertise of Supervisory Board members can be viewed at www.mtu.de/de/unternehmen/aufsichtsrat. The Supervisory Board has assured itself that the candidate will be able to devote the required time to their duties as a member of the Supervisory Board and should be considered independent in accordance with Recommendations C.6 and C.7 of the German Corporate Governance Code (GCGC).

Dr. Martens was a member of the Executive Board of MTU until December 31, 2017. Dr. Martens does not hold any additional mandates on the supervisory board or a comparable controlling body of other business enterprises in Germany or abroad.

To the best knowledge of the Supervisory Board, there are no personal or business relations between the proposed candidate and the Company, other companies in the MTU group, the Company's governing bodies, or any shareholder directly or indirectly owning more than 10% of the voting shares in the Company, that a shareholder might regard as decisively affecting their objective judgment when making their voting decision.

Information on the candidate standing for election to the Supervisory Board is provided on the pages following this Agenda under Section II. ("Further information on the candidate proposed for election to the Supervisory Board under item 6 of the agenda") and on the Company's website at www.mtu.de/hv.

7. Resolution on the approval of the compensation system of the Executive Board

In line with Section 120a (1) German Stock Corporation Act (AktG), in the version valid since January 1, 2020 according to the German Act for the implementation of the second shareholder rights directive (ARUG II) dated December 12, 2019, the annual general meeting of a stock-listed corporation has to approve the compensation system for the members of the Executive Board, resolved according to Section 87a German Stock Corporation Act (AktG), in case of significant changes, but in any event every four years.

On October 27, 2020, the Supervisory Board has resolved the compensation system for the Executive Board, which is described in more detail in the further information on item 7 of the agenda under Section II below and which is in line with the requirements of ARUG II and considers the requirements of the German Corporate Governance Codex. The Supervisory Board proposes to the Annual General Meeting to approve the compensation system for the executive board.

8. Resolution on the conformation of the compensation and resolution on the compensation system of the members of the Supervisory Board

In line with the new version of Section 113 (3) German Stock Corporation Act (AktG), the Annual General Meeting must adopt a resolution on the compensation of the Supervisory Board at least once every four years. This resolution may also confirm the existing compensation. The current compensation for Supervisory Board members is set out in Section 12 of the Articles of Association.

In accordance with Recommendation G.18 sentence 1 of the German Corporate Governance Code (GCGC), Supervisory Board compensation should be a fixed compensation (plus an attendance fee and expenses).

The Executive Board and the Supervisory Board are of the opinion that the level of compensation and the specific structure of the compensation system for the Supervisory Board are commensurate with the duties of Supervisory Board members and the Company's present situation.

The Executive Board and the Supervisory Board therefore propose to resolve that the current level of compensation for the Supervisory Board should be confirmed, along with the system upon which this compensation is based.

The wording of Section 12 of the Articles of Association and information from Section 113 (3) sentence 3 and Section 87a (1) sentence 2 German Stock Corporation Act (AktG) is given in Section II below (see there for further information on item 8 of the agenda: Description of compensation and compensation system for Supervisory Board members).

9. Resolution on the revocation of the Authorized Capital 2019 and creation of new Authorized Capital 2021 with the authorization to exclude subscription rights; revision of Section 4 (5) of the Articles of Association

The authorization of the Executive Board resolved at the Annual General Meeting held on April 11, 2019 to increase the capital stock against cash contributions expires at the end of April 10, 2024. The authorization has not been utilized.

To ensure that the Company has the flexibility also in future to secure at any time its equity capitalization, the authorization of the Executive Board shall be renewed ahead of time by a new authorization to increase the capital stock (Authorized Capital 2021). The Authorized Capital 2021 shall be created in the amount of approximately 30% of the existing capital stock. The possibility shall be created to increase the capital stock against cash and/or non-cash contributions.

The Executive Board and Supervisory Board thus propose the following resolution:

By revoking the existing authorization of the Executive Board to increase the capital stock in accordance with Section 4 (5) of the Articles of Association (Authorized Capital 2019), an authorized capital (Authorized Capital 2021) is created as set out below by revising Section 4 (5) of the Articles of Association with effect from the time when the amendment to the Articles of Association is entered in the Commercial Register:

“(5) The Company’s Executive Board is authorized, with the consent of the Supervisory Board, to increase the capital stock up to April 20, 2026 by an amount of up to EUR 16,000,000 (in words: sixteen million euros) by issuing new registered non-par shares against cash and/or non-cash contributions on one or more occasions (Authorized Capital 2021).

The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right in case of capital increases against contributions in kind, especially in the context of corporate mergers or for the purpose of (also indirect) acquisitions of companies, businesses, parts of companies, equity interests or other assets or rights in the acquisition of assets including claims against the company or affiliated companies.

In case of cash contributions in principle the shareholders shall be granted subscription rights. The new shares can be subscribed by credit institutions selected by the Executive Board, under the condition to offer the shares to the shareholders (indirect subscription right). However, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude fractional amounts from the subscription rights of shareholders and to also exclude these subscription rights, with the consent of the Supervisory Board, insofar as this is necessary to grant holders of conversion or option rights to registered non-par shares of the Company subscription rights to the extent to which they would be entitled after exercising their conversion or option rights.

Furthermore, the Executive Board is entitled in case of cash contributions, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders if the issue price is not significantly lower than the stock market price. However, this authorization shall apply only subject to the condition that the shares issued excluding subscription rights according to Section 186 (3) sentence 4 German Stock Corporation Act (AktG) account for a total amount of no more than 5% of the capital stock calculated in relation to the date on which this authorization becomes effective or – if such value is lower – when this authorization is exercised. This limit of 5% of the capital stock shall include, since the authorization was granted, i.e. since April 21, 2021, any option and conversion rights granted to shares of the Company, excluding shareholder subscription rights, according to Section 186 (3) sentence 4 German Stock Corporation Act (AktG) as well as any treasury shares sold, excluding subscription rights, according to Section 186 (3) sentence 4 German Stock Corporation Act (AktG).

The amount of shares issued by virtue of the Authorized Capital 2021 without subscription rights, including other shares of the Company which are issued or sold by the Company without subscription rights during the term of the Authorized Capital 2021 as well as any option and conversion rights granted to shares of the Company excluding shareholder subscription rights, according to Section 186 (3) sentence 4 German Stock Corporation Act (AktG) during the term of the Authorized Capital 2021, may not exceed 5% of the capital stock, not at the date on which this authorization becomes effective nor when this authorization is exercised.

The Executive Board is authorized, with the consent of the Supervisory Board, to determine all other rights of the shares, the details of the capital increase and the terms of issue, specifically the issue price.

The Supervisory Board is authorized to revise the wording of the Articles of Association after the complete or partial implementation of the increase in the capital stock from the Authorized Capital 2021 or after the expiry of the authorization period according to the extent of the capital increase from the Authorized Capital 2021.”

10. Resolution on the authorization to issue convertible bonds and/or bonds with warrants, also excluding subscription rights; creation of a new Conditional Capital (Conditional Capital 2021); cancellation of the unused part of the authorization to issue convertible bonds and/or bonds with warrants 2019, partial cancellation of the Conditional Capital 2019 and corresponding modification of Section 4 (7) of the Articles of Association, amendment of the Articles of Association by Section 4 (8)

The Executive Board was authorized by resolution at the Annual General Meeting on April 11, 2019 to issue, on one or more occasions, with the consent of the Supervisory Board, convertible bonds and/or bonds with warrants (in the following "Bonds 2019"), with or without restrictions on maturity, at a total nominal value of up to EUR 600,000,000 and to grant the holders of Bonds 2019 the right, obligation or option to convert them into registered non-par shares of the Company representing a pro-rata amount in the capital stock of up to EUR 2,600,000 under the conditions established for the issuance of convertible bonds or bonds with warrants (in the following: "Authorization 2019"). In order to serve the Bonds 2019 a Conditional Capital 2019 in the amount of EUR 2,600,000 was created (Section 4 (7) of the Articles of Association).

The Company has partially used the Authorization 2019 and has issued, in September 2019, through a private placement a convertible bond in the total nominal amount of EUR 500,000,000 (the "Convertible Bond 2019") with an exclusion of subscription rights. Consequently the Authorization 2019 resolved by the Annual General Meeting on April 11, 2019 is still available in an amount of EUR 100,000,000.

The Bond 2019 initially was convertible in about 1.3 million new or existing shares of the Company. This equals a stake in the capital stock of around 2.5%, referring to the date on which the authorization became effective as well as the date when it was exercised. Accordingly the still available Conditional Capital 2019 amounts to about EUR 1,300,000 (which equals about 2.5% of the capital stock).

In order to keep the Company flexible to issue, as needed, convertible bonds and/or bonds with warrants (or combinations of these instruments), including an exclusion of subscription rights, and to grant shares to serve the resulting option or conversion rights, a new authorization (Authorization 2021) and a new conditional capital (Conditional Capital 2021) shall be created. The still unused Authorization 2019 in the amount of EUR 100.000.000 shall be cancelled and the Conditional Capital 2019 (Section 4 (7) of the Articles of Association) shall be reduced.

The terms and conditions of the Convertible Bond 2019 contain dilution protection provisions and thus the number of shares required to be delivered under the Convertible Bond 2019 may increase. The Conditional Capital 2019 shall be reduced by an amount of EUR 1.000.000 and, in order to cover the bondholders' conversion rights under the Convertible Bond 2019, shall remain in an amount of EUR 1.600.000.

The Executive Board and the Supervisory Board thus propose the following resolution:

a) Cancellation of the unused part of the Authorization 2019 and partial cancellation of the Conditional Capital 2019

The authorization of the Executive Board by resolution at the Annual General Meeting on April 11, 2019 to issue, on one or more occasions, with the consent of the Supervisory Board, convertible bonds and/or bonds with warrants, with or without restrictions on maturity, at a total nominal value of up to EUR 600,000,000, shall be cancelled to the extent not used for the convertible bond issued in September 2019 in the amount of EUR 500,000,000. The Conditional Capital 2019 in the amount of EUR 2,600,000 under Section 4 (7) of the Articles of Association shall be cancelled insofar, as the Conditional Capital 2019 shall only remain in an amount of EUR 1,600,000.

b) Authorization to issue convertible bonds and/or bonds with warrants

aa) General

The Executive Board is authorized until April 20, 2026 to issue, on one or more occasions, with the consent of the Supervisory Board, bearer and/or registered convertible bonds and/or bonds with warrants (collectively referred to as “Bonds”), with or without restrictions on maturity, at a total nominal value of up to EUR 600,000,000 and to grant the holders or creditors of convertible bonds and/or bonds with warrants the right, obligation or option to convert them into registered non-par shares of the Company representing a pro-rata amount in the capital stock of up to EUR 2,600,000 under the conditions established for the issuance of convertible bonds or bonds with warrants. The Bonds may be issued in return for cash payment only.

The Bonds may be issued in euros or – at an equivalent value – in any other legal currency, for instance that of an OECD country. They may also be issued by an affiliated company managed by the Company (“Affiliated Company”); in such cases, and subject to the consent of the Supervisory Board, the Executive Board is authorized to act as guarantor for the Bonds, and to grant the holders of convertible bonds and/or bonds with warrants the right, obligation or option to convert them into registered non-par shares in the Company.

The Bond issues will be divided into partial Bonds.

bb) Bonds with warrants and convertible bonds

In the event of the issuance of bonds with warrants, one or more warrants will be attached to each partial bond which entitle the holder, subject to the conditions established for the issuance of bonds with warrants to be determined by the Executive Board, to subscribe to registered non-par shares of the Company. The respective warrants may be separable from the respective partial bonds. The conditions may provide that the option price may be discharged by a transfer of the partial bonds (trade-in) and by an additional payment, if necessary. The maturity date of the option right may not exceed the maturity date of the bond with warrants. The conditions may also provide that any fractional amounts are combined and/or settled in cash.

In the event of the issuance of convertible bonds, the holders or creditors receive the right or have the obligation, subject to the conditions established for the issuance of convertible bonds to be determined by the Executive Board, to exchange their partial bonds for registered non-par shares of the Company. The rate at which partial bonds are converted into shares shall be the result of dividing the par value or the issue price of a partial bond, where lower than the par value, by the defined conversion price for a registered non-par share of the Company. The conversion rate may be rounded up or down to the nearest full number; an additional cash payment can also be determined if necessary. The conditions may also provide that any fractional amounts are combined and/or settled in cash.

Sections 9 (1) and 199 German Stock Corporation Act (AktG) remain unaffected.

cc) Conversion obligation

The conditions of the convertible bonds may also determine a conversion obligation on the maturity date or at an earlier time. The pro-rata amount of the capital stock attributable to the non-par shares of the Company to be issued per partial bond on conversion may not exceed the par value of the partial bond.

Sections 9 (1) and 199 German Stock Corporation Act (AktG) remain unaffected.

dd) Substitution right

The conditions of the convertible bonds and bonds with warrants can provide for the right of the Company to wholly or partially grant the holders or creditors of the bond new shares or treasury shares of the Company in lieu of a payment of the due cash amount. Subject to more detailed provisions laid down in the bond conditions, the shares are in each case determined at a value which is equal to the arithmetic mean of the closing auction prices, rounded up to the nearest full cent, quoted for the same class of shares of the Company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days before notice or exercise of conversion, respectively.

The conditions of the convertible bonds or bonds with warrants may further provide for treasury shares in the Company to be granted on conversion or exercise. They may also provide that instead of granting holders of convertible bonds or bonds with warrants shares in the Company, the Company pays a sum of money for the number of shares otherwise to be supplied which is equivalent to the volume-weighted average price of the shares of the Company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange over a reasonable period to be determined by the Executive Board of days before or after notice of the conversion or exercise.

ee) Conversion price or option price

The conversion price or option price to be determined must amount to at least 80 % of the arithmetic mean of the closing auction prices quoted for the same class of shares of the Company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days before the date of the resolution by the Executive Board concerning the issuance of the bonds or – in case subscription rights are granted – at least 80 % of the arithmetic mean of closing auction prices quoted for the same class of shares of the Company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange in the period from the beginning of the subscription period up to (and inclusive of) the third day before notice of the final conditions pursuant to Section 186 (2) sentence 2 German Stock Corporation Act (AktG). In cases of a substitution right or a conversion obligation, as further defined in the conditions of the Bond, the conversion or option price at least can either amount to the above minimum price or to the volume-weighted average price of the same class of shares in Xetra trading (or a comparable successor system on the Frankfurt Stock Exchange) in the last ten trading days prior to or on the final maturity date of the Bond, even if this average rate is below the above minimum price (80 %).

Sections 9 (1) and 199 German Stock Corporation Act (AktG) remain unaffected.

ff) Dilution protection

The authorization includes the possibility, as further defined in the conditions of the convertible bonds or warrants, to provide in certain cases for a dilution protection or adaptations. Dilution protection or adaptations specifically may be allowed in case the capital stock of the Company is modified during the conversion or option period (for instance through an increase or decrease of the capital stock or a share split), but also in relation to dividend payments, the issuance of further convertible bonds and bonds with warrants, restructurings as well as in other measures taking place during the effectiveness of the bonds or warrants, which might affect the value of the conversion rights (as a change of control by a third party). Dilution protection or adaptations especially may be provided through the grant of subscription rights, through modifications of the conversion or option price as well as through the modification or the grant of cash payments.

Sections 9 (1) and 199 German Stock Corporation Act (AktG) remain unaffected.

gg) Subscription rights and exclusion of subscription rights

In principle, shareholders are entitled to subscription rights, i.e. the Company's shareholders are to be given the opportunity to subscribe to the convertible bonds and/or bonds with warrants. The Bonds may also be assumed by one or more banks subject to the condition that they offer them to the shareholders for subscription. If Bonds are issued by an Affiliated Company, the Company will ensure that subscription rights are suitably offered to the Company's shareholders.

However, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights to Bonds,

- if the Executive Board, after due examination, comes to the conclusion that the issue price is not significantly lower than the theoretical market value of the Bonds as calculated using recognized methods of financial mathematics. This authorization to exclude subscription rights shall, however, apply only to Bonds with a conversion or option right (or a conversion obligation) to shares, the amount of which may not exceed 5% of the Company's capital stock when this authorization becomes effective or – if such value is lower – when this authorization is exercised. The upper limit of 5% of the Company's capital stock shall be reduced by the pro-rata amount of the capital stock allocable to shares which (i) are issued during the term of this authorization within the scope of a capital increase excluding subscription rights in accordance with Section 186 (3) sentence 4 German Stock Corporation Act (AktG) or which (ii) are sold as purchased treasury shares during the term of this authorization in a manner other than through the stock exchange or through an offer made to all shareholders in analogous application of Section 186 (3) sentence 4 German Stock Corporation Act (AktG);
- for fractional amounts arising as a result of the subscription ratio; or
- to the extent necessary to be able to grant the holders of previously issued conversion or option rights subscription rights to the extent they would be owed as shareholders after exercising their conversion or option rights or fulfilling their conversion obligations.

The total amount of Bonds issued under the before granted authorization to exclude the subscription rights are limited to that amount of Bonds with a conversion or option right (or a conversion obligation) to shares, the amount of which may not exceed 5% of the Company's capital stock in total when this authorization becomes effective or – if such value is lower – when this authorization is exercised. Shares as well as conversion or option rights, which are issued or sold during the validity of this authorization without subscription rights are to be credited against such 5% limit.

hh) Further possibilities

The Executive Board is authorized, with the consent of the Supervisory Board, to define further details concerning the issuance and terms of issue of the Bonds, particularly the interest rate and type of interest, issue price, maturity period and denomination, conditions on dilution protection, conversion or exercise period and the conversion or option price, or define these in agreement with the governing bodies of the Affiliated Companies issuing the Bonds.

c) Creation of Conditional Capital 2021

The capital stock of the Company is conditionally increased by up to EUR 2,600,000 by issuing up to 2,600,000 new registered non-par shares with a pro-rata amount of the capital stock of one euro each (Conditional Capital 2021). The purpose of the Conditional Capital increase is to grant shares to the holders or creditors of convertible bonds or bonds with warrants which are issued based on the authorization above. The increase in the Conditional Capital shall be carried out only to the extent that conversion or option rights are exercised or conversion obligations from such bonds are fulfilled and the Conditional Capital is required subject to the conditions of the convertible bonds or bonds with warrants. New shares may be issued at the option or conversion price determined on the basis of the conditions laid down in the authorization above. The new shares participate in the profits from the beginning of the financial year in which they are issued through the exercise of conversion or option rights or the fulfillment of conversion obligations. The Executive Board is authorized, with the consent of the Supervisory Board, to define further details concerning the implementation of the increase in Conditional Capital.

d) Section 4 (7) sentence 1 of the Articles of Association is modified, a new Section 4 (8) is added:

aa) Section 4 (7) sentence 1 is amended and restated as follows:

“(7) The capital stock of the Company is conditionally increased by up to EUR 1,600,000 (in words: one million six hundred thousand euros) by issuing up to 1,600,000 new registered non-par shares with a pro-rata amount of the capital stock of one euro (Conditional Capital 2019).”

bb) The following new Section 4 (8) is added:

“(8) The capital stock of the Company is conditionally increased by up to EUR 2,600,000 (in words: two million six hundred thousand) by issuing up to 2,600,000 new registered non-par shares with a pro-rata amount of the capital stock of one euro (Conditional Capital 2021).

The conditional capital increase serves to grant shares to the holders or creditors of convertible bonds or bonds with warrants which are issued based on the authorization resolved by the Annual General Meeting of the Company on April 21, 2021. The issuance is carried out at the conversion or option price to be specified according to this authorization.

The conditional capital increase shall be carried out only insofar as conversion or option rights are exercised or the creditors or holders of conversion or option rights with conversion obligations fulfill their conversion obligations, and insofar as treasury shares are not used to cover this. Shares issued in such manner shall participate in the profits from the beginning of the financial year in which they are issued through the exercise of conversion or option rights or the fulfillment of conversion obligations.

The Executive Board is authorized, with the consent of the Supervisory Board, to define further details concerning the implementation of the increase in Conditional Capital.

The Supervisory Board is authorized to revise the wording of the Articles of Association after the complete or partial implementation of the increase in the capital stock from the Conditional Capital 2021, according to the extent of the capital increase from the Conditional Capital 2021.”

11. Resolution on an amendment of Section 15 (3) of the Articles of Association

The Articles of Association stipulate that, for technical reasons, no changes in share registration may be made during the last three working days prior to, and on the day of, the Annual General Meeting. This is to be adapted to standard market practice, in accordance with which the deadline for changes in share registration should coincide with the deadline for registration for the Annual General Meeting. The moratorium on changes in share registration shall therefore be extended from three working days to the length of the period from the end of the last day of registration for the Annual General Meeting to the day of Annual General Meeting.

For this reason, the Executive Board and Supervisory Board propose to amend Section 15 (3) of the Articles of Association as follows:

“(3) For technical reasons, no changes in share registration shall be made during the period from the end of the last day of registration for the Annual General Meeting (paragraph 2) up to and including the day of the Annual General Meeting (registration moratorium).“

II. Further information and reports concerning the agenda items

1. Further information on the resolution proposed under item 5 of the agenda regarding the appointment of an auditor for fiscal year 2021

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, has been the auditor of the annual and consolidated financial statements of MTU Aero Engines AG for the period since fiscal year 2014. According to Regulation (EU) No. 537/2014, an auditor may audit a company for a maximum period of ten years (so-called external rotation). This may be extended following a public tendering process. In addition to the external rotation, the EU Regulation also prescribes a so-called internal rotation within the auditing company: the key audit partners may participate in the audit of the same company for a maximum of seven years. As a result of internal rotation, Mr. Markus Westermeier, as key audit partner, was replaced by a colleague following the fiscal year 2019. Following fiscal year 2020, Mr. Siegfried Keller will be replaced by a colleague.

2. Further information on the candidate proposed for election to the Supervisory Board under item 6 of the agenda

Dr. Rainer Martens

Independent consultant

Born:	1961
Nationality:	German
Biography	
1986	Graduation as mechanical engineer at University Hannover
1986	Research associate at IFW and CIM-Fabrik Hannover gGmbH at University Hannover
1991	Doctorate in engineering
1991	Head of production logistics and head of machining shop, Airbus, Varel plant
1997	Head of turbine airfoil production at MTU Motoren- und Turbinen-Union München GmbH, Munich
2002	Plant and site manager at Airbus Bremen
April 2006 to December 2017	Chief operating officer (COO) of MTU Aero Engines AG, Munich
Member of the Supervisory Board of MTU Aero Engines AG since January 2021	

Specific knowledge and experience that the candidate can contribute to MTU as a member of the Supervisory Board

The nomination of Dr. Rainer Martens is intended to preserve the requisite degree of engine-related expertise on the Supervisory Board following the withdrawal of Prof. Klaus Steffens. MTU has a highly specialized product portfolio that is extremely difficult to evaluate in the absence of specific knowledge in the field of high-tech aero engines. Following the withdrawal of Prof. Klaus Steffens, the Supervisory Board no longer has a proven specialist in aero engine technology. Discussions over many years have shown that it is vital that the Supervisory Board possesses this knowledge and expertise. Dr. Rainer Martens is the ideal candidate to fill the gap created by the withdrawal of Prof. Klaus Steffens.

Dr. Rainer Martens left the Executive Board of MTU at the end of 2017, when he was chief operating officer. That is almost three and a half years prior to the date of this year's Annual General Meeting and therefore substantially longer than the two-year cooling-off period required under German stock corporation law. MTU is mindful of the importance of a commensurate cooling-off period between executive board and supervisory board mandates. On the other hand, we felt it would be harmful to the Supervisory Board's competence to wait a further two years before filling the gap in expertise caused by the withdrawal of Prof. Klaus Steffens. We are also acutely aware of the danger that, were we to wait longer, this technical expertise would be already outdated by the time the new candidate took up a Supervisory Board mandate. Dr. Rainer Martens' expertise is closely bound up with the technologies embedded in MTU's current product portfolio. In the medium-term, these technologies are directed at achieving significant reductions in fuel consumption and emissions from our engines; in the long term, at building revolutionary zero-emission engines such as a fuel cell-powered aero engine.

Dr. Rainer Martens has no conflicts of interest and is regarded as independent. He does not currently hold any other executive or supervisory board mandates and therefore has sufficient time to assume the duties of a member of MTU's Supervisory Board.

Whereas the German Corporate Governance Code (GCGC) allows for two former executive board members to sit on the supervisory board, Dr. Rainer Martens is in fact the only former MTU Executive Board member to sit on the MTU Supervisory Board.

3. 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		
Non-performance-related components	Fixed compensation	Fixed, contractually agreed compensation, paid out in twelve equal installments
	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).

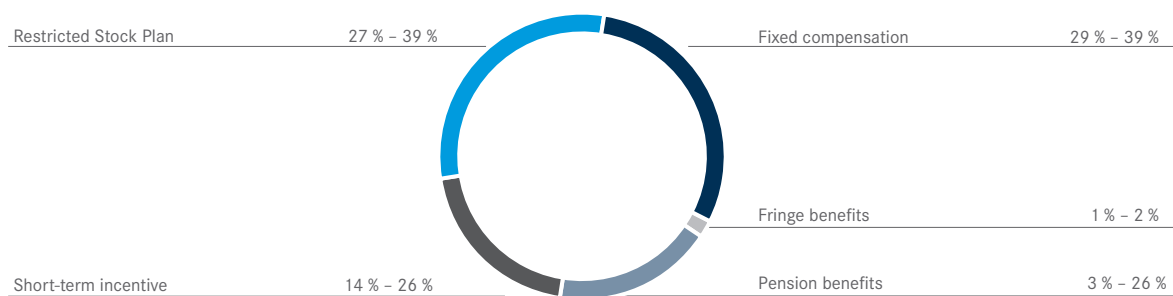
The sum of the fixed compensation, the STI target amount and the RSP grant value constitutes the target direct compensation of the Executive Board members. To reinforce the pay-for-performance concept of the compensation system, the target direct compensation consists mainly of performance-related components.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

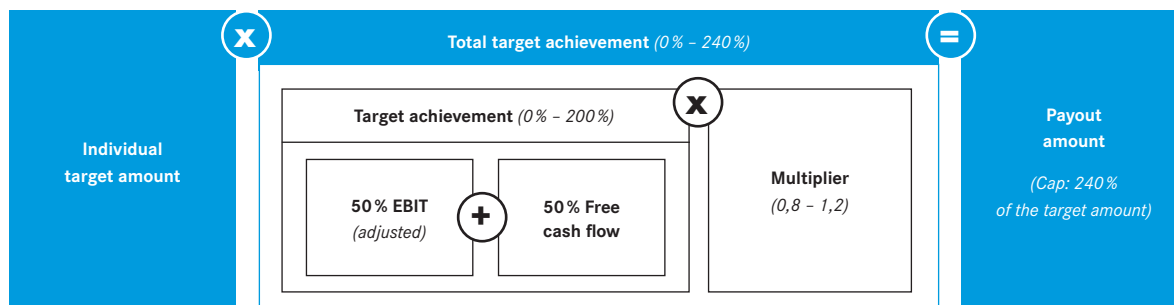
D.2.1. Short-term incentive (STI)

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

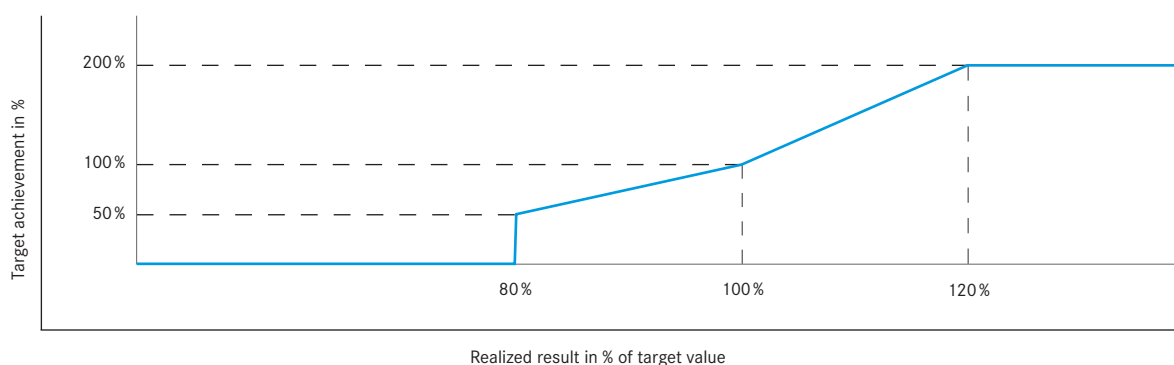
As part of the STI, adjusted EBIT and free cash flow are considered as financial performance criteria with equal weighting.

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.

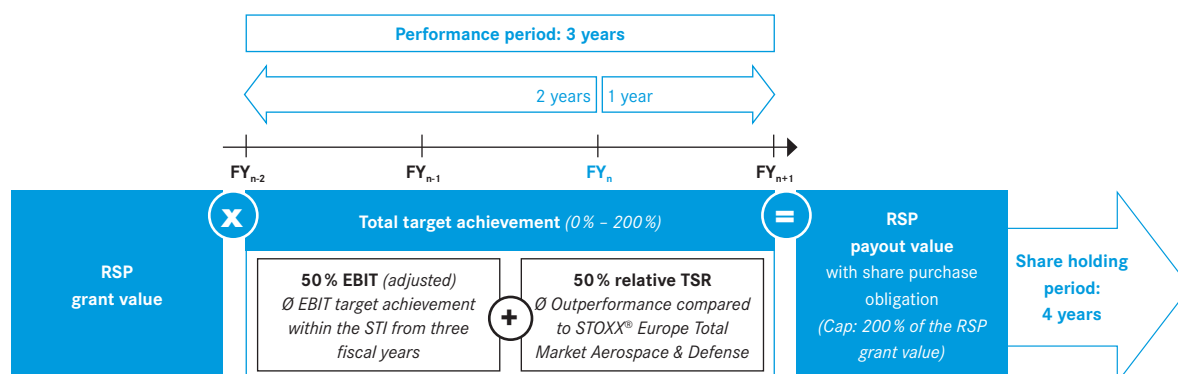
D.2.2. Restricted Stock Plan (RSP)

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

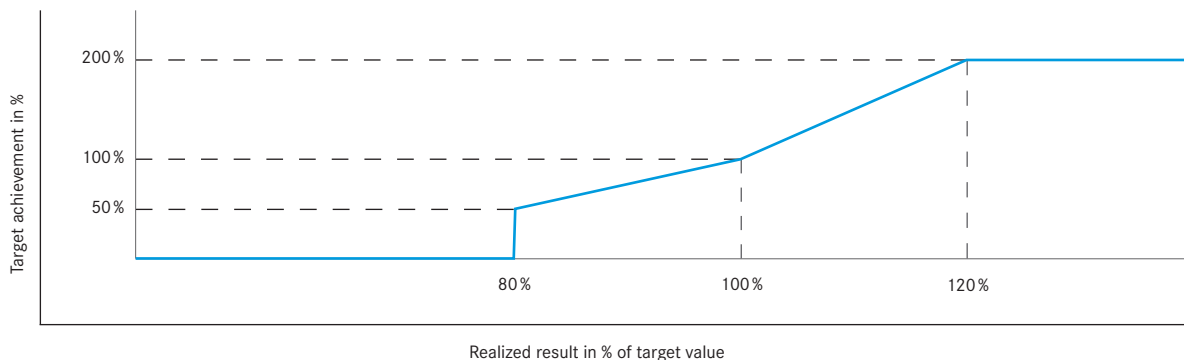
The relevant performance criteria for determining the RSP payout value are adjusted EBIT and relative TSR.

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 sustain-able, 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”).

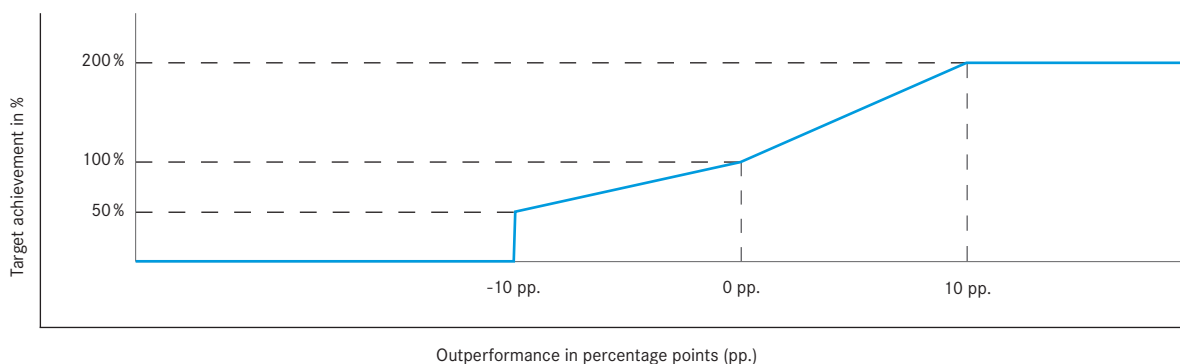
In the event that the selected benchmark index is significantly restructured, adjusted or discontinued during the performance period, the Supervisory Board of MTU AG reserves the right to select an alternative benchmark index and, if necessary, to recalibrate the target achievement curve.

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.

4. Further information on item 8 of the agenda: Resolution on the confirmation of compensation and resolution on the compensation system for Supervisory Board members

Members of the Supervisory Board receive fixed annual compensation of EUR 50,000. In accordance with Recommendation G.17 of the German Corporate Governance Code (GCGC), the chair of the Supervisory Board and the chairs and members of Supervisory Board committees receive increased compensation on account of the additional time commitment. The chair of the Supervisory Board receives compensation of EUR 150,000.

Members of Supervisory Board committees receive additional fixed annual compensation for each committee position they hold. This compensation amounts to EUR 10,000. The chair of a Supervisory Board committee receives additional compensation of EUR 20,000. This does not include membership of the Mediation Committee, convened in accordance with Section 31 (3) German Codetermination Act (MitbestG), for which there is no additional compensation.

In addition, members of the Supervisory Board or a Supervisory Board committee receive for participation in a meeting of the Supervisory Board or Supervisory Board committee an attendance fee of EUR 3,000 per meeting to a maximum of EUR 3,000 per diem. The attendance fee is halved for meetings conducted by means of modern telecommunications (Section 11 (6) of the Articles of Association).

Supervisory Board members are covered by a directors and officers liability insurance policy for members of governing bodies. The insurance premiums are paid by the Company. The Company reimburses all members of the Supervisory Board for their expenses and value-added tax payable on compensation. There shall be no compensation-related agreements between the Company and the members of the Supervisory Board that go beyond the provisions in the Articles of Association. Compensation is payable after the end of the Annual General Meeting at which the annual financial statements for the past fiscal year are submitted for approval or which resolves upon their approval.

Unless otherwise specified at the time of election, the members of the Supervisory Board are appointed for a term of office that ends at the close of the Annual General Meeting entrusted with granting discharge on their fourth financial year of service, not including the financial year in which they were appointed. Subject to the relevant statutory provisions, members of the Supervisory Board may be dismissed; or they may prematurely resign from office, by means of written declaration and with or without good cause, with effect from the end of the calendar month following the declaration. The chair of the Supervisory Board – or, in the event of the chair's resignation, their deputy – may reduce or waive this period of notice. No further compensation is payable in the event of resignation; nor is there any provision for compensation after the term of office. Members of the Supervisory Board who have not been a member or chair of the Supervisory Board or of a Supervisory Board committee for a full fiscal year receive pro rata compensation for each month or part month of their term of office.

The compensation system for the Supervisory Board, which provides for fixed compensation only, reinforces the independence of the Supervisory Board and offers a counterbalance to the compensation system for the Executive Board, which mainly consists of variable components and is geared to the Company's growth strategy. The compensation system for the Supervisory Board is therefore conducive to the long-term development of MTU.

The Supervisory Board regularly reviews whether the compensation paid to its members is commensurate with their duties and the Company's present situation. For this purpose, the Supervisory Board has the option of conducting a horizontal market comparison and/or a vertical comparison with the compensation paid to the employees of the Company. The Supervisory Board may also consult an independent external expert. Due to the special nature of the Supervisory Board's work, however, a vertical comparison with the compensation paid to Company employees is not, as a rule, performed for the purpose of reviewing the compensation paid to members of the Supervisory Board. Depending on the results of the comparative analysis and the evaluation of the results by the Supervisory Board, the Supervisory Board may, in concert with the Executive Board, submit a proposal to the Annual General Meeting regarding amendments to the compensation paid to members of the Supervisory Board. The Annual General Meeting shall pass a resolution on the compensation paid to Supervisory Board members (including the underlying compensation system) at least once every four years. The corresponding resolution may merely confirm the existing compensation system. Should the Annual General Meeting fail to approve the proposed compensation system, a revised compensation system shall be submitted no later than the following Annual General Meeting.

The methods used to establish, implement and review the compensation system are in compliance with the provisions on handling conflicts of interest as laid down in the Rules of Procedure for the Executive Board and the Supervisory Board. Every care is taken to ensure that external compensation experts are independent; confirmation of their independence shall be required.

The compensation paid to Supervisory Board members is governed by Section 12 of the Articles of Association, which reads as follows:

„§ Section 12 Compensation of members of the Supervisory Board

- (1) Members of the Supervisory Board shall receive a fixed annual compensation payable after the end of the financial year amounting to € 50,000.00 (in words: fifty thousand euros).*
- (2) The amount specified in paragraph 1 above is tripled in the case of the chairman of the Supervisory Board and multiplied by one-and-a-half in the case of the deputy chairman.*
- (3) In addition to the compensation stated in paragraph 1, members of the Supervisory Board who belong to a committee shall receive an additional € 10,000.00 (in words: ten thousand euros) and if they chair the committee, an additional € 20,000 (in words: twenty thousand euros). This shall not apply to membership in the committee set up to perform the task named in Section 31 (3) of the German Codetermination Act of 1976, for which no additional compensation is paid..*
- (4) Members of the Supervisory Board who only held office or performed the functions named in paragraph 2 for a fraction of the financial year shall receive a proportional amount of the due compensation for each month commenced.*
- (5) In addition to their fixed annual compensation, members of the Supervisory Board shall receive an attendance fee of € 3,000.00 (in words: three thousand euros) for each meeting of the Supervisory Board or of a committee to which they belong, subject to an upper limit of € 3,000.00 (in words: three thousand euros) per calendar day. If the provisions of Section 11 paragraph 6 have been invoked by the chairman or deputy chair of the Supervisory Board, and a meeting is held via modern telecommunications channels (telephone or video conference), participants shall receive one half of the attendance fee stated above.*
- (6) The Company shall reimburse the necessary outlays to members of the Supervisory Board upon presentation of documentation. The applicable VAT shall be reimbursed by the Company insofar as members of the Supervisory Board are entitled to invoice VAT separately and choose to exercise this right.*
- (7) The Company shall provide adequate insurance cover for members of the Supervisory Board; in particular, it shall take out a D&O insurance in favor of members of the Supervisory Board.“*

5. Report of the Executive Board on item 9 on the agenda (resolution on the revocation of the Authorized Capital 2019 and creation of a new Authorized Capital 2021 with the authorization to exclude subscription rights; revision of Section 4 (5) of the Articles of Association) pursuant to Section 203 (2) sentence 2 in conjunction with Section 186 (4) sentence 2 German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board propose that the Annual General Meeting approve the creation of an authorized capital to enable the Company to respond at short notice to market conditions without having to convene a new General Meeting. The authorization to create authorized capital granted to the Company by the Annual General Meeting on April 11, 2019 has not been used to date by the Company (as in March 2021) and expires on April 10, 2024. It is to be replaced ahead of time by a new authorization. As before, the new authorization is limited to five years.

In total, authorized capital of EUR 16,000,000 is to be created against contributions in cash and/or kind. This is equivalent to approximately 30% of the Company's current capital stock. The authorization is to be granted for the maximum period of five years permitted by law (until April 20, 2026). The existing Authorized Capital 2019 is revoked.

In the case of a capital increase against contributions in kind, it shall be possible to exclude the subscription right of the shareholders. MTU shall have the opportunity, in case of an acquisition of companies, parts of companies or equity interests in other companies, as well as in case of an acquisition of depositable assets, which are related to one of the acquisitions named before (like industrial property rights or intangible property rights related to the business of a company to be acquired), to offer the seller as consideration a participation in MTU by issuing new shares. Thus in negotiations the necessity might arise to offer the seller shares instead of cash. The granting of shares as consideration might also be in the interest of the Company in the light of an optimized financing structure. The authorization allowing such type of consideration enables MTU to acquire a larger unit, saving liquidity. The Company is in global and national competition. Therefore, it must always be in a position to act quickly and flexibly in national and international markets. This includes the ability to make such acquisitions to strengthen the Company's competitive position. The possibility to offer shares of the Company as consideration creates an advantage in the competition for interesting acquisition targets and enables the Company to make use of opportunities to acquire companies, parts of companies or equity interests in other companies, as well as in case of an acquisition of depositable assets, which are related to one of the acquisitions named before, in a liquidity saving manner. For this purpose the shares must be offered to the seller only, which makes the exclusion of subscription rights unavoidable. As acquisitions in many cases have to be decided at short notice, it is normally not possible to provide for a resolution of the General Meeting on the required capital increase. Therefore an authorized capital is inevitable, which the Executive Board, with the consent of the Supervisory Board, can access quickly. The issue of shares against a contribution in kind presumes that the value of the contribution in kind corresponds to the value of the shares. When determining the valuation ratio, the Executive Board will ensure that the interests of the Company and of its shareholders are preserved in an adequate manner and that an adequate issue amount of the new shares is achieved.

However, in case of the grant of subscription rights the acquisition of companies, parts of companies or equity interests in other companies, as well as acquisitions of depositable assets, which are related to one of the acquisitions named before, would not be possible in exchange for new shares of the Company and the related benefits for the Company and its shareholders could not be realised.

In case opportunities to acquire companies, parts of companies or equity interests in other companies, as well as acquisitions of depositable assets, which are related to one of the acquisitions named before concretize, the Executive Board will evaluate on a case by case basis on whether to make use of a capital increase against a contribution in kind with an exclusion of subscription rights. The Executive Board will only use the authorization, if it is convinced that the acquisition in exchange for an issue of shares is in the best interest of the Company and is justified considering the dilution effect occurring. Also the Supervisory Board will only consent to an use of the Authorized Capital 2021, if it comes to the same conclusion. .

In case of a capital increase against cash, as a basic principle the shareholders must be offered subscription rights.

Subscription rights may also be granted to the shareholders in such way that new shares are assumed by a bank or a company operating in accordance with Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or Section (7) German Banking Act (KWG), subject to the obligation that the shares be offered to the shareholders for subscription (Sections 203 (1) and 186 (5) German Stock Corporation Act (AktG)). However, the Executive Board shall have the possibility, with the consent of the Supervisory Board, to exclude shareholders' subscription rights, in whole or in part, in certain cases. Specifically:

The Executive Board and the Supervisory Board propose that the Annual General Meeting approve the creation of Authorized Capital 2021 at a nominal aggregate amount of up to Euro 16,000,000 which can be used against cash contributions (or contributions in kind, s. above).

The Executive Board is to be authorized to exclude fractional amounts from subscription rights. This will serve to create a practicable subscription ratio. Without the exclusion of subscription rights for fractional amounts, the technical implementation of the capital increase and the exercise of subscription rights would be rendered considerably more complicated, especially if the capital were increased in rounded amounts. By limiting the exclusion to fractional amounts, the potential dilution effect is very small. The new shares, which as fractional amounts are excluded from subscription rights, will either be sold on the stock exchange or otherwise disposed of in a way that best benefits the Company.

Furthermore, the Executive Board shall, with the consent of the Supervisory Board, be able to exclude subscription rights to the extent this is necessary to grant holders of convertible bonds or bonds with warrants subscription rights to new shares if stipulated under the conditions of these bonds. To facilitate their placement on the capital market, bonds usually have protection against dilution which provides for the holders to be granted subscription rights for new shares in subsequent share issuances equal to that of shareholders. Often the Conditional Capital is insufficient to satisfy these subscription rights of bondholders, particularly since the size of the future share issuances cannot be predicted at the time the relevant Conditional Capital is created. In order to give the bonds this kind of protection against dilution, the subscription rights must be able to be satisfied out of the Authorized Capital. Therefore, when using the Authorized Capital, the subscription rights of shareholders must be excluded in respect of these shares. This facilitates the placement of the bonds and is thus in line with the shareholders' interest in an optimum financing structure for the Company.

In accordance with Sections 203 (2), 186 (3) sentence 4 German Stock Corporation Act (AktG), the Executive Board is to be authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights if the new shares are issued at an issue price that does not fall significantly below the stock exchange price. The number of shares issued in this manner excluding subscription rights may not exceed a total amount of 5% of the capital stock when this authorization becomes effective or is exercised. This authorization places the Company in a position to rapidly and flexibly exploit market opportunities in its various business segments and, if necessary, to cover any capital requirements for these measures at very short notice. The exclusion of subscription rights not only enables the Company to respond rapidly but also to place shares at a price close to the stock market price, i.e. without the markdown required in case of rights emissions. This produces higher proceeds from the issuance for the benefit of the Company. Moreover, new groups of shareholders can be won through such a placement.

In the event that subscription rights are maintained, Section 186 (2) German Stock Corporation Act (AktG) provides for the possibility not to determine the specific issue price when publishing the subscription period but only to indicate the basis for its determination. However, even in this case, it cannot be expected that the best possible placement success will ultimately be achieved for the Company because the issue price must be published at least three days prior to the expiry of the subscription period. In addition, if subscription rights are granted, the successful placement with third parties is jeopardized or entails additional expenses and/or time because it is uncertain to what extent subscription rights will be exercised (subscription conduct). Thus, the best possible reinforcement of equity capital is achieved by the authorization to exclude the shareholders' subscription rights in the interests of the Company and all shareholders.

When exercising the authorization, the Executive Board will calculate the markdown as low as possible, taking into account the market situation prevailing on the date of the placement. The issue price and thus the proceeds received by the Company for the new shares will be based on the stock market price of the shares already listed and not fall significantly below the current stock market price, i.e. at least by not more than 10%. The exclusion of subscription rights may not exceed 5% of the Company's current capital stock. In calculating this 5% limit of the capital stock, an allowance shall be made for the granting of option or conversion rights for Company shares excluding subscription rights after this authorization, i.e. since April 21, 2021, in accordance with Section 186 (3) sentence 4 German Stock Corporation Act (AktG). Finally, in calculating this 5% limit, an allowance shall be made for sales of treasury shares excluding subscription rights in accordance with Section 186 (3) sentence 4 German Stock Corporation Act (AktG).

In accordance with the statutory provisions, the need to protect shareholders by providing extensive protection against the dilution of their share ownership is accounted for by these requirements. Because of the issue price of the new shares being close to the stock market price and the limiting of the size of the capital increase without subscription rights, in principle, each shareholder has the opportunity to acquire the shares required to maintain their shareholding through the stock exchange at almost identical conditions. Thus, it is ensured that in accordance with the legal purpose of Section 186 (3) sentence 4 German Stock Corporation Act (AktG) the financial and voting right interests are reasonably safeguarded when using the Authorized Capital excluding subscription rights, while at the same time the Company gains reasonable freedom to act in the interest of all shareholders.

Having considered all the described facts and circumstances, the Executive Board and the Supervisory Board deem the exclusion of subscription rights in the described cases both adequate and necessary for the reasons described above, even when taking into account the dilution effect arising to the detriment of the shareholders.

The Executive Board will report on the use of the Authorized Capital 2021 at the next Annual General Meeting.

6. Report of the Executive Board on item 10 of the agenda (resolution on the authorization to issue convertible bonds and/or bonds with warrants, also excluding subscription rights; creation of a new Conditional Capital (Conditional Capital 2021); cancellation of the unused part of the authorization to issue convertible bonds and/or bonds with warrants 2019, partial cancellation of the Conditional Capital 2019 and corresponding modification of Section 4 (7) of the Articles of Association, amendment of the Articles of Association by Section 4 (8)) pursuant to Section 221 (4) sentence 2 in conjunction with Section 186 (4) sentence 2 German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board propose that the Annual General Meeting approve the authorization and the creation of Conditional Capital (Conditional Capital 2021) for the issuance of convertible bonds and/or bonds with warrants (collectively the “Bonds”). The issuance of Bonds (or a combination of these instruments) may provide an opportunity, in addition to the conventional possibilities of raising debt and equity capital, to make use of attractive financing alternatives on the capital market, depending on the market situation. The issuance is to be limited to a total nominal value of the bonds of up to EUR 600,000,000 and an entitlement to subscribe up to a maximum of 2,600,000 registered non-par shares of the Company.

The Company has partially used the Authorization 2019 and has issued, in September 2019, through a private placement a convertible bond in the total nominal amount of EUR 500,000,000 with an exclusion of subscription rights. Consequently the Authorization 2019 resolved by Annual General Meeting on April 11, 2019 is no longer fully available and accordingly the flexibility for future financing is limited. The Executive Board and Supervisory Board therefore propose in the course of the new Authorization 2021 that the Annual General Meeting cancels the unused part of the Authorization 2019.

Considering that with the proposed resolution the Authorization 2019 shall be canceled as far as unused and thus no further bonds may be issued under the Authorization 2019, the Conditional Capital 2019 in the current amount of EUR 2,600,000 is only to be kept in order to serve the conversion rights under the convertible bond issued in September 2019. The Conditional Capital 2019 can therefore be cancelled, as proposed by the Executive Board and Supervisory Board, in the amount of EUR 1,000,000 and accordingly the Conditional Capital 2019 in Section 4 (7) sentence 1 of the Articles of Association can be adjusted on an amount of EUR 1,600,000.

The issuance of Bonds facilitates the raising of debt capital on favorable conditions (compared to conventional debt financing) which may be converted into equity capital upon maturity under certain conditions and thus may remain with the Company. The envisaged possibility to also create conversion obligations in addition to the granting of conversion and/or option rights provides more leeway for the structuring of this financing instrument. The authorization will provide the Company with the necessary flexibility to place the bonds itself or via affiliated companies managed by the Company (“Affiliated Companies”). In addition to the euro, the Bonds may also be denominated in other legal currencies, for example that of an OECD country, and may be issued with limited or unlimited maturity.

The Bonds may also provide for or permit new or treasury shares of the Company to be granted in the event of the exercise of conversion and/or option rights or the fulfillment of conversion obligations. To further increase flexibility, the conditions established for the Bonds may also provide for or permit that instead of granting holders of conversion or option rights or conversion obligations treasury shares in the Company, the Company pays an equivalent sum of money to them upon exercise of the conversion and/or option rights or upon fulfillment of the conversion obligations. This takes due account of the fact that an increase in the capital stock upon the exercise of conversion and/or option rights and/or the fulfillment of conversion obligations at a future point in time might not be welcome. Notwithstanding this, the use of the possibility of cash payment protects shareholders against a reduction in the proportion of their shareholding and against a dilution of the value of their shares because no new shares are issued.

Shareholders shall generally be granted subscription rights. In case of a placement via Affiliated Companies, the Company shall also ensure that the Company's shareholders are granted statutory subscription rights. In order to facilitate the settlement, a possibility is provided for the Bonds to be issued to one or several banks with the obligation that the Bonds be offered to the shareholders for subscription in accordance with their subscription rights.

However, the Executive Board shall also be authorized to exclude, with the consent of the Supervisory Board, the subscription rights of shareholders to the extent that the issuance of shares based on conversion or option rights or conversion obligations is restricted to a maximum of 5% of the capital stock when this authorization becomes effective or – if such value is lower – when this authorization is exercised. This possibility to exclude subscription rights provides the Company with the flexibility to exploit favorable capital market situations at short notice and, by determining the conditions in accordance with the prevailing market situation, to achieve better terms when stipulating the interest rates and issue price of the bond. The decisive factor is that, as opposed to an issuance of Bonds with subscription rights, the issue price can be determined immediately before the placement, thereby avoiding an increased risk of price change for the duration of the subscription period. In contrast, where subscription rights are granted, the subscription price would have to be disclosed by three days prior to the expiry of the subscription period. In view of the frequently observed volatility on the stock markets, the market risk would still be immanent for a number of days, which would result in safety margins being deducted when stipulating the conditions of the Bond. The subscription period would also make it more difficult to respond to favorable market conditions at short notice. Particularly in the case of Bonds, the granting of subscription rights could jeopardize any successful placement with third parties, or result in additional expenses, due to the uncertainty of the exercise thereof. By determining the issue price of the Bonds in these cases as not materially below the notional market value as calculated using recognized methods of financial mathematics, the shareholders' need for protection with regard to an economic dilution of their shareholding is to be accounted for. If the issue price were equivalent to the market value, the value of the subscription rights would be decreased virtually to zero. Thus, the shareholders will not suffer any significant economic disadvantages on account of the exclusion of subscription rights. The Executive Board will endeavor to achieve the highest issue price possible and to keep any economic gap to the price at which the current shareholders can buy additional shares via the market as small as possible. Shareholders who would like to maintain their share in the Company's capital stock can achieve this by way of additional purchases via the market at roughly the same conditions. Any relevant losses in the proportions of their shareholdings can also be ruled out from the viewpoint of the shareholders. The authorization is restricted to the issuance of conversion and/or option rights (also with conversion obligations), which account for up to 5% of the Company's capital stock. Any other issuance of shares against cash contributions or sale of treasury shares shall be taken into account in this 5% of the capital stock, to the extent that such shares are issued excluding subscription rights pursuant to Section 186 (3) sentence 4 German Stock Corporation Act (AktG) during the term of the proposed authorization. It is thereby ensured that no Bonds are issued where this would result in the exclusion of subscription rights of shareholders for a total of more than 5% of the capital stock in direct or indirect application of Section 186 (3) sentence 4 German Stock Corporation Act (AktG). This further restriction is in the interests of the shareholders who would like to maintain, if possible, the proportion of their shareholding in case of corporate action to this effect.

Moreover, the Executive Board shall be authorized, with the consent of the Supervisory Board, to exclude fractional amounts from the subscription rights of shareholders. Such fractional amounts may result from the amount of the respective issue volume and the need for a practicable subscription ratio. In these cases, the exclusion of subscription rights for fractional amounts facilitates the implementation of the corporate measure. The new fractional shares, which are excluded from the subscription rights of shareholders, will either be sold on the stock exchange or otherwise disposed of in a way that best benefits the Company. The restriction of the exclusion to fractional amounts does not result in any significant dilution for the shareholders; in the opinion of the Executive Board, such restriction is justified and appropriate in view of the circumstances.

Furthermore, the Executive Board is to be provided with the possibility to exclude, with the consent of the Supervisory Board, the subscription rights of shareholders in order to grant to the holders or creditors of conversion and/or option rights or convertible bonds with conversion obligations subscription rights for the same number of shares to which they would be entitled as shareholders upon exercise of their conversion or option rights or upon compliance with their conversion obligations. Placing the holders/creditors of conversion and/or option rights (also with conversion obligation) at an economic disadvantage is thereby avoided; they are granted dilution protection which is in accordance with capital market practice, which facilitates the placement of the convertible bonds and/or bonds with warrants, and which enables the Company to have a higher cash inflow, as there is no need in these cases for a reduction of the conversion and/or option price or for any other dilution protection. The only disadvantage for the existing shareholders lies in the fact that the holders/creditors of conversion and/or option rights (also with conversion obligation) are granted subscription rights to which they would in any event be entitled if they had already exercised their conversion and/or option rights or complied with their conversion obligation. Consequently, in considering the advantages and disadvantages, the exclusion of the subscription rights appears reasonable in this case.

In case the Executive Board makes use of one of the foregoing authorizations to exclude subscription rights, it will report at the next Annual General Meeting.

III. Further information concerning the convocation of the 2021 Annual General Meeting

1. Total number of shares and voting rights

At the time of convening the 2021 Annual General Meeting, the Company's capital stock consisted of 53,398,749 registered non-par shares, each representing one vote. At the time of convocation, voting rights may be exercised in respect of 53,344,339 of these shares. No voting rights may be exercised in respect of the 54,410 treasury shares held by the Company.

2. Conditions for participating in the virtual Annual General Meeting and for exercising voting rights

On the basis of the German Act to Mitigate the Consequences of the COVID-19 Pandemic under Civil, Insolvency and Criminal Procedure Law (COVID-19 Act), which has been modified by the German Act for the further shortening of the Residual Debt Discharge Procedure and for the Adjustment of Pandemic-Related Regulations in Companies, Cooperative Societies, Associations, Foundations and Common hold Property Law of December 22, 2020 and which applies until December 31, 2021, the Executive Board has decided, with the approval of the Supervisory Board, to hold this year's Annual General Meeting as a virtual meeting without the physical presence of shareholders or their proxies.

The Annual General Meeting will be held on the Company's business premises at Dachauer Strasse 665, 80995 Munich, Germany, where a notary public will be physically present to record the minutes of the meeting. The entire proceedings of the Annual General Meeting will be broadcast to shareholders in an audiovisual transmission via a portal on the Company's website at www.mtu.de/hv. Shareholders will have the opportunity to exercise their voting rights by means of electronic media. They may also delegate these rights to a proxy or choose to participate in a postal vote, either directly or through the intermediary of a proxy. Shareholders may also use electronic media to ask questions and to raise objections to resolutions of the Annual General Meeting.

In order to participate in the virtual Annual General Meeting and exercise their voting and other rights, shareholders must be listed in the Company's share register and their requests to register their shareholding must be received by the Company at the latest by midnight (CEST) on Wednesday April 14, 2021.

Shareholders who are listed in the share register can register their shareholding by writing (in German or English) to MTU Aero Engines AG at the following address:

MTU Aero Engines AG
c/o Link Market Services GmbH
Landshuter Allee 10
80637 Munich
Germany

or by sending a fax to the number

+49 (0)89 210 27 288

or by sending an email to

namensaktien@linkmarketservices.de

or electronically by registering online at

www.mtu.de/hv.

For online registration on the website above, you will require the personal access data that is provided with your shareholders' documentation. Shareholders who have asked for invitations to be sent to them by email will receive the access data for online registration in a separate email sent to the email address provided. More detailed information on the registration procedure can be found in the shareholders' documentation sent to you and on the website mentioned above.

Professional agents and other persons specified in Section 135 German Stock Corporation Act (AktG) are not permitted to exercise voting rights for shares which they do not own and for which they are not listed in the share register as the holders, without the express authorization of the shareholder.

The shareholding listed in the share register on the date of the Annual General Meeting determines the entitlement to participate in the meeting and exercise voting rights. Please note that, for administrative reasons, no changes in share ownership will be recorded in the share register on the three working days preceding the date of the Annual General Meeting, nor on the date of the meeting itself, in other words from Saturday, April 17, 2021 (00:00 hours CEST) up to and including Wednesday April 21, 2021 (24:00 hours CEST). Shares that have been registered for the purposes of the Annual General Meeting are not blocked. After registration, shareholders remain free to dispose of their shares as they wish, even during the above-mentioned period in which changes in share ownership are not immediately recorded.

3. Procedure for designating proxies

Shareholders listed in the share register may appoint a proxy, for instance a bank or an association of shareholders, to vote on their behalf. These proxies may only exercise voting rights at the Annual General Meeting by means of a postal vote or through the intermediary of a proxy appointed by the Company. The written form is required for the granting and revocation of the power of attorney and for proof of the proxy's authorization if such authorization is granted neither to a professional agent (e.g. a bank) nor to an association of shareholders or equivalent person or institution as defined in Section 135 (8) German Stock Corporation Act (AktG). Proof of the granted or revoked authorization can be submitted to the Company by the shareholder or proxy in written form by sending the appropriate documents to the postal address, email address, fax number or website specified in subsection 2 above.

For the authorization of professional agents (e.g. banks), associations of shareholders or equivalent persons or institutions as defined in Section 135 (8) German Stock Corporation Act (AktG) and for the revocation and proof of such authorization and revocation, the legal requirements, especially Section 135 German Stock Corporation Act (AktG), shall apply. Please also consider, where necessary, the rules issued in that respect by the professional agents (e.g. banks), associations of shareholders or other equivalent persons or institutions.

In all cases, it is imperative that the shareholder should be registered at the latest by midnight (CEST) on Wednesday, April 14, 2021. Once registered, the shareholder has until the day before the Annual General Meeting, or more precisely until midnight (CEST) on Tuesday, April 20, 2021 to grant powers of attorney and send the necessary proof by **post, fax or email** to one of the addresses specified above in subsection 2 for registration.

Alternatively, the Company's **AGM portal** at www.mtu.de/hv may be used to grant powers of attorney, in which case this may be done during the virtual Annual General Meeting on April 21, 2021, up to the time when the chair of the meeting announces the opening of the vote.

Further details, including forms for granting powers of attorney, will be included in the information to shareholders enclosed with the invitation to the Annual General Meeting.

To enable a proxy to use the AGM portal, the shareholder must forward to the proxy the portal access data enclosed with the invitation to the Annual General Meeting.

4. Procedure for voting by proxies appointed by the Company

Shareholders may choose to be represented by a Company-appointed proxy in order to exercise the voting rights. In this case, the shareholder must grant power of attorney to the proxy and provide written instructions on how they wish their voting rights to be exercised. These proxies are obligated to vote as instructed. Company-appointed proxies are not allowed to accept instructions to ask questions, table motions or raise objections at the meeting. Proxies such as banks, associations of shareholders and equivalent parties as defined in Section 135 German Stock Corporation Act (AktG) may also choose to grant power of attorney and issue instructions to a Company-appointed proxy.

In all cases, it is imperative that the shareholder should be registered at the latest by midnight (CEST) on Wednesday, April 14, 2021. Once registered, the shareholder has until the day before the Annual General Meeting, or more precisely until midnight (CEST) on Tuesday, April 20, 2021, to grant powers of attorney and issue or modify instructions for a Company-appointed proxy and send the necessary proof **by post, fax or email** to one of the addresses specified above in subsection 2 for registration.

Alternatively, the Company's **AGM portal** at www.mtu.de/hv may be used to grant powers of attorney, and to issue or modify instructions for a Company-appointed proxy, in which case this may be done during the virtual Annual General Meeting on April 21, 2021, up to the time when the chair of the meeting announces the opening of the vote.

Further details, including forms for granting powers of attorney and issuing instructions to proxies, will be included in the information to shareholders enclosed with the invitation to the Annual General Meeting.

5. Procedure for exercising voting rights by means of a postal vote

Shareholders listed in the share register have the further option of exercising their voting rights by means of a postal vote. This option is also available to proxies such as banks, associations of shareholders and equivalent parties as defined in Section 135 German Stock Corporation Act (AktG).

In all cases, it is imperative that the shareholder should be registered at the latest by midnight (CEST) on Wednesday, April 14, 2021. Once registered, the shareholder has until the day before the Annual General Meeting, or more precisely until midnight (CEST) on Tuesday, April 20, 2021, to submit postal votes or to modify or withdraw previously submitted postal votes in written form **by post, fax or email** to one of the addresses specified above in subsection 2 for registration.

Alternatively, the Company's **AGM portal** at www.mtu.de/hv may be used to submit postal votes or to modify or withdraw previously submitted postal votes, in which case this may be done during the virtual Annual General Meeting on April 21, 2021, up to the time when the chair of the meeting announces the opening of the vote.

Further details, including forms for postal voting, will be included in the information to shareholders enclosed with the invitation to the Annual General Meeting.

6. Additions to the agenda, motions, nominations and requests for information by shareholders

a) Additions to the agenda requested by a minority pursuant to Section 122 (2) German Stock Corporation Act (AktG)

Shareholders whose shares together represent one twentieth of the capital stock or the proportionate amount of Euro 500,000 may call for items to be included in the agenda and published. Each new item must be accompanied by a reason or a draft resolution. Such requests must be received by the Company in writing at the postal address specified in subsection 6 b) at the latest by midnight (CET) on Sunday, March 21, 2021. The parties filing the request shall provide evidence that they have been shareholders for at least 90 days prior to the day of receipt of the request and that they will hold the shares until a decision has been rendered by the Executive Board.

b) Shareholders' motions and nominations pursuant to Sections 126 (1) and 127 German Stock Corporation Act (AktG)

Pursuant to Section 126 et seq. German Stock Corporation Act (AktG), the Executive Board will make shareholders' motions and nominations accessible only if they are received by the Company at the latest by midnight (CEST) on Tuesday, April 6, 2021, and on the condition that the persons submitting the motions and nominations are listed as shareholders in the share register. Shareholders' motions and questions as defined in Section 126 (1) German Stock Corporation Act (AktG) and nominations as defined in Section 127 German Stock Corporation Act (AktG) will be accepted only if they are sent directly to the Company at one of the following addresses:

Postal address

MTU Aero Engines AG
Investor Relations
Dachauer Strasse 665
80995 Munich, Germany

or by sending a fax to the number

+49 (0)89 1489 95139

or by sending an email to

Hauptversammlung@mtu.de.

Motions and nominations sent to any other address will not be taken into account. Shareholders' motions and nominations received in due time at the above addresses will be published without delay together with the name of the relevant shareholder, the reasons given, and any opinion expressed by management, on the Company's website at

www.mtu.de/hv.

Motions and nominations submitted in the correct form and before the closing date, as specified in Sections 126 and 127 German Stock Corporation Act (AktG), will be treated as if they had been presented at the Annual General Meeting, on condition that the shareholder in question has registered as a participant.

c) Right to submit questions via electronic media

Section 1 (2) of the COVID-19 Act gives shareholders the right to submit questions via electronic media. As authorized in Section 1 (2) sentence 2 of the COVID-19 Act, the Executive Board has decided that such questions must be submitted at least one day prior to the Annual General Meeting.

Shareholders and proxies who have registered to participate in the Annual General Meeting may submit questions to the Company via the AGM portal at www.mtu.de/hv. A questions button will be provided for this purpose in the AGM portal. Although the AGM portal is available in German and English language, questions will only be considered if submitted in German. Questions submitted this way will be accepted until midnight (CEST) on Monday, April 19, 2021, after which the questions button will be deactivated. It will not be possible to submit questions during the Annual General Meeting itself.

The name of the questioner will not be mentioned in the answer, unless this has been specifically requested.

7. Objections to resolutions during the virtual Annual General Meeting

Shareholders who have exercised their voting rights may use electronic media to raise objections to resolutions of the Annual General Meeting.

This facility is provided exclusively via the AGM portal at www.mtu.de/hv and will remain available from the opening of the Annual General Meeting up to its closure by the chair of the meeting.

8. Publications available on the Company's website

This invitation to the Annual General Meeting, the documents to be made available pursuant to Section 124a German Stock Corporation Act (AktG), shareholders' motions, detailed explanations of the above-mentioned shareholders' rights, and other information are available on the Company's website at www.mtu.de/hv.

Further information about the virtual Annual General Meeting will also be posted on the website.

The voting results will be published in the same section of the website after the Annual General Meeting.

9. Notes regarding data privacy

When you register to attend the Annual General Meeting or issue a power of attorney, we record personal data about yourself and/or your proxy. We need to do this in order to allow you to exercise your rights in connection with the Annual General Meeting. We may also be required to publish your name under certain circumstances, for instance if you request the addition of an item to the agenda or wish to make a counterproposal or submit a nomination.

If you appoint a proxy to exercise your rights at the Annual General Meeting on your behalf, you must inform that person that we will record their personal data. The proxy's personal data will only be recorded insofar as it is needed in the context of voting and/or assigning powers of attorney during the Annual General Meeting, including verifying their authorization to exercise these rights, especially voting rights.

MTU Aero Engines AG bears the responsibility for processing your data in accordance with the terms of the EU General Data Protection Regulation (GDPR) and in compliance with all other statutory requirements. More information about data privacy is provided online at www.mtu.de/hv. We will gladly send you this information as hardcopy on request.

Munich, March 2021

MTU Aero Engines AG

The Executive Board

