



Invitation

TO THE ANNUAL
GENERAL MEETING OF
MTU AERO ENGINES AG

Convenience Translation – the German version of this document is authoritative

**MTU Aero Engines AG
Munich**

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and

WKN A3M QCS / ISIN DE000A3MQCS1

*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

Thursday, May 5, 2022, 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 International Congress Center München (ICM), Messagelände, 81823 Munich, Germany.

The entire proceedings of the Annual General Meeting, starting at 10:00 a.m. CEST on May 5, 2022, will be broadcast live via a portal on the Company's website at www.mtu.de/hv, which is reserved to shareholders. For interested non-shareholders a public link is made available at the above-mentioned website, to follow the Annual General Meeting up to the end of the speech delivered by the CEO.

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 2021

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 financial year 2021, amounting to EUR 112,047,516.00, be appropriated as follows:

Appropriation of net profit			
Payment of a dividend of EUR 2.10 per dividend-entitled non-par share:		Euro	112,047,516.00
Allocation to revenue reserves:		Euro	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. Tuesday, May 10, 2022.

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 2.10 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 2021

The Executive Board and Supervisory Board propose that discharge be granted to the members of the Executive Board for fiscal year 2021.

4. Resolution on the discharge of members of the Supervisory Board for fiscal year 2021

The Executive Board and Supervisory Board propose that discharge be granted to the members of the Supervisory Board for fiscal year 2021.

5. Resolution on the appointment of the auditor for fiscal year 2022

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 and review the half-year interim report for financial year 2022.

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. Resolution on amending Section 12 paragraphs 1, 3 and 5 of the Articles of Association (Compensation of the Supervisory Board)

There has been no change in Supervisory Board compensation since the resolution adopted at the 2013 Annual General Meeting. Yet all MTU key performance figures have significantly improved. For further information, see Section II following this agenda ("2. Further information on agenda item 6: Resolution on amending Section 12 paragraphs 1, 3 and 5 of the Articles of Association (Compensation of the Supervisory Board)"). The proposed compensation system and adjusted compensation calculated based thereupon are outlined in greater detail in that section.

The Supervisory Board deems it important to continue recruiting top-quality candidates for the Supervisory Board of MTU Aero Engines AG, and thus has hired an independent consultancy specializing in compensation issues (hkp-group) to ensure that Supervisory Board compensation is appropriate and in line with market practices by conducting a review and submitting a proposal for adjusting compensation accordingly. The peer group comparison conducted for the consultant's report (DAX and MDAX companies of comparable size to MTU Aero Engines AG) yields the finding that while the system for determining Supervisory Board member compensation is basically in line with market standards, the current compensation level for Supervisory Board members is below, and in some cases significantly below, the market standard for average compensation at comparable companies, across nearly all areas.

The review findings and proposals for adjusting compensation were discussed in detail. The changes supported by the Executive Board and Supervisory Board concern increased fixed compensation and payment of the full attendance fee, including for attendance of a meeting convened by the chair or deputy chair per Section 11 (6) of the Articles of Association that is held via modern telecommunication technologies (phone or video conference). The compensation amount for Supervisory Board members is to be adjusted with effect as of financial year 2022. The basic compensation system for Supervisory Board members, which was confirmed by shareholders at the company's Annual General Meeting on April 21, 2021 as agenda item 8, will not be changed.

The Executive Board and Supervisory Board propose that the following resolution be passed:

a) Section 12 paragraphs 1, 3 and 5 of the Articles of Association are to be reworded as follows:

„(1) Members of the Supervisory Board shall receive a fixed annual compensation payable after the end of the financial year amounting to EUR 80,000.00 (in words: eighty thousand euros).

...

(3) In addition to the compensation stated in paragraph 1, members of the Supervisory Board who belong to a committee shall receive an additional EUR 20,000.00 (in words: twenty thousand euros), and if serving as committee chair, an additional EUR 40,000.00 (in words: forty 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 Co-determination Act of 1976, for which no additional compensation is paid. In addition to the compensation stated in paragraph 1, members of the Supervisory Board who belong to the nomination committee shall receive an additional EUR 10,000.00 (in words: ten thousand euros), and if serving as committee chair, an additional EUR 20,000 (in words: twenty thousand euros).

...

(5) In addition to their fixed annual compensation, members of the Supervisory Board shall receive an attendance fee of EUR 3,000.00 (in words: three thousand euros) for attending each meeting of the Supervisory Board or of a committee to which they belong, subject to an upper limit of EUR 3,000.00 (in words: three thousand euros) per calendar day."

b) Supervisory Board member compensation per Section 12 of the Articles of Association of MTU Aero Engines AG as amended by resolution per letter a) above, including the system on which the compensation is based on as outlined in the invitation to the Annual General Meeting of May 5, 2022 under Section II. 2. "Further information on agenda item 6: Resolution on amending Section 12 paragraphs 1, 3 and 5 of the Articles of Association (Compensation of the Supervisory Board)", is adopted.

c) The new compensation policies apply as of January 1, 2022.

7. Election of a member of the Supervisory Board

The present Supervisory Board chair, Klaus Eberhardt, has resigned with effect as of conclusion of the company's Annual General Meeting of May 5, 2022.

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 composed 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:

Gordon Riske, independent management consultant, former CEO of KION GROUP AG, resident in Wiesbaden.

The elected candidate will take up his duties as of the end of the Annual General Meeting on May 5, 2022. His term of office ends after the Annual General Meeting entrusted with granting discharge on its third financial year of service, not including the financial year in which he was appointed. The candidate is thus elected for a four-year term of office. The proposed four-year term of office reflects the expectations of international investors. The company is thus exercising the option provided for in the Articles of Association to elect Supervisory Board members for a shorter term of office than the maximum period of five years.

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 his 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). 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 his objective judgment when making his voting decision.

Mr. Gordon Riske holds additional mandates on the supervisory boards or comparable statutory oversight bodies of the following domestic or international commercial enterprises:

- Atlas CopCo AB (listed), Stockholm (S),
- Weichai Power Co.,Ltd. (listed), Weifang (CN),
- Sunlight Group Energy Storage Systems S.A. (unlisted), Athens (GR)

Plans are to appoint Mr. Riske as Supervisory Board chair if elected by shareholders at the Annual General Meeting.

Information on the candidate standing for election to the Supervisory Board is provided on the pages following this Agenda under Section II.3 "Further information on agenda item 7: Election of a Supervisory Board member" and on the Company's website at www.mtu.de/hv.

8. Resolution on the approval of the compensation report

Following amendment of the German Stock Corporation Act by virtue of the Act Implementing the Second Shareholder Rights Directive (ARUG II), the Executive Board and Supervisory Board must prepare a compensation report in accordance with Section 162 German Stock Corporation Act (AktG) for submission to shareholders at the Annual General Meeting for approval in accordance with Section 120a (4) German Stock Corporation Act (AktG).

The compensation report was reviewed by the auditor in line with Section 162 (3) German Stock Corporation Act (AktG) to determine whether the mandatory disclosures per Section 162 (1) and (2) German Stock Corporation Act (AktG) were made. Beyond the scope of the statutory requirements the auditors' review also extended to the content. The auditor's note on the compensation report is attached to the compensation report.

The printed compensation report appears after the agenda in Section II.4 "Further information on agenda item 8: Approval of the compensation report", and is available on our website www.mtu.de/hv as of the time of convening of the Annual General Meeting. The compensation report furthermore remains accessible there during the Annual General Meeting.

The Supervisory Board and Executive Board propose that the compensation report prepared and audited per Section 162 German Stock Corporation Act (AktG) for financial year 2021 be adopted.

II. Further information and reports concerning the agenda items

1. Further information on agenda item 5: Resolution on the appointment of the auditor for fiscal year 2022

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 of the auditing firm, rotation within the auditing firm (so-called internal rotation) is also prescribed by the EU Regulation. The signing auditors are allowed involvement in the auditing of one and the same company for a maximum period of seven years. As a result of internal rotation, Mr. Markus Westermeier was replaced by Gerhard Stummer as key audit partner after financial year 2019. After financial year 2020, Mr. Siegfried Keller was replaced as signing auditor by Mr. Christian Baur.

2. Further information on agenda item 6: Resolution on amending Section 12 paragraphs 1, 3 and 5 of the Articles of Association (Compensation of the Supervisory Board)

Pursuant to Section 113 (3) sentences 1 and 2 German Stock Corporation Act (AktG), at the annual general meeting of listed companies shareholders have to adopt a resolution on compensation of the supervisory board at least once every four years. It is allowed that such resolution be a confirmation of the existing compensation scheme. The currently valid compensation scheme for the Supervisory Board governed by Section 12 of the Articles of Association was confirmed by shareholders of MTU Aero Engines AG at the Annual General Meeting held April 21, 2021. The Executive Board and Supervisory Board propose adjusting the previously existing compensation scheme, amending Article 12 of the Articles of Association accordingly. The compensation scheme for Supervisory Board members of MTU Aero Engines AG, which forms the basis for the amendment of the Articles of Association, is outlined below along with the reasons for adjusting Supervisory Board member compensation.

Under item 6 on the agenda, the Executive Board and Supervisory Board propose amending Article 12 paragraphs 1, 3 and 5 of the Articles of Association. Article 12 paragraphs 1, 3 and 5 of the Articles of Association are to be amended to have the following wording:

„(1) Members of the Supervisory Board shall receive a fixed annual compensation payable after the end of the financial year amounting to EUR 80,000.00 (in words: eighty thousand euros).

...

(3) In addition to the compensation stated in paragraph 1, members of the Supervisory Board who belong to a committee shall receive an additional EUR 20,000.00 (in words: twenty thousand euros), and if serving as committee chair, an additional EUR 40,000.00 (in words: forty 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 Co-determination Act of 1976, for which no additional compensation is paid. In addition to the compensation stated in paragraph 1, members of the Supervisory Board who belong to the nomination committee shall receive an additional EUR 10,000.00 (in words: ten thousand euros), and if serving as committee chair, an additional EUR 20,000 (in words: twenty thousand euros).

...

(5) In addition to their fixed annual compensation, members of the Supervisory Board shall receive an attendance fee of EUR 3,000.00 (in words: three thousand euros) for attending each meeting of the Supervisory Board or of a committee to which they belong, subject to an upper limit of EUR 3,000.00 (in words: three thousand euros) per calendar day.”

Reasons for the proposed adjustment

There has been no change in Supervisory Board compensation since the resolution adopted at the 2013 Annual General Meeting. The compensation scheme was not adjusted when MTU Aero Engines AG was included in the DAX in September 2019. Yet all MTU key performance figures have significantly improved, the balance sheet total having nearly doubled and the company's market capitalization and share price are now two-and-a-half times higher than their 2013 levels.

	Year 2013	Year 2021*
Adjusted EBIT	EUR 377 million	EUR 468 million
Total assets	EUR 4,459 million	EUR 8,304 million
Number of employees	8,695	10,508
Market capitalization	EUR 3,712 million	EUR 9,586 million
Stock price	EUR 71.39	EUR 179.40

*) 2021 was influenced by the Covid-19 crisis

Since Supervisory Board compensation was last adjusted in 2013, the international business environment and regulatory framework have become significantly more complex, with heightened requirements and expectations regarding the work and responsibilities of Supervisory Board members. These concern for example issues around sustainability, audit committee activities and audit committee member qualification requirements pursuant to the German Act to Strengthen Financial Market Integrity.

Process for reviewing the compensation of the Supervisory Board

Pursuant to ARUG II, shareholders of listed companies have to pass a resolution on the compensation of the supervisory board every four years at a minimum, which may be a resolution reiterating the existing compensation scheme for supervisory board members. The Supervisory Board of MTU Aero Engines AG will thus review its compensation every four years at a minimum in preparation for this recurring resolution, submitting a corresponding resolution proposal together with the Executive Board for shareholders at the Annual General Meeting. To this end, the Supervisory Board may obtain advice from an independent consultant. The role of the Supervisory Board, i.e. of its members, is to monitor how the Executive Board manages MTU Aero Engines AG as a business and support the latter in an advisory capacity. This represents a fundamentally different activity than activities performed by employees of MTU Aero Engines AG and the MTU Group. Thus in reviewing the structure and amount of Supervisory Board member compensation, a 'vertical comparison' against employee compensation is disallowed.

Supervisory Board members are involved in structuring their own compensation scheme, due to the nature of their role. The inherent conflicts of interest this holds are offset by the fact that by law, shareholders always ultimately decide on structuring the compensation scheme, voting on corresponding resolutions proposed jointly by the supervisory board and executive board.

Specific adjustments to the Supervisory Board compensation scheme

Pursuant to the Articles of Association, to be amended at the Annual General Meeting on May 5, 2022, all Supervisory Board members will continue receiving a fixed annual base salary. The salary scheme has three levels for the supervisory board chair, deputy chair and other members respectively. Under the new policy, all regular Supervisory Board members are to receive a fixed annual base salary of EUR 80,000. The Supervisory Board chair and deputy chair receive a higher fixed annual base salary in view of the greater organizational and administrative work required of them and their special responsibilities to ensure successful and efficient cooperation between all board members. The Supervisory Board chair receives three times the fixed annual base salary amount, the deputy chair one-and-a-half times.

Additional compensation is paid for Supervisory Board committee membership, reflecting the importance of committee work and the additional preparation and other work this involves. Under the new policies, for committee membership Supervisory Board members receive an additional EUR 20,000 above their fixed annual base salary, and a further EUR 40,000 if serving as committee chair. Supervisory Board members on the nomination committee are to receive an additional 10,000 euros above their fixed annual salary, plus an additional 20,000 euros if serving as chair of that committee. No additional compensation is payable for membership in the ‘mediation committee’ mandated by Section 31 (3) of the German Co-determination Act (MitbestG).

To adequately compensate the time commitment required for attending Supervisory Board meetings, as before, Supervisory Board members are to receive an attendance fee of EUR 3,000 per Supervisory Board meeting and committee meeting they attend (including phone and videoconference meetings), capped at one meeting per day.

Supervisory Board members are covered by a directors and officers liability insurance policy for members of governing bodies, in line with the company’s interests. The insurance premiums are paid by the Company. The Company reimburses Supervisory Board members for out-of-pocket expenditures and any value-added tax payable on their compensation. The Company also provides Supervisory Board members appropriate onboarding support when taking office and continuing training and education during their term.

Compensation for furthering the business strategy and promoting the Company’s long-term growth

Supervisory Board compensation consists exclusively of fixed components, as noted. Accordingly, no variable compensation is provided for, which is linked to the attainment of specific goals or targets. This is in line with the suggestion G.18 sentence 1 of German Corporate Governance Code (GCGC), which recommends exclusively fixed compensation. This is because Supervisory Board member compensation can only indirectly further the business strategy and promote the company’s long-term growth (see Section 113 (3) sentence 3 in conjunction with Section 87a (1) sentence 1 no. 2 German Stock Corporation Act (AktG). The Supervisory Board believes in any case that an exclusively fixed compensation scheme is optimally aligned with the mission of the Supervisory Board as a neutral body that serves in an objective advisory and monitoring capacity.

3. Further information on agenda item 7: Election of a member of the Supervisory Board

Gordon Riske

Independent management consultant

Born:	1957
Nationality:	US American / German
Biography	
1977 – 1982	DeVlieg Machine Company, Royal Oak/Michigan (USA) Electrical engineer
1982 – 2000	KUKA Roboter GmbH, Augsburg (D) Managing Director
2000 – 2007	Deutz AG, Cologne (D) CEO
2007 - 12/31/2021	KION GROUP AG, Frankfurt am Main (D) CEO (since 2008)
Since January 2022	Independent management consultant Wiesbaden (D)

Mandates on the supervisory boards or comparable statutory oversight bodies of other domestic or international commercial enterprises.

Atlas CopCo AB (listed), Stockholm (S)

Weichai Power Co.,Ltd. (listed), Weifang (CN)

Sunlight Group Energy Storage Systems S.A. (unlisted), Athens (GR)

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

The intention in nominating Gordon Riske, who if elected by shareholders is to be appointed Supervisory Board chair, is to appoint an individual experienced in an international corporate environment and in managing and supervising companies comparable to MTU Aero Engines AG who understands the Company's strategy and strategic development plans—in alignment with existing Supervisory Board member competency requirements. Mr. Riske fulfills these requirements in a distinguished manner as an individual experienced in international management and directorship, including as an executive board member of DEUTZ AG, as managing director of KUKA Roboter GmbH and as executive board member of KION GROUP AG, and in many years of supervisory work as a member of various international supervisory committees.

No conflicts of interest exist pertaining to Mr. Riske. He is deemed unaffiliated. He does have sufficient time to perform the incumbent duties as Supervisory Board member and chair for MTU Aero Engines AG in addition to his obligations connected with other management or supervisory board work.

4. Further information on agenda item 8: Approval of the compensation report

Management compensation report

The compensation report describes the principles applied in determining the compensation for the Executive Board and Supervisory Board of MTU Aero Engines AG, and states the amount and composition of that compensation. The compensation report complies with the provisions of Section 162 of the German Stock Corporation Act (AktG).

Principles of the compensation system for members of the Executive Board

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

To take account of the requirements of the second Shareholders' Rights Directive (ARUG II) and the German Corporate Governance Code (GCGC), the Personnel Committee decided to modify the compensation system for the Executive Board with effect from the 2021 fiscal year. For this purpose, it consulted independent external compensation experts. As a result of the change in the compensation system, in addition to taking into account the achievement of the financial performance targets (adjusted EBIT and free cash flow), payment of the short-term incentive (STI) now includes the achievement of non-financial performance targets, i.e., environmental, social and governance (ESG) targets. Disbursement of the long-term performance-related component, the Restricted Stock Plan (RSP), is now based on the achievement of the performance targets adjusted EBIT and relative total shareholder return (TSR).

This ensures that corporate governance is optimally aligned with the long-term interests of the company, its investors and society. The revised compensation system for the Executive Board was introduced in the 2021 fiscal year and approved by the Annual General Meeting on April 21, 2021.

Principles of total compensation

Structure of the compensation system (total target direct compensation)

Non-performance-related components	~ 39%	Fixed compensation	Contractually agreed fixed compensation, paid in 12 equal installments
	~ 1%	Fringe benefits	- Taxable reimbursements of expenses - Cash equivalent of payments in kind - Insurance premiums
Performance-related components	~ 60%	Short-term incentive (STI) (performance-related component excluding long-term incentive)	~ 40% of variable compensation Financial performance criteria: Adjusted EBIT and free cash flow Cap 0-200% Non-financial ESG targets are taken into account via a multiplier (0.8-1.2).
		Restricted Stock Plan (RSP) (performance-related component as long-term incentive)	~ 60% of variable compensation Financial performance criteria: Adjusted EBIT and relative Total Shareholder Return Cap 0-200% Effectively granted as MTU shares (4-year holding period)

Non-performance-related components

Non-performance-related compensation (basic salary), which normally makes up around 40% of the target direct compensation, is paid on a monthly basis and consists of fixed compensation and fringe benefits. Fringe benefits comprise taxable reimbursements of expenses and the cash equivalent of payments in kind, such as the use of a company car for business and private purposes and insurance premiums, including any taxes on such benefits that have been reimbursed. In exceptional circumstances, they also include compensation for remuneration forfeited from a previous employer.

Performance-related components

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

Short-term incentive (STI)

Performance-related compensation is paid in the form of a short-term incentive (STI). It normally comprises approximately 40% of the performance-related components. Its effective calculation depends on the degree of target achievement for two equally weighted key performance indicators at Group level – adjusted EBIT and free cash flow.

To ensure the comparability of the EBIT figure, it is adjusted for amounts that do not form part of the regular operating activities. These include depreciation and amortization of assets that were identified in the purchase price allocation following the carve-out in 2004 from what was then the DaimlerChrysler Group and the program assets relating to the increase in the stake in the V2500 program in 2012, which are accounted for as a reduction in revenue. In addition, adjustments are made for special items resulting from extraordinary effects (special items) resulting from impairment losses (IAS 36) and accrued restructuring expenses (IAS 37). Furthermore, an adjustment is made for the deconsolidation gain in connection with the sale of Vericor Power Systems.

MTU determines its free cash flow by combining its cash flow from operating activities with its cash flow from investing activities and eliminating components of the latter (non-recurring cash flows) that lie outside the operational management of the core business. For the reconciliation of the free cash flow, non-recurring cash outflows – comprising payments for the acquisition of shares in engine programs, payments in connection with interest-bearing loans or with financial assets held for the purpose of liquidity management, the net cash inflow in connection with the sale

of Vericor and the sale of the equity investment in SMBC Aero Engines Lease B.V., and the net cash outflow for the acquisition of the remaining 20% of MTU Maintenance Lease Services B.V. – are eliminated from the cash flow from investing activities.

The targets to be achieved in the respective fiscal year to ensure payment of 100% of the STI are set annually in advance by the Supervisory Board, taking the operational business plan into account. In addition, an entry threshold is set at 80% (previous year: 70%) of the defined target level which, if achieved, corresponds to an STI payment of 50%. There is no STI entitlement below this entry threshold. Similarly, the maximum payment is limited to 200% (previous year: 180%), which is payable if the maximum target achievement of 120% (previous year: 115%) is reached. Between the entry threshold, the 100% level and maximum target achievement, the payment percentage is interpolated on a straight line in each case. The effective STI payment percentage is calculated by taking the arithmetic mean of the degree of achievement of the two performance targets.

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

Restricted Stock Plan (RSP)/Long-term incentive (LTI)

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

Further rules on compensation

For new appointments to the Executive Board, the previous defined-benefit pension entitlement will, in the future, be altered to an annual contribution to a personal pension plan.

Further, the new compensation system for the Executive Board contains penalty and claw-back rules. This enables the Supervisory Board, at its discretion, to reduce performance-related components that have not been paid out (penalty clause) or claim reimbursement of performance-related components that have already been paid (claw-back clause). The penalty and claw-back clauses take effect in cases of serious breaches of contract (Code of Conduct or compliance guidelines) and retrospective adjustment of performance-related compensation components that have been determined and/or paid on the basis of inaccurate consolidated financial statements if the amended consolidated financial statements would have resulted in a lower payment.

The share ownership guidelines require the CEO and the other members of the Executive Board to acquire shares in MTU equivalent to 300% (CEO) and 200% (other Executive Board members) respectively of their gross annual basic salary within four years (including shares acquired through the RSP). This individual obligation was complied with in the reporting period in each case. The shares are subject to a two-year lock-up period when a member leaves the Executive Board.

Termination benefits paid to a member of the Executive Board as a result of early termination of their contract, including in the event of a change of control, are limited to two years' total annual compensation (cap on termination

benefits) or the compensation due for the remaining term of the contract, whichever is lower. There has not been any change to the members of the Executive Board so the rulings relating to changes on the Executive Board did not apply in the reporting period.

Under Section 87a (2) sentence 2 of the German Stock Corporation Act (AktG), in specific exceptional circumstances (e.g. in the event of a serious financial or economic crisis), the Supervisory Board may temporarily depart from the defined compensation system if this is in the long-term interests of MTU. General unfavorable market developments explicitly do not constitute specific exceptional circumstances permitting temporary departure from the compensation system. Departure from the compensation system is only possible on the basis of a corresponding resolution by the Supervisory Board, based on a proposal by the Personnel Committee, after careful examination of its necessity. Even in such cases, the compensation must still be geared to the long-term and sustainable development of MTU and reflect the success of the company and the performance of the Executive Board.

The components of the compensation system where such departures are permitted in the circumstances outlined above are the performance criteria for the STI and RSP and their weighting, the ranges for possible achievement of the targets and the methods used to determine target achievement. Similarly, the Supervisory Board can temporarily grant additional compensation components or replace individual compensation components by other compensation components if the incentive effect of the compensation of the Executive Board cannot be achieved adequately by adjusting the existing compensation components.

In accordance with Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG), the Supervisory Board has set a maximum level of compensation for each member of the Executive Board. This comprises all fixed and variable components (fixed compensation, annual performance-related compensation and the Restricted Stock Plan). The maximum compensation caps the total compensation granted for a specific fiscal year, irrespective of the time of payment. It is €5.5 million for the Chairman of the Executive Board and €3.0 million for the other Executive Board members.

Development of performance-related components

Short-term incentive (STI)

The Supervisory Board set the following performance targets for the performance period: for the short-term incentive (STI), adjusted EBIT of €400 million (actual: €468 million) and free cash flow (FCF) of €170 million (actual: €240 million). Consequently, the entry threshold for target achievement for the STI was exceeded in the reporting period and the payment percentage was therefore 200% (previous year: 0%).

As ESG targets for the reporting period, the Supervisory Board chose the areas of environmental management (criterion: CO₂ emissions relative to production hours) and attractiveness as an employer and employees & diversity (criterion: commitment & leadership). A target range of 80–120% was set for each of these criteria. Both target ranges are included in the determination of the ESG multiplier as an average.

Target achievement for the criterion “CO₂ emissions relative to production hours” is measured by the reduction compared with the reference year 2019 (28.9 kilograms per production hour). The target was an overall reduction of 6% to 27.2 kilogram per production hour, with 5 percentage points of this to be achieved by the purchase of renewable energies and 1 percentage point to be achieved through sustainable operational measures, e.g., to increase energy efficiency or energy generated by the company from renewable resources. Compared with the reference year, 2021 was overshadowed by the coronavirus pandemic. Consequently, MTU purchased green power to offset the exceptional, pandemic-related effects. By contrast, measures geared to the sustained avoidance of CO₂ emissions reduced emissions by 1.8%, so the target of 1 percentage point was exceeded. Renewables accounted for 8.6% of purchased electricity (excluding offsetting of the exceptional pandemic-related effects); therefore, the 5 percentage point target was exceeded. Total CO₂ emissions in the period December 2020 to November 2021 were 26.4 kilograms per production hour.

The target achievement range for the sustainable measures in production was defined as a target achievement contribution of 80% for a target achievement level of up to 0.7% and 120% for a target achievement level of 1.3% or above. The bandwidth for target achievement for the purchase of renewable energies was defined as a target achievement contribution of 80% for a target achievement level of up to 3.5% and a target achievement contribution of 120% for a

target achievement level of 6.5% or above. Since the result was well above the levels set for both of these sub-targets, the maximum target achievement contribution of 120% was achieved for the overall criterion “CO₂ emissions relative to production hours.”

Achievement of the target for the “commitment & leadership” criterion is derived from employee feedback, based on employee surveys (“pulse checks”). For this purpose, only the number of explicitly positive replies is counted. This is then expressed as a percentage of the total number of replies. The total index value calculated in this way is weighted with a target achievement level of 80% for a score of 60%, 100% for a score of 75% ,and 120% for a score of 90%. The overall index for 2021 derived from all three pulse checks was around 73% and thus slightly below the target of 75% positive assessments in the “commitment & leadership” criterion. In view of the pandemic situation in 2021, this was nevertheless a good result and led to a target achievement contribution of 97% for the “commitment & leadership” criterion.

The target achievement levels outlined above for the ESG criteria result in an ESG multiplier of 1.09.

Restricted Stock Plan (RSP)/Long-term incentive (LTI)

The value of the Restricted Stock Plan is based on the contractually agreed RSP grant value and the realized multi-year performance level. The latter is calculated for each Executive Board member in the reporting period as the arithmetic mean of the target achievement of the adjusted EBIT and the relative total shareholder return (TSR) measured against the STOXX® Europe Total Market Aerospace and Defense in the reporting period as well as the two previous years (previous year: as an arithmetic mean of the payment percentages of the short-term incentive (STI) in the three fiscal years before the reporting period).

Achievement of the LTI performance targets developed as follows:

Achievement of LTI performance targets (in %)		
	Adjusted EBIT	TSR
2021	185	
2020		175
2019	141	200
3-year target achievement adjusted EBIT	109	125

As a consequence of the change in the measurement of achievement of the LTI target, payment of the performance-related LTI components (RSP) granted for the reporting period will only be paid out in the following year (in the previous year: the LTI/RSP was granted and paid out in the same reporting period).

The following table shows the basis for determining the multi-year target achievement level for the performance-related components:

Variable compensation payment percentages					
	2021	2020	2019	2018	2017
STI	218		180	161	180
RSP/LTI	117	174	165	168	158
Price of RSP shares purchased					
Purchase price per share	¹⁾	119	209	143	131

¹⁾ Purchase will take place in 2022.

Compensation of individual members of the Executive Board

Compensation for the reporting period

The following table contains an individual breakdown of the compensation of each Executive Board member for the reporting period. The non-performance-related compensation is reported as compensation granted and corresponds to the amounts paid in the reporting period. The performance-related compensation is reported as compensation granted and owed and corresponds to the expected amount of performance-related compensation based on the consolidated financial statements for the reporting period.

Total compensation granted and owed

	Reiner Winkler Chief Executive Officer	Peter Kameritsch Chief Financial Officer and Chief Information Officer	Michael Schreyögg Chief Program Officer	Lars Wagner Chief Operating Officer	Total
Members of the Executive Board	2021	2021	2021	2021	2021
in €					
Fixed compensation	924,000	525,000	525,000	525,000	2,499,000
Fringe benefits ¹⁾	26,668	13,522	31,742	10,639	82,570
Total non-performance-related compensation	950,668	538,522	556,742	535,639	2,581,570
Proportion of non-performance-related compensation in %	27%	30%	30%	30%	
STI ^{2) 3)}	1,449,700	709,590	709,590	709,590	3,578,470
RSP/LTI ²⁾	1,064,412	564,337	564,337	564,337	2,757,424
Total performance-related compensation	2,514,112	1,273,927	1,273,927	1,273,927	6,335,894
Proportion of performance-related compensation in %	73%	70%	70%	70%	
Total compensation granted and owed	3,464,780	1,812,449	1,830,669	1,809,566	8,917,464
Service cost (IAS 19) ⁴⁾	260,938	379,670	415,951	469,147	1,525,706
Total compensation	3,725,718	2,192,119	2,246,620	2,278,713	10,443,170

¹⁾ Fringe benefits include charges to taxable income covering benefits in kind amounting to €75,573 (previous year: €78,246) and premiums for insurance policies taken out on behalf of members of the Executive Board amounting to €6,997 (previous year: €6,997).

²⁾ The amount reported for the variable compensation corresponds to the amount promised for 2021, to be paid out in 2022 after adoption of the annual financial statements.

³⁾ Non-financial ESG targets are included using a multiplier of 1.09.

⁴⁾ The service cost takes into account the effects of the adjustment of the fixed compensation adopted in the reporting period with effect from January 1, 2022.

In the reporting period, former Executive Board members received €3,650,605 of their pension entitlement (Dr. Rainer Martens: pension of €225,811; Dr. Weingartner: lump sum of €3,424,794). Members of the Executive Board did not receive any compensation for board appointments in Group companies. The Group did not grant any loans to members of the Executive Board in the reporting period or the previous year. The compensation of the Executive Board did not have to be adjusted due to a penalty or claw-back ruling in either the reporting period or the previous year. Moreover, there was no need to temporarily depart from the defined compensation system due to specific exceptional circumstances. The agreed maximum compensation of €5.5 million for the CEO and €3.0 million for each of the other Executive Board members was not exceeded.

The individual compensation of the Executive Board and Supervisory Board members, the earnings indicators for the company and the Group and the average compensation of the workforce changed as follows:

Vertical comparison

	Change 2021 vs. 2020	Change 2020 vs. 2019	Change 2019 vs. 2018	Change 2018 vs. 2017
Compensation granted and owed to present Executive Board members				
Reiner Winkler	37%	-31%	20%	4%
Peter Kameritsch	31%	-28%	52% ¹⁾	-
Michael Schreyögg	31%	-28%	2%	4%
Lars Wagner	32%	-28%	52% ¹⁾	-
Compensation of former Executive Board members				
Dr. Rainer Martens	- ²⁾			
Dr. Stefan Weingartner	- ²⁾			
Compensation granted and owed to present Supervisory Board members				
Klaus Eberhardt (Chairman of the Supervisory Board, Personnel Committee and Nomination Committee)	-6%	9%	1%	0%
Josef Mailer (Deputy Chairman of the Supervisory Board)	-6%	1%	-1%	3%
Dr. Joachim Rauhut (Chairman of the Audit Committee)	-5%	-6%	1%	0%
Roberto Armellini	-4%	79%	- ³⁾	
Dr. Christine Bortenlänger	17%	-9%	35%	- ⁴⁾
Thomas Dautl	3%	-9%	0%	0%
Dr.-Ing. Jürgen M. Geißinger	2%	2%	-3%	4%
Anita Heimerl	0%	-7%	105%	- ⁵⁾
Heike Madan	-6%	-7%	2%	0%
Dr. Rainer Martens	- ⁶⁾			
Prof. Dr. Marion A. Weissenberger-Eibl	3%	-9%	0%	0%
Michael Winkelmann	48%	- ⁷⁾		
Earnings indicators				
Adjusted Group EBIT (IFRS)	13%	-45%	13%	11%
Net profit of MTU Aero Industries AG (German Commercial Code [HGB]) ⁸⁾	50%	64%	-69%	-8%
Average compensation of the workforce				
Employees in Germany ⁹⁾	8%	-7%	1%	1%

¹⁾ Executive Board member since January 1, 2018.

²⁾ First-time payment in reporting period.

³⁾ Supervisory Board member since June 13, 2019.

⁴⁾ Supervisory Board member since April 11, 2018.

⁵⁾ Supervisory Board member since July 17, 2018.

⁶⁾ Supervisory Board member since January 26, 2021.

⁷⁾ Supervisory Board member since May 1, 2020.

⁸⁾ Not relevant for compensation; does not provide a very meaningful insight into the economic development of MTU Group.

⁹⁾ Includes the active workforce in Germany (permanent employees, including employees on parental leave working part-time) standardized to full-time equivalents (FTEs) based on the following compensation elements: basic salary and, depending on employment group, collectively agreed one-time payments or variable compensation (profit-sharing bonus, bonuses I and II, STI and LTI).

In view of the extensive operating activities of the national companies in the MTU Group and the fact that MTU Aero Industries AG performs central tasks for the MTU Group, for example financing and its role as a tax group, the net profit of MTU Aero Engines AG for individual reporting periods is produced on a technical basis and are not a good reflection of the performance of the MTU Group. Accordingly, the suitability of the net profit as a reference base for performance-related compensation components is low. Therefore, the adjusted EBIT for the Group was included in the vertical comparison as an additional earnings indicator as it is used as the financial performance indicator for the STI and RSP. In all compensation groups evaluated, the calculation of the annual changes in compensation excludes company pension schemes.

Rules when terminating the contracts of members of the Executive Board

The active members of the Executive Board are given defined benefit commitments whose structure corresponds to that of pension commitments for members of governing bodies of peer-group companies. Executive Board members appointed from January 1, 2021, will receive a pension allowance as a contribution to a pension plan, paid out annually in cash, instead of the pension entitlements outlined above. This enables Executive Board members to take personal responsibility their pension provision. By granting this annual pension allowance, MTU no longer bears any interest rate risks and other biometric risks associated with the financing of pensions.

Retirement and survivors' pensions

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

Once the initial transfer amount has been determined, a pension account is opened for each member of the Executive Board, to which further capital units are credited annually. The annual capital units are determined on the basis of the individual Executive Board member's contribution and an age-related factor. The age-related factor represents an interest rate of 6% p.a. until the age of 60. The contribution period is normally limited to 15 years of service on the Executive Board and ends at the age of 60. From the age of 61, the pension account earns interest at 4% p.a. until the pension is drawn (= bonus amount). The total of accrued capital units, plus the initial transfer amount and any bonus amounts credited, make up the pension capital available to finance post-employment benefits. If benefits are payable because a member of the Executive Board becomes disabled or dies before reaching the fixed retirement 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. The amount credited is based on the contribution paid at the time of exit.

When an insured event occurs, the pension capital is generally granted as a one-time payment. However, at the request of the Executive Board member and subject to the Group's approval, the balance accumulated on the pension account may either be drawn as capital in ten installments (with a 4% increase in the balance accumulated) or as a life annuity with annual increments of 1%. When an insured event occurs, the pension account is topped up to the level of benefit commitment under the previous plan (guaranteed capital). Pension benefits do not become payable until an insured event occurs (i.e., on reaching pensionable age, or in the event of disability or death), even if the insured party leaves the Executive Board. The pension entitlement is vested from inception.

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

Pension commitments					
Members of the Executive Board in €	Initial transfer amount ¹⁾	Guaranteed capital ²⁾	Annual contribution ³⁾	End of contribution period	Lump-sum payment ⁴⁾
Reiner Winkler	1,625,140 ⁵⁾	2,510,788	400,000	Aug. 1, 2021 ⁶⁾	8,537,538 ⁷⁾
Peter Kameritsch	461,573	461,573	226,027	April 1, 2029	5,096,879
Michael Schreyögg	365,627	365,627	215,478	Aug. 1, 2026	4,801,945
Lars Wagner	207,344	207,344	211,965	Jan. 1, 2033	6,939,676

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

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

³⁾ This contribution will change in 2022 in line with the adjustment to the fixed compensation adopted in the reporting period with effect from January 1, 2022.

⁴⁾ All entitlements to company pension benefits (including the individual employee-funded capital account ["Pension Capital Aufbaukonto"]) taking into account the maximum contribution period.

⁵⁾ Under the previous pension plan, Reiner Winkler was promised that his years of service with former Group companies would count toward his pension. In connection with the transfer of his pension entitlements to the new plan, he was promised a special transfer amount of € 575,065 in 2010

⁶⁾ As part of the contract extension in 2018, the contribution period was extended to the age of 60.

⁷⁾ Based on interest of 4% p.a., the one-time payment at the end of the settlement period on September 30, 2024, will amount to €9,511,228.

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

The following table shows the service cost for the reporting period and the previous year, and the corresponding levels of provisions, recognized in accordance with IFRS and the German Commercial Code (HGB) for members of the Executive Board:

Additions to pension provisions and total amounts					
Members of the Executive Board in €	Year	Service cost (IFRS)	Service cost (German Commercial Code [HGB])	Carrying amount of pension provisions as of Dec. 31 (IFRS) ^{1) 2)}	Carrying amount of pension provisions as of Dec. 31 (German Commercial Code [HGB]) ²⁾
Reiner Winkler	2021	260,938	243,774	8,711,581	8,444,796
	2020	255,395	234,398	8,608,974	7,905,351
Peter Kameritsch	2021	379,670³⁾	124,774	4,275,046	3,947,779
	2020	138,191	118,398	4,051,864	3,404,331
Michael Schreyögg	2021	415,951³⁾	114,999	4,423,074	4,203,142
	2020	124,184	110,046	4,115,516	3,649,182
Lars Wagner	2021	469,147³⁾	240,408	2,254,645	1,933,896
	2020	299,930	223,804	1,938,897	1,435,098
Total	2021	1,525,706	723,955	19,664,346	18,529,613
Total	2020	817,700	686,646	18,715,251	16,393,962

¹⁾ The service cost and provisions take into account the effects of the adjustment to the basic salary adopted in the reporting period with effect from January 1, 2022.

²⁾ Where appropriate, the provisions include obligations relating to claims arising from the individual employee-funded capital accounts ("Pension Capital Aufbaukonto") from previous service periods.

³⁾ The service cost comprises past service cost in line with the adjustment to the fixed compensation adopted in the reporting period with effect from January 1, 2022.

The defined benefit obligations for former members of the Executive Board, measured in accordance with International Financial Reporting Standards (IFRSs), amount to €14,554,392 (previous year: €19,480,470).

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

If the appointment of an Executive Board member is terminated by MTU for cause and termination of the contract takes place with immediate effect, the STI will not be paid for that fiscal year. If the contract of service is terminated by MTU or the Executive Board member subject to the period of notice, the Executive Board member is entitled to a pro-rata STI payment for the remaining term of the contract.

If, before the end of the holding period for shares under the RSP, the Executive Boards contract of service ends as a result of extraordinary termination by MTU for cause pursuant to Section 626 (1) of the German Civil Code (BGB) or due to the resignation of the Executive Board member without reaching mutual agreement, or if the appointment is revoked by the Supervisory Board for cause pursuant to Section 84 (3) of the German Stock Corporation Act (AktG) before the end of the holding period, or if the Executive Board member resigns before the end of the holding period, the Executive Board member must refund the (gross) value of the RSP that has been paid out.

Severance payments on premature termination of contracts of service with members of the Executive Board in the event of a change of control or changes of shareholders of MTU Aero Engines AG

Under the contracts of service for members of the Executive Board in effect since January 1, 2021, a change of control is deemed to have occurred if a shareholder, alone or on the basis of the voting rights attributable to him or her pursuant to Section 22 of the German Securities Trading Act (WpHG), acquires the majority of the voting rights and this results in significant disadvantages for the Executive Board. Material disadvantages are, in particular, if the Executive Board member is removed, if the member's 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 the respective contract of service. In such case, each member of the Executive Board shall have a special right of termination, which is to be exercised within a period of six months, with a period of notice of three months to the end of a month. If a member of the Executive Board makes use of the special right of termination, or if the Executive Board member's contract of service is terminated by mutual consent within nine months of the change of control, the Executive Board member receives a severance payment corresponding to the benefits still to be awarded up to the end of the contract term originally agreed. For the calculation of the severance payment, 100% target fulfillment is agreed for the variable compensation components. However, payments may not exceed two years' total annual compensation. If the cap on termination benefits is exceeded, the severance payment is reduced to the amount of the cap or the compensation due for the remaining term of the contract, whichever is lower.

Compensation of the Supervisory Board

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

Pursuant to Article 12 of the current articles of association of MTU Aero Engines AG, members of the Supervisory Board receive fixed annual compensation of €50,000, payable after the end of the fiscal year. The chair of the Supervisory Board receives three times and the deputy one-and-a-half times the amount of fixed compensation. In addition to this compensation, members serving on one of the Supervisory Board's committees receive an additional €10,000 for the fiscal year and a further €20,000 for the fiscal year if they chair a committee. Furthermore, members of the Supervisory Board receive an attendance fee of €3,000 per meeting of the Supervisory Board and its committees, limited to €3,000 per day. The attendance fee is halved for meetings convened by the chair or deputy chair if they are conducted by means of telecommunication (telephone or videoconference). Expenses incurred in connection with the exercise of their office are reimbursed, as is any value-added tax payable on compensation.

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

The following table contains an individualized breakdown of the compensation of each Supervisory Board member in the reporting period (figures exclude value-added tax). The fixed annual payment and compensation for committee membership are disclosed as compensation owed and comprise the compensation for the reporting period paid out at the start of the following year.

The attendance fees are disclosed as compensation granted and are the amounts paid to each member in the reporting period.

Compensation granted and owed to the Supervisory Board for 2021

Supervisory Board members	Fixed annual payment		Compensation for committee membership		Attendance fees		Total compensation	
	in €	in %	in €	in %	in €	in %	in €	in %
Klaus Eberhardt (Chairman of the Supervisory Board, Personnel Committee and Nomination Committee) ³⁾	150,000	64%	63,083	27%	21,000	9%	234,083	100%
Josef Mailer (Deputy Chairman of the Supervisory Board) ^{1) 2) 4)}	75,000	66%	20,000	17%	19,500	17%	114,500	100%
Dr. Joachim Rauhut (Chairman of the Audit Committee)	50,000	53%	30,000	32%	15,000	16%	95,000	100%
Roberto Armellini ^{1) 4)}	50,000	69%	10,000	14%	12,000	17%	72,000	100%
Dr. Christine Bortenlänger ⁴⁾	50,000	73%	6,917	10%	12,000	17%	68,917	100%
Thomas Dautl	50,000	83%			10,500	17%	60,500	100%
Dr.-Ing. Jürgen M. Geißinger ^{1) 5)}	50,000	57%	20,000	23%	18,000	20%	88,000	100%
Anita Heimerl ⁴⁾	50,000	83%			10,500	17%	60,500	100%
Heike Madan ^{2) 4)}	50,000	67%	10,000	13%	15,000	20%	75,000	100%
Dr. Rainer Martens (since January 26, 2021)	46,528	82%			10,500	18%	57,028	100%
Prof. Dr. Marion A. Weissenberger-Eibl	50,000	83%			10,500	17%	60,500	100%
Michael Winkelmann ⁴⁾	50,000	83%			10,500	17%	60,500	100%
Total	721,528		160,000		165,000		1,046,528	

¹⁾ Member of the Personnel Committee.

²⁾ Member of the Audit Committee.

³⁾ Member of the Audit Committee until April 21, 2021.

⁴⁾ Member of the Audit Committee since April 22, 2021.

⁵⁾ Member of the Nomination Committee.

⁶⁾ These employee representatives have declared that they will donate their Supervisory Board compensation to the Hans-Böckler-Stiftung, in accordance with the guidelines of the Confederation of German Trade Unions.

On behalf of the Executive Board

Reiner Winkler
CEO

On behalf of the Supervisory Board

Klaus Eberhardt
Chairman of the Supervisory Board

Independent auditor's report

To MTU Aero Engines AG, Munich

We have audited the attached remuneration report of MTU Aero Engines AG, Munich, prepared to comply with Section 162 AktG ("Aktengesetz": German Stock Corporation Act) for the fiscal year from 1 January 2021 to 31 December 2021 and the related disclosures.

Responsibilities of the executive directors and the supervisory board

The executive directors and supervisory board of MTU Aero Engines AG, Munich, are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Sec. 162 AktG. In addition, the executive directors and supervisory board are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this remuneration report and the related disclosures based on our audit. We conducted our audit in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report and the related disclosures are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the remuneration report and the related disclosures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the remuneration report and the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report and the related disclosures in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting policies used and the reasonableness of accounting estimates made by the executive directors and supervisory board, as well as evaluating the overall presentation of the remuneration report and the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the fiscal year from 1 January 2021 to 31 December 2021 and the related disclosures comply, in all material respects, with the financial reporting provisions of Sec. 162 AktG.

Other matter – formal audit of the remuneration report

The audit of the content of the remuneration report described in this auditor's report comprises the formal audit of the remuneration report required by Sec. 162 (3) AktG and the issue of a report on this audit. As we are issuing an unqualified opinion on the audit of the content of the remuneration report, this also includes the opinion that the disclosures pursuant to Sec. 162 (1) and (2) AktG are made in the remuneration report in all material respects.

Limitation of liability

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” as issued by the IDW on 1 January 2017, which are attached to this report, are applicable to this engagement and also govern our responsibility and liability to third parties in the context of this engagement.

Munich, 8 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Baur
Wirtschaftsprüfer
[German Public Auditor]

Stummer-Jovanovic
Wirtschaftsprüfer
[German Public Auditor]

III. Further information and notes on the 2022 Annual General Meeting

1. Total number of shares and voting rights

At the time of convening the 2022 Annual General Meeting, the Company's capital stock consisted of 53,436,048 registered non-par shares, each representing one vote. At the time of convocation, voting rights may be exercised in respect of 53,355,960 of these shares. No voting rights may be exercised in respect of the 80,088 treasury shares held by the Company.

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

The Company's Executive Board has decided, with Supervisory Board approval, to hold the Annual General Meeting as a virtual shareholders meeting with no physical attendance of shareholders or their proxies. This decision is based on Section 1 of the Act of March 27, 2020 on Corporate, Cooperative, Association, Foundation and Residential Property Law Measures in Response to the COVID19 Pandemic (Federal Law Gazette I No. 14 2020, p. 570), as amended by the Act of December 22, 2020 to Further Shorten the Residual Debt Discharge Procedure and Adapt Pandemic-related Requirements Under Corporate, Cooperative, Association, Foundation, Tenancy and Lease Law (Federal Law Gazette I No. 67 2020, p. 3332), the validity of which was extended through August 31, 2022 through the Act on the Establishment of the Special Fund "Aufbauhilfe 2021", on the Temporary Suspension of Insolvency Filing Obligations due to Heavy Rainfall and Flooding of July 2021 and on the amendment of other laws of September 10, 2021 (Federal Law Gazette I No. 63 2021, p. 4153, hereinafter the "COVID-19 Measures Act"). The decision was made to conduct the Annual General Meeting as a virtual meeting in view of the ongoing pandemic situation and the unpredictability of further developments. This decision was made mainly to protect the health of shareholders, the Company's governing board members and other attendees of the Annual General Meeting, and to afford more reliable planning.

The Annual General Meeting will be held at International Congress Center München (ICM), Messengelände, 81823 Munich, Germany, with a notary public present to record the meeting minutes. The entire proceedings of the Annual General Meeting will be broadcast to shareholders in an audiovisual transmission via a password protected AGM portal on the Company's website at www.mtu.de/hv. Participation in the annual general meeting within the meaning of Section 118 (1) sentence 2 German Stock Corporation Act (AktG) is not given by virtue of transmission of the Annual General Meeting. Interested non-shareholders will be able to follow the Annual General Meeting up to the end of the speech delivered by the CEO via a public webcast available under the abovementioned link. Physical attendance by shareholders or their proxies is not allowed (except for the Company's authorized proxies). 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 can also ask questions (as well as related follow-up questions during the Annual General Meeting), make statements, submit video messages and raise objection to resolutions at the Annual General Meeting via electronic communications.

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 Thursday April 28, 2022**.

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 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 consented to receiving invitations via email will be sent 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 share ownership changes will be recorded in the share register after the last day of registration up to and including the date of the Annual General Meeting, i.e. from Thursday, April 28, 2022 (24:00 hours CEST) through and including Thursday, May 5, 2022 (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.

Shareholders recorded in the share register after April 14, 2022 are not sent invitations, as provided by law. Such shareholders may however request to receive the invitation documents via the aforementioned communication channels. Such requests must be promptly made to allow sufficient time for the invitation be sent out and registration to occur by the registration deadline.

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

Shareholders listed in the share register have the option of exercising their voting rights by postal voting ballot. 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 Thursday, April 28, 2022. Once registered, the shareholder has until midnight (CEST) on Wednesday, May 4, 2022, to submit postal votes or to modify or withdraw previously submitted postal votes in written form **by post 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 May 05, 2022, 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. The form for exercising voting rights by postal mail-in ballot is available for download at www.mtu.de/hv.

4. 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 text 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 text form by sending the appropriate documents to the postal address, email address 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 Thursday, April 28, 2022. Once registered, the shareholder has until midnight (CEST) on Wednesday, May 4, 2022 to grant powers of attorney and send the necessary proof by post 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 May 05, 2022, 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. The form for granting proxy power of attorney is available for download at www.mtu.de/hv.

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.

5. 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 Thursday, April 28, 2022. Once registered, the shareholder has until midnight (CEST) on Wednesday, May 4, 2022, to grant powers of attorney and issue or modify instructions for a Company-appointed proxy and send the necessary proof **by post 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 May 5, 2022, 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. The form for granting proxy power of attorney is available for download at www.mtu.de/hv.

6. Additions to the agenda, petitions/motions, nominations, shareholders' right to ask questions and voluntary participation possibilities

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 (CEST) on Monday, April 4, 2022. 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) Shareholder motions and nominations per 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 shareholder motions and nominations accessible only if received by the Company by midnight (CEST) on Wednesday, April 20, 2022, 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

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

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

Shareholders or their 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 Tuesday, May 03, 2022, after which the questions button will be deactivated. No other method for submitting questions is provided. In particular, questions cannot be submitted in the form of a prepared statement or video message.

The Executive Board reserves the right to decide at its own discretion how to answer questions. In particular, the Executive Board may opt to bundle questions and the answers thereto, and/or suitably select certain questions to respond to in the best interest of the other shareholders.

The individual who asked a given question is not to be named in the answer to that question. If an individual wishes to be named, he/she must explicitly state this when submitting the question/s.

d) Opportunity to ask questions during the Annual General Meeting

The Executive Board has decided to enable an additional electronic communication method for posing questions usable by shareholders and their proxies entitled to participate in the Annual General Meeting, as described below. This represents a voluntary move exceeding requirements under the COVID-19 Measures Act.

Shareholders are allowed to ask up to three follow-up questions regarding the answers given to questions they have posed at the Annual General Meeting. Opportunity is not provided at the Annual General Meeting to ask new questions or for follow-up regarding questions asked by other shareholders. Follow-up questions also have to be transmitted to the Company electronically via the AGM portal at www.mtu.de/hv. A corresponding field with a 1,000 character limit is enabled for use in the AGM portal during the answering of questions, and for ten minutes thereafter. The Executive Board reserves the right to reject follow-up questions unrelated to the questions asked thus far.

The Executive Board decides at its own proper discretion whether and in what manner to answer such questions submitted during the Annual General Meeting. In particular, the Executive Board may opt to bundle these questions and the answers thereto, and/or suitably select certain questions to respond to in the best interest of the other shareholders. The fact that an additional possibility for asking questions during the Annual General Meeting is voluntarily provided does not give rise to any right to ask questions or receive information. Nor, in particular, does such entail any right to information per Section 131 (1) AktG. The above possibility provided furthermore expressly does not fall within the right to ask questions conferred under Section 1 (2) sentence 1 no. 3 and sentence 2 of the COVID-19 Measures Act, which, as outlined above under Section II. 6. c), exclusively concerns questions the company receives prior to the Annual General Meeting by the deadline specified therein.

The individual who asked a given question is not to be named in the answer to that question. If an individual wishes to be named, he/she must explicitly state this when submitting the question/s.

e) Possibility of submitting a statement or video message

Because the Annual General Meeting is to be held as a purely virtual meeting, it will not be possible for shareholders to personally speak at the Annual General Meeting, thus the Executive Board has decided to provide shareholders an opportunity to communicate with others in the company by making a statement in text form or airing a video message, thereby exceeding the requirements under the COVID-19 Measures Act.

Shareholders registered by the deadline or their proxies are able to submit one statement per person via the AGM portal. A field is enabled in the AGM portal for this purpose, limited to a maximum 10,000 characters. Statements may be submitted in German or English; no translation is provided.

Shareholders and their proxies who have registered by the applicable deadline can also submit video messages via the AGM portal. The precise procedure and technical specifications are outlined in greater detail in the portal. The maximum duration for a video message is three minutes. The language must be German or English; no translation is provided. The Executive Board decides at its own discretion whether to play a video message at the Annual General Meeting.

Statements and video messages must be provided to the Company by midnight on April 28, 2022 (24:00) via the method outlined in the AGM portal.

Plans are to post submitted statements and video messages in the AGM portal ahead of the Annual General Meeting, which can only be accessed by shareholders or their proxies at www.mtu.de/hv. Only one statement or video message will be posted per shareholder. Advisory is given that there is no legal entitlement to posting of a statement or video message in the AGM portal. The Executive Board reserves the right to reject statements or video messages which are submitted late or not via the AGM portal, if the content is of an offensive or illegal nature or is irrelevant to the Annual General Meeting, or if the technical requirements are not met.

Any motions, nominations, questions and objections to shareholder resolutions contained in submitted statements or video messages will not be considered. These must be submitted separately exclusively via the specified channels and in the specified form per this meeting notice.

7. Objections to resolutions during the virtual Annual General Meeting

Shareholders or their proxies who have exercised 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.

To enable shareholders to be better prepared for the Annual General Meeting, plans are to post the CEO's speech on the AGM portal exclusively accessible to shareholders and their proxies under www.mtu.de/hv, one week in advance of the Annual General Meeting. Modifications of the speech may be made for the day of the Annual General Meeting.

The voting results will be published under www.mtu.de/hv 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 2022

MTU Aero Engines AG

The Executive Board

