



2022

*Management
compensation report*
MTU AERO ENGINES AG
FISCAL YEAR 2022

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 contractual elements such as such as the total amount of the compensation and its breakdown into non-performance-related and performance-related components. The Personnel Committee regularly reviews the appropriateness and alignment with the market of the Executive Board compensation. For this, it uses the expertise of independent external compensation experts with regard to both the compensation system and the structure of the target direct compensation compared with relevant stock market segments.

The management compensation system, which was modified in 2021 to take account of the second Shareholder Rights' Directive (ARUG II) and the German Corporate Governance Code (GCGC) and approved by the Annual General Meeting on April 21, 2021 (agenda item 7) has been applied unchanged since 2021. The continuation of the previously mentioned compensation system takes account of the resolution passed at the Annual General Meeting in 2022 on the approval of the compensation report with an approval rate of 76.9%.

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) 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 or LTI - Long-Term Incentive), is based on the multi-year achievement of the performance targets adjusted EBIT and relative total shareholder return (TSR), which are both given equal weighting.

This is designed to focus the management on the sustainable success of the company, its investors and society.

Principles of total compensation

[T8] 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 (multi-year approach): 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, 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. The fringe benefits comprises taxable reimbursements of expenses such as insurance premiums, including any taxes thereon, and the cash equivalent of payments in kind such as the provision of company cars for business and private purposes.

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 / LTI).

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.

Adjusted EBIT is calculated by adjusting the operating earnings indicator EBIT for the following special items:

In connection with the acquisition of 100% of the shares in MTU by Kohlberg Kravis Roberts & Co. Ltd. (KKR) in 2004 from what was then DaimlerChrysler AG, assets, liabilities and contingent liabilities were identified pursuant to IFRS 3 and initially measured at fair value. When calculating adjusted EBIT, an adjustment is made for the special items relating to subsequent measurement of these balance sheet items as “effects from purchase price allocation.”

In connection with the increase in the stake in the V2500 program in 2012, a program asset (other assets) was acquired. When calculating the adjusted EBIT, an adjustment is made for the special items resulting from this program asset, which is accounted for as successive reduction revenue over its estimated economic life as “effects from an increase in the IAE-V2500 stake.”

In addition, an adjustment is made for material special items resulting from extraordinary effects such as impairment losses, also especially in the reporting period in connection with Russia’s war of aggression in Ukraine, as well as accrued restructuring expenses and material changes in the consolidated group.

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 oper-

ational management of the core business. MTU identifies the following as non-recurring items to be adjusted: payments for the acquisition of shares in engine programs, payments in connection with interest-bearing loans and financial assets held for the purposes of liquidity management, and net cash inflows in connection with the acquisition and divestment of material Group companies.

The performance targets adjusted EBIT and free cash flow to be achieved in the respective fiscal year to ensure full payment of the STI component of the target direct compensation are set annually in advance by the Supervisory Board, taking the operational business plan into account. The target achievement levels for both performance targets are calculated on this basis, the arithmetic mean of which corresponds to the STI target achievement level. The entry threshold for the STI target achievement level was set at 80%, which, if achieved, corresponds to payment of 50% of the STI component. There is no STI entitlement below this entry threshold. Similarly, the maximum payment is capped at 200%, which is payable if the maximum STI target achievement of 120% is reached. Between the entry threshold, the 100% level and maximum STI target achievement, the payment percentage is interpolated on a straight line in each case.

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 also set annually by the Supervisory Board, taking corporate planning into account. The corresponding ESG multiplier is derived from the achievement of the ESG targets and takes the form of a scaled increase or reduction in the STI payment of up to 20% - ESG multiplier between 0.800 and 1.200.

If the term of office of a new Executive Board member starts during a fiscal year, the entitlement to the STI is granted on a pro rata temporis basis.

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

For the long-term performance-related compensation component Restricted Stock Plan (RSP or LTI - long-term incentive), payment is calculated from target achievement over a three-year performance period, comprising the fiscal year in which the payment is granted and the two preceding years. The arithmetic mean of the achievement of the average adjusted EBIT target and the average

relative total shareholder return (TSR) of MTU shares relative to the STOXX Europe Total Market Aerospace & Defense index (reference index) - TSR target achievement - is calculated for the performance period (performance criteria).

Achievement of the adjusted EBIT target is calculated for each year in the performance period using the same method as is used to determine the STI payment percentage.

Achievement of the TSR target for each year in the performance period is derived by comparing the average performance of shares in MTU and the reference index in the 30 trading days immediately prior to the end of the fiscal year or the end of the preceding fiscal years. The entry threshold for the TSR target component 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 RSP / LTI payment percentage for the three-year performance period is calculated as the arithmetic mean of the multi-year achievement of the adjusted EBIT target or the related adjusted EBIT payment percentage and the TSR target achievement or the associated TSR payment percentage. The RSP / LTI payment percentage is based on a scale of between 0% to 200% corresponding to the RSP / LTI compensation components granted to the individual Executive Board member.

If the term of office of a new Executive Board member starts during a fiscal year, the entitlement to the RSP / LTI is granted on a pro rata temporis basis. When calculating the overall target achievement for fiscal years in which the new member did not serve on the Executive Board or only served for part of the year, target achievement for the two performance criteria (adjusted EBIT and TSR) is set at 100%. For those years in which the individual served a full year on the Executive Board, the actual target achievement for the year is used.

If an RSP / LTI is granted for the reporting period, settlement takes the form of a taxable cash payment, which is earmarked in full for the purchase of MTU shares; these are subject to a four-year lock-up period.

Further rules on compensation

All Executive Board members appointed prior to fiscal year 2021 received direct defined benefit pension commitments. The structure of these commitments is outlined below in the section “Rules when terminating the contracts of Executive Board members.” Instead of such defined benefit entitlements, in the future, newly appointed Executive Board members will receive an annual pension allowance as a contribution to a pension plan.

Further, the 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. Shares acquired through the RSP are included. All Executive Board members fulfilled this individual obligation in the reporting period. The shares held in compliance with the share ownership guidelines are subject to a two-year lock-up period when a member leaves the Executive Board.

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, fringe benefits, pension arrangements, STI, and RSP / LTI). The maximum compensation caps the total compensation granted for a 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 and thus unchanged from the previous year.

Development of performance-related components

Short-term incentive (STI)

The Supervisory Board set the following performance targets for the short-term incentive (STI) for the reporting period: adjusted EBIT of €560 million (actual: €655 million) and free cash flow (FCF) of €240 million (actual: €326 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: 200%). With regard to the performance targets set for 2022 at the end of 2021 and their review in early 2022 when the financial statements were prepared, the highly volatile macroeconomic situation and the sector-specific development have to be taken into account. The beginning of 2022 was clearly overshadowed by the pandemic-driven crisis and its impact on international supply chains. This was exacerbated by the development of energy prices, along with the related inflation and the expected impact on demand, as well as the geopolitical tension arising from Russia's threat to Ukraine, which escalated into an invasion by Russia in February.

As ESG targets for the reporting period, the Supervisory Board defined the areas of environmental management (criterion: ESG target “CO₂”, which is focused on reducing CO₂ emissions in the operation of the sites) and

attractiveness as an employer and employees & diversity (criterion: “commitment and leadership”). A target range of 80 – 120% was set for each of these criteria. Both criteria are included with an equal weighting in the determination of the ESG multiplier.

Target achievement for the “CO₂” criterion is still measured on the basis of MTU’s Europe-wide climate protection strategy, the ecoRoadmap, which aims to achieve climate-neutral production and maintenance activity at MTU’s sites or to systematically reduce their CO₂ emissions. The most important elements of this multi-faceted strategy are: higher energy efficiency, captive generation of sustainable energy at the site, procurement of low-emission energy sources such as green electricity, and emissions compensation. By setting specific climate goals, MTU wants to play a part in achieving the Paris climate targets.

The CO₂ criterion takes into account, as subcomponents, remaining CO₂ emissions as “maximum remaining CO₂ emissions” and “CO₂ abatement through sustainable measures.” In view of the capacity-intensive requirements relating to the measurement and review of CO₂, this criterion is determined for a 12-month performance period of December 1, 2021 through November 30, 2022. Consequently, the performance period differs from the reporting period. Target achievement for the subcomponent “CO₂ abatement through sustainable measures” is determined using the emission factors for baseline year 2019. Target achievement for the subcomponent “maximum remaining CO₂ emissions” is determined on the basis of the emission factors valid during the reporting period. These two subcomponents are considered separately and, in particular, not cumulatively. Target achievement is measured cumulatively for MTU’s European sites in Munich, Hanover, Ludwigsfelde and Rzeszów.

For the subcomponent “maximum remaining CO₂ emissions,” the Supervisory Board defined 54 kt remaining CO₂ emissions as 100% target achievement in the reporting period. For the component “CO₂ abatement through sustainable measures,” the Supervisory Board defined a reduction in CO₂ compared with the baseline year (2019) as the basis for 100% target achievement. Based on the assured data for the baseline year 2019, a calculated reduction of 1.75 kt CO₂ was defined by the Supervisory Board. Furthermore, the Supervisory Board has decided that the target achievement for the components of the ESG target “CO₂” will be measured respectively within a range of 70% to 130% by means of linear interpolation. Target achievement for the ESG target “CO₂” is derived as the arithmetic mean of the target achievement of the subcomponents, with a minimum CO₂ target achievement of 80% and a maximum target achievement of 120%.

Thanks to reduction of CO₂ emissions and the additional purchase of green power, the “maximum remaining CO₂ emissions” for the relevant performance period of the reporting period were just 44 kt CO₂, which was 18.5% less than the target of 54 kt CO₂. Therefore, the corresponding target achievement is 119%. Moreover, as a result of operational measures and investments in the reporting period and previous periods, a calculated reduction of 2.00 kt CO₂ was achieved in the performance period for the component “CO₂ abatement through sustainable measures”. That was 14.5% above the target of 1.75 kt CO₂, so the corresponding target achievement level is 115%. The arithmetic mean of the target achievement of each of the subcomponents gives a target achievement level of 117% for the ESG target “CO₂” in the reporting period.

Achievement of the target for the “commitment & leadership” criterion is derived from employee feedback in the reporting period, based on employee surveys at MTU’s German locations (“pulse checks”). For this purpose, the number of explicitly positive replies to defined questions on commitment & leadership are counted and expressed as a percentage of the total number of replies. As defined by the Supervisory Board, 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 total index value for 2022 derived from the two pulse checks during the year was around 77%, so the target achievement level for the “commitment & leadership” criterion was 102%.

The target achievement levels of 117% for the ESG target “CO₂” and 102% for the “commitment & leadership” target give an arithmetic mean of 109.5% and an ESG multiplier of 1.095.

In combination with the achievement of the financial targets of relevance for the STI, i.e., adjusted EBIT and free cash flow (payment percentage 200%), and the non-financial targets, i.e., reduction of emissions in the operation of the locations and “commitment & leadership” (ESG multiplier 1.095), the effective STI payment percentage for the reporting period is 219%.

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

The value of the Restricted Stock Plan (RSP or LTI – long-term incentive) 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.

Achievement of the LTI performance targets developed as follows:

[T9] Achievement of the LTI performance targets in 2022

	2022	2021	2020
Adjusted EBIT			
Target level in € million	560	400	800
Actual level in € million	655	468	416
Adjusted EBIT performance (in % of target level)	116.96%	117.03%	51.95%
Achievement adjusted EBIT target in %	184.80%	185.15%	0.00%
Three-year average of target achievement adjusted EBIT in %	123.32%		
Relative total shareholder return (TSR)			
TSR performance MTU in %	17.25%	-15.15%	-17.37%
TSR performance reference index in %	18.47%	5.43%	-24.89%
Delta TSR in percentage points	-1.22%	-20.58%	7.52%
TSR target achievement in %	93.90%	0.00%	175.20%
Three-year average of target achievement TSR in %	89.70%		
Total target achievement (three-year average)	106.51%		

The performance-related compensation component RSP / LTI granted for the reporting period on the basis of multi-year target achievement is paid in the following year.

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

[10] Variable compensation payment percentages

	2022	2021	2020 ¹⁾	2019 ¹⁾	2018 ¹⁾
STI	219.00	218.00		180.00	160.80
RSP / LTI	106.51	116.84	173.60	164.87	168.14
Price of RSP shares purchased					
Purchase price per share	N. N. ²⁾	209.50	119.20	209.20	143.30

¹⁾ Payment percentage calculated on the basis of the compensation system applicable up to and including fiscal year 2020.

²⁾ The RSP / LTI compensation components will only be paid out in 2023 so the purchase price per share will not be set until after preparation of this compensation report.

Compensation of individual members of the Executive Board

In the year under review, Reiner Winkler asked the Supervisory Board to end his appointment to the Executive Board (CEO) prematurely as of December 31, 2022, without any termination payment. The Supervisory Board eventually accepted his request and appointed the Chief

Operating Officer, Lars Wagner, as new CEO effective January 1, 2023. Further, the Supervisory Board appointed Dr. Silke Maurer as new Chief Operating Officer. Her appointment took effect, in compliance with Section 76 (3a) of the German Stock Corporation Act (AktG), on February 1, 2023.

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 presented as compensation granted and owed and corresponds to the expected amount of performance-related compensation based on the audited consolidated financial statements for the reporting period.

[T11] 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
	2022	2022	2022	2022	2022
Members of the Executive Board					
in €					
Fixed compensation	999,996	600,000	600,000	600,000	2,799,996
Fringe benefits ¹⁾	21,352	9,624	28,024	13,906	72,906
Total non-performance-related compensation	1,021,348	609,624	628,024	613,906	2,872,902
Proportion of non-performance-related compensation in %	27%	31%	32%	31%	
STI ²⁾	1,642,500	788,400	788,400	788,400	4,007,700
RSP / LTI ²⁾	1,171,610	575,154	575,154	575,154	2,897,072
Total performance-related compensation	2,814,110	1,363,554	1,363,554	1,363,554	6,904,772
Proportion of performance-related compensation in %	73%	69%	68%	69%	
Total compensation granted and owed	3,835,458	1,973,178	1,991,578	1,977,460	9,777,674
Service cost (IAS 19)	257,809	149,132	133,115	320,096	860,152
Total compensation	4,093,267	2,122,310	2,124,693	2,297,556	10,637,826

¹⁾Fringe benefits include charges to taxable income covering benefits in kind amounting to €62,877 and premiums for insurance policies taken out on behalf of members of the Executive Board amounting to €6,415 and membership contributions amounting to €3,613.

²⁾The performance-related compensation granted for the reporting period will be paid out in the following year, after adoption of the consolidated financial statements.

Members of the Executive Board did not receive any compensation for supervisory board and similar appointments at 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 ex-

ceptional 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 in any case.

Former Executive Board member Dr. Rainer Martens received a pension of €303,589 in the reporting period on the basis of the direct defined benefit commitment relating to his service on the Executive Board.

The table shows the change in 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. It should be noted that the compensation of the CEO and the other members of the Executive Board is composed to a large extent of performance-related components.

Moreover, the review of the target direct compensation of Executive Board members is performed on a multi-year basis and not on a one-year basis, as is the case for the rest of the workforce. Further it is always benchmarked using a comparison within the relevant stock market segment; MTU has been included in the DAX segment since 2019.

[T12] Vertical comparison

	2022	Change 2022 vs. 2021	2021	Change 2021 vs. 2020	2020	Change 2020 vs. 2019	2019	Change 2019 vs. 2018	2018
Compensation granted and owed to Executive Board members active in the reporting period									
Reiner Winkler	3,835,458	11%	3,464,780	37%	2,532,607	-31%	3,648,813	20%	3,031,084
Peter Kameritsch	1,973,178	9%	1,812,449	31%	1,379,276	-28%	1,926,888	52%	1,270,636 ¹⁾
Michael Schreyögg	1,991,578	9%	1,830,669	31%	1,395,212	-28%	1,940,722	2%	1,894,915
Lars Wagner	1,977,460	9%	1,809,566	32%	1,374,109	-28%	1,919,319	52%	1,266,551 ¹⁾
Earning indicators									
Adjusted Group EBIT (IFRS)	655	40%	468	13%	416	-45%	757	13%	671
Net profit of MTU Aero Engines AG (German Commercial Code [HGB]) ²⁾	267	35%	198	50%	132	64%	80	-69%	262
Average compensation of the workforce									
Employees in Germany ³⁾	88,870	2%	87,118	8%	81,035	-7%	86,922	1%	85,820

¹⁾ Executive Board member since January 1, 2018.

²⁾ Not relevant for compensation; does not provide a very meaningful insight into the economic development of MTU Group.

³⁾ 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: performance-unrelated basic salary and, depending on employment group, collectively agreed one-time payments or performance-related variable compensation (profit-sharing bonus, bonuses I and II, STI and RSP/ LTI).

[T13] Vertical comparison

	Change 2022 vs. 2021	Change 2021 vs. 2020	Change 2020 vs. 2019	Change 2019 vs. 2018
Compensation of former Executive Board members				
Dr. Rainer Martens	34%	- ¹⁾		
Dr. Stefan Weingartner	-100% ²⁾	- ²⁾		
Compensation granted and owed to present Supervisory Board members				
Gordon Riske (Chairman of the Supervisory Board, Personnel Committee and Nomination Committee) (since May 5, 2022)	-			
Klaus Eberhardt (Chairman of the Supervisory Board, Personnel Committee and Nomination Committee) (Supervisory Board member until May 5, 2022)	-47%	-6%	9%	1%
Josef Mailer (Deputy Chairman of the Supervisory Board)	74%	-6%	1%	-1%
Dr. Joachim Rauhut (Chairman of the Audit Committee)	85%	-5%	-6%	1%
Roberto Armellini (Supervisory Board member between June 13, 2019 and July 31, 2022)	-2%	-4%	79%	-
Dr. Christine Bortenlänger (member of the Audit Committee since April 22, 2021)	97%	17%	-9%	35%
Thomas Dautl	67%	3%	-9%	0%
Daniele Frijia (Supervisory Board member since August 17, 2022)	-			
Dr.-Ing. Jürgen M. Geißinger	49%	2%	2%	-3%
Anita Heimerl	67%	0%	-7%	105%
Heike Madan	81%	-6%	-7%	2%
Dr. Rainer Martens (Supervisory Board member since January 26, 2021)	77%	-		
Univ. Prof. Dr. Marion A. Weissenberger-Eibl	67%	3%	-9%	0%
Michael Winkelmann (Supervisory Board member since May 1, 2020)	67%	48%	-	

¹⁾ First-time payment in fiscal year 2021.

²⁾ One-time payment in fiscal year 2021.

In view of the extensive operating activities of the national companies in the MTU Group, considerations on retaining earnings at national companies for business policy reasons, and the fact that MTU Aero Engines 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 calculated in accordance with the German Commercial Code (HGB) is not a good reflection of the performance of the MTU Group. Consequently, the net profit of MTU Aero Engines AG is not a suitable reference base for performance-related compensation components, which regularly take into account financial and non-financial targets for the Group. Therefore, the adjusted EBIT for the Group is included in the vertical comparison as an additional earnings indicator as it is used as the financial performance indicator for the performance-oriented compensation components of both the Executive Board and the entire workforce in Germany. 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

In the reporting period, the active members of the Executive Board were granted 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 receive a pension allowance as a contribution to a pension plan, paid out annually in cash, instead of the pension commitment outlined above. This enables Executive Board members to take responsibility for building up their personal pension provision at their own discretion. Granting a pension allowance relieves MTU of the opportunities and risks related to defined benefit commitments.

Defined benefit commitments for retirement and survivors' pensions

The active members of the Executive Board – provided they were appointed before fiscal year 2021 – earn company pension entitlements in the fiscal year 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. At the request of the Executive Board member and subject to the Group's approval already granted, a lifelong annuity may be granted, based on interest of 6% on the pension capital and benefit increases of 1% p.a. Alternatively, at the request of the Executive Board member, the capital may be drawn in 10 installments, with a 4% increase in the capital balance. 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:

[T14] Existing post-employment benefit entitlements

Members of the Executive Board in €	Initial transfer amount ¹⁾	Guaranteed capital ²⁾	Annual contribution	End of contribution period	Annual pension amount ³⁾
Reiner Winkler	1,625,140 ⁴⁾	2,510,788	0	1.8.2021 ⁵⁾	598,641
Peter Kameritsch	461,573	461,573	258,072	1.4.2029	303,253
Michael Schreyögg	365,627	365,627	275,975	1.8.2026	337,719
Lars Wagner	207,344	207,344	237,124 ⁶⁾	1.1.2033	484,513

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⁾ All entitlements to company pension benefits (excluding the individual employee-funded capital account ["Pension Capital Aufbaukonto"]) taking into account the maximum contribution period. In addition, Peter Kameritsch and Lars Wagner are entitled to pension capital from deferred compensation of €772,675 at age 60 and €139,600 at age 62, respectively.

⁴⁾ 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.

⁵⁾ As part of the contract extension in 2018, the contribution period was extended to the age of 60.

⁶⁾ 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, 2023.

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 for members of the Executive Board:

[T15] Allocations to pension provisions and total amounts recognized

Members of the Executive Board	Year	Service cost (IFRSs)	Carrying amount of pension provisions as of Dec. 31 (IFRSs) ¹⁾
Reiner Winkler	2022	257,809	11,453,200
	2021	260,938	8,711,581
Peter Kameritsch	2022	149,132	4,593,904
	2021	379,670	4,275,046
Michael Schreyögg	2022	133,115	5,300,916
	2021	415,951	4,423,074
Lars Wagner	2022	320,096	2,264,977
	2021	469,147	2,254,645
Total	2022	860,152	23,612,997
Total	2021	1,525,706	19,664,346

¹⁾ Where appropriate, the provisions include obligations relating to claims arising from the individual employee-funded capital accounts ("Pension Capital Aufbaukonto") from previous service periods.

The defined benefit obligations for former members of the Executive Board, measured in accordance with International Financial Reporting Standards (IFRSs), amount to €9,542,940 (previous year: €14,446,429).

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 or RSP/ LTI 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 or RSP/ LTI payment for the remaining term of the contract.

If, before the end of the holding period for shares under the RSP, the Executive Board member's 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.

Severance payments made 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 always 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.

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 €80,000, 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 €20,000 for the fiscal year and a further €40,000 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. 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.

[T16] Compensation granted and owed to the Supervisory Board for 2022

Supervisory Board members	Fixed annual payment		Compensation for membership in committee		Attendance fees		Total compensation	
	in €	in %	in €	in %	in €	in %	in €	in %
Gordon Riske (Chairman of the Supervisory Board, Personnel Committee and Nomination Committee) (since May 5, 2022) ²⁾	157,333	67%	59,000	25%	18,000	8%	234,333	100%
Klaus Eberhardt (Chairman of the Supervisory Board, Personnel Committee and Nomination Committee) (until May 5, 2022) ²⁾	83,333	67%	31,250	25%	9,000	7%	123,583	100%
Josef Mailer (Deputy Chairman of the Supervisory Board) ^{1) 2) 4)}	120,000	60%	40,000	20%	39,000	20%	199,000	100%
Dr. Joachim Rauhut (Chairman of the Audit Committee)	80,000	45%	60,000	34%	36,000	20%	176,000	100%
Roberto Armellini (until July 31, 2022) ^{1) 4)}	46,667	66%	11,667	17%	12,000	17%	70,333	100%
Dr. Christine Bortenlänger ²⁾	80,000	59%	20,000	15%	36,000	26%	136,000	100%
Thomas Dautl	80,000	79%			21,000	21%	101,000	100%
Daniele Frijia (since August 17, 2022) ^{1) 4)}	29,778	60%	7,444	15%	12,000	24%	49,222	100%
Dr.-Ing. Jürgen M. Geißinger ^{1) 3)}	80,000	61%	30,000	23%	21,000	16%	131,000	100%
Anita Heimerl ⁴⁾	80,000	79%			21,000	21%	101,000	100%
Heike Madan ^{2) 4)}	80,000	59%	20,000	15%	36,000	26%	136,000	100%
Dr. Rainer Martens	80,000	79%			21,000	21%	101,000	100%
Univ. Prof. Dr. Marion A. Weissenberger-Eibl	80,000	79%			21,000	21%	101,000	100%
Michael Winkelmann ⁴⁾	80,000	79%			21,000	21%	101,000	100%
Total	1,157,111		279,361		324,000		1,760,472	

¹⁾ Member of the Personnel Committee.

²⁾ Member of the Audit Committee.

³⁾ Member of the Nomination Committee.

⁴⁾ 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.

Perspective for fiscal year 2023

The compensation system for members of the Executive Board and Supervisory Board is to be retained unchanged in fiscal year 2023. The targets for the performance-related compensation components for the Executive Board for 2023 will be set in parallel with the preparation of the compensation report and the audited consolidated financial statements for 2022. In

view of the sensitivity of the forecasts on which the targets are based, in keeping with the procedure used in the year under review and previous periods, they will be published in the compensation report 2023. These targets are naturally consistent with the forward-looking statements (Forecast) in the management report in the Annual Report 2022.

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 Sec. 162 AktG ["Aktengesetz": German Stock Corporation Act] for the fiscal year from 1 January 2022 to 31 December 2022 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 2022 to 31 December 2022 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, 21 March 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Baur
Wirtschaftsprüfer
[German Public Auditor]

Stummer-Jovanovic
Wirtschaftsprüfer
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