

MANAGEMENT COMPENSATION REPORT

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

At the proposal of the Personnel Committee, the Supervisory Board decides on a system of compensation for the members of the Executive Board, including the main components of their contracts, and reviews this system at regular intervals.

The present compensation system was developed with the support of external consultants and put in place in 2010. It focuses on linking Executive Board compensation to a style of corporate management and development that has a sustainable and long-term orientation. That entails not only an appropriate mix of fixed and variable compensation components but also the inclusion of long-term components in the variable compensation. Large parts of the variable compensation can be deferred, or not paid out at all. The intention is to align the interests of the members of the Executive Board more closely with those of the company by increasing their participation in the company in the long term.

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

Variable compensation includes long-term components

PRINCIPLES OF THE COMPENSATION SYSTEM FOR MEMBERS OF THE EXECUTIVE BOARD

At the proposal of the Personnel Committee, the Supervisory Board determines both the total compensation to be awarded to members of the Executive Board (target direct compensation) and the composition of this compensation. The target direct compensation is made up of non-performance-related components (40% of the total) and performance-related components (60%). The latter comprises the Annual Performance Bonus (APB) and a share-based component, each of which makes up approximately 30% of the target direct compensation.

NON-PERFORMANCE-RELATED COMPONENTS

The non-performance-related components consist of the basic salary and other benefits that are paid on a monthly basis. “Other benefits” comprise taxable reimbursements of expenses and the non-cash benefit deriving from payments in kind such as insurance premiums or the use of a company car for business and private purposes, including any taxes on such benefits paid by the company.

PERFORMANCE-RELATED COMPONENTS

Performance-related components without long-term incentive effect

Half of the Annual Performance Bonus (APB) is granted as a short-term compensation component.

The actual amount depends on the results achieved as regards two company performance targets and on the board member’s individual performance. The company performance targets are based on the key performance indicators at group level – “adjusted EBIT” and “free cash flow” – which are

Individual performance taken into account

given equal weighting. The targets to be achieved to ensure payment of 100% of the APB are set annually in advance by the Supervisory Board, taking the annual planning figures into account. In addition, an entry threshold is set for each performance target at a figure 30% below the planned level; this corresponds to a goal achievement level of 50%. Members of the Executive Board who do not reach this entry threshold are not entitled to a short-term compensation component. Similarly, the maximum goal achievement level of 180% is fixed at a figure 15% above the planned value for each of the two performance targets. Between the entry threshold, the 100% level and the maximum value, the degree of goal achievement is interpolated using a straight-line method. A slightly modified rule was applied in 2014 with regard to the „free cash flow“ performance target. Exceptionally, the corridor between the minimum and maximum goal achievement levels was defined in absolute terms. The entry threshold was set at a figure € 30 million below the planned target and the maximum limit was fixed at a figure € 15 million above the planned target. The Supervisory Board takes each Executive Board member's individual performance into account by decreasing or increasing the goal achievement figures by up to 20% (termed the “discretionary factor”).

The method used to adapt and disburse compensation components that have been withheld remains unchanged until final payment, even in cases where a member of the Executive Board leaves the company prior to the payment date.

Performance-related components with long-term incentive effect

Performance-related compensation with long-term incentive effect comprises the deferred APB and a share-based component.

Deferred Annual Performance Bonus (APB):

The remaining 50% of the APB is deferred and paid out in two equal portions over the following two financial years.

The ultimate amount of the deferred APB depends on the goal achievement level attained in respect of the two key performance indicators at group level and on the discretionary factor applied in the respective financial years.

In Egon Behle's case, the outstanding deferred APBs of the previous years will continue to be adjusted to the respective goal achievement level. His discretionary factor is set at one (1).

Share-based component

The long-term compensation awarded to members of the MTU Executive Board also comprises a share-based component granted in annual tranches by the Supervisory Board. The share-based component consists of the Performance Share Plan (PSP), which is linked to the development of the MTU share relative to the MDAX index, and the Share Matching Plan (SMP), in which the members of the Board of Management can opt to invest their payment from the PSP at the end of the assessment period for each tranche.

Performance Share Plan (PSP)

On the dates fixed for these tranches, the provisional number of performance shares is calculated on the basis of the average price of the MTU Aero Engines AG share (Xetra) over the last 30 trading days prior to commencement of the assessment period in accordance with each Executive Board member's long-term target compensation. At the end of the four-year assessment period, these performance shares entitle the recipients to a payment either in cash or in shares, as the Supervisory Board sees fit. Since 2010, the tranches of shares have been granted with effect from January 1 of each financial year. By way of exception, Michael Schreyögg was granted the fourth tranche of the PSP on a pro rata basis on July 1, 2013.

The actual number of performance shares is determined after expiry of the four-year assessment period for each tranche of granted shares. This amount reflects the performance of the MTU share compared with the other shares in the MDAX index, based on total shareholder return (TSR). The TSR is calculated as the total return on the stock including all changes in the share price and all dividends paid during the assessment period. The TSR ranking of the MTU share relative to that of all other MDAX-listed shares at the end of the assessment period is the main factor determining the number of shares allocated. Depending on this ranking, the level of goal achievement may be between 0% and 150%, with 100% being the value for an average ranking.

The amount disbursed equals the actual number of performance shares multiplied by the average MTU Aero Engines AG share price (Xetra) over the last 30 trading days prior to the end of the assessment period. The maximum payment for each tranche of granted shares is limited to 300% of the individual board member's long-term target compensation. The Supervisory Board has the right to impose further limits if any extraordinary events should occur.

Share Matching Plan (SMP)

The members of the Executive Board are entitled to use the post-tax benefits payable under each tranche of the Performance Share Plan (PSP) to purchase MTU Aero Engines AG shares, provided the Supervisory Board resolves to offer the Share Matching Plan in the year in question. At the end of the three-year vesting period, these shares are matched on the basis of the Share Matching Plan (SMP), with each Executive Board member being awarded one additional free share for every three MTU shares acquired in this way. The total value of the free shares allocated at the end of the vesting period is limited to three times the purchase price of the shares originally acquired through the PSP. Alternatively, the Supervisory Board may decide to offer a cash payment equivalent to the value of the matching shares.

Payment
in cash or in shares

INDIVIDUAL COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD

The members of the Executive Board were awarded the following total compensation – as defined in Section 314 (1) no. 6a of the German Commercial Code (HGB) – for their activities on the board in the financial years 2014 and 2013:

Individual compensation of the members of the Executive Board

Members of the Executive Board	Reiner Winkler Chief Executive Officer		Dr. Rainer Martens Chief Operating Officer	
in €	2014	2013	2014	2013
Non-performance-related components				
Basic salary	720,000	530,000	477,000	477,000
Other benefits ¹⁾	22,334	19,158	14,585	14,426
Performance-related components				
Without long-term incentive effect (non-deferred) ²⁾	402,759	190,284	266,828	171,254
With long-term incentive effect				
Deferred APB 2011		145,979		131,383
Deferred APB 2012 ³⁾	209,987	134,773	188,988	121,296
Deferred APB 2013 ³⁾	141,923		127,730	
Share-based compensation ⁴⁾	456,166	332,499	302,241	299,244
Total compensation	1,953,169	1,352,693	1,377,372	1,214,603

¹⁾ Other benefits include charges to taxable income covering personal use of company vehicles amounting to € 81,120 (2013: € 82,766) and premiums for accident insurance policies taken out on behalf of members of the Executive Board amounting to € 5,173 (2013: € 6,326).

²⁾ Non-deferred APB for the financial year 2014; to be paid in 2015 immediately after adoption of the annual financial statements for 2014.

³⁾ To be paid in 2015 immediately after adoption of the annual financial statements for 2014.

⁴⁾ Fair value at the grant date.

Michael Schreyögg Chief Program Officer since July 1, 2013		Dr, Stefan Weingartner⁵⁾ President MTU Maintenance until March 31, 2015		Egon Behle (Former member of the Executive Board) Member of the Executive Board and Chief Executive Officer until December 31, 2013		Total compensation	
2014	2013	2014	2013	2014	2013	2014	2013
418,500	180,000	477,000	477,000		795,000	2,092,500	2,459,000
23,209	10,371	26,165	24,021		21,116	86,293	89,092
234,104	64,624	266,828	171,254		285,424	1,170,519	882,840
			131,383		218,970		627,715
		188,988	121,296	314,978	202,159	902,941	579,524
48,200		127,730		212,884		658,467	
265,177	107,675	302,241	299,244		498,722	1,325,825	1,537,384
989,190	362,670	1,388,952	1,224,198	527,862	2,021,391	6,236,545	6,175,555

⁵⁾ Dr. Stefan Weingartner will cease to be a member of the Executive Board with effect of March 31, 2015 and will then receive the following one-time payments on March 31, 2015: APB € 208,688, basic salary € 278,250, other benefits € 16,625, long-term compensation € 208,688.
The deferred portions of the APB granted in respect of 2014 and 2013 will be paid out in 2016 and 2017 based on a goal achievement level of 100% (for 2015 and 2016) and a discretionary factor of one (1).

NEW RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE (GCGC)

The GCGC determines which compensation components are to be disclosed individually for each Executive Board member and recommends the use of the model tables appended to the Code for this purpose. The following table shows the benefits granted for the financial years 2014 and 2013 as well as the minimum and maximum amounts applicable for the financial year 2014.

Benefits granted

Members of the Executive Board	Reiner Winkler Chief Executive Officer				Dr. Rainer Martens Chief Operating Officer			
Individual items in €	2014 ²⁾	2014 (min.)	2014 (max.)	2013	2014 ²⁾	2014 (min.)	2014 (max.)	2013
Fixed compensation	720,000	720,000	720,000	530,000	477,000	477,000	477,000	477,000
Other benefits ¹⁾	22,334	22,334	22,334	19,158	14,585	14,585	14,585	14,426
Subtotal	742,334	742,334	742,334	549,158	491,585	491,585	491,585	491,426
One-year variable compensation	270,000		583,200	198,750	178,875		386,370	178,875
Multi-year variable compensation	726,166		3,730,617	531,249	481,117		2,471,535	478,120
Deferred APB 1 (relating to 2014 or 2013)	135,000		629,856	99,375	89,438		417,280	89,438
Deferred APB 2 (relating to 2014 or 2013)	135,000		629,856	99,375	89,438		417,280	89,438
Share-based compensation								
Performance Share Plan (assessment period: 4 years)	389,658		1,620,000	284,011	258,175		1,073,250	255,605
Share Matching Plan (vesting period: 88 months)	66,508		850,905	48,488	44,066		563,725	43,639
Total fixed and variable compensation	1,738,500	742,334	5,056,151	1,279,157	1,151,577	491,585	3,349,490	1,148,421
Service cost in accordance with IAS 19	186,810	186,810	186,810	1,398,373	159,912	159,912	159,912	157,319
Total compensation (GCGC)	1,925,310	929,144	5,242,961	2,677,530	1,311,489	651,497	3,509,402	1,305,740

¹⁾ Other benefits include charges to taxable income covering personal use of company vehicles amounting to € 81,120 (2013: € 82,766) and premiums for accident insurance policies taken out on behalf of members of the Executive Board amounting to € 5,173 (2013: € 6,326).

²⁾ Based on a goal achievement level of 100%.

Michael Schreyögg Chief Program Officer since July 1, 2013				Dr. Stefan Weingartner³⁾ President MTU Maintenance until March 31, 2015				Egon Behle (Former member of the Executive Board) Member of the Executive Board and Chief Executive Officer until December 31, 2013			
2014 ²⁾	2014 (min.)	2014 (max.)	2013	2014 ²⁾	2014 (min.)	2014 (max.)	2013	2014 ²⁾	2014 (min.)	2014 (max.)	2013
418,500	418,500	418,500	180,000	477,000	477,000	477,000	477,000				795,000
23,209	23,209	23,209	10,371	26,165	26,165	26,165	24,021				21,116
441,709	441,709	441,709	190,371	503,165	503,165	503,165	501,021				816,116
156,938		338,985	67,500	178,875		386,370	178,875				298,125
422,115		2,168,422	175,175	481,117		1,459,620	478,120				796,848
78,469		366,104	33,750	89,438		193,185	89,438				149,063
78,469		366,104	33,750	89,438		193,185	89,438				149,063
226,515		941,625	92,030	258,175		1,073,250	255,605				425,993
38,662		494,589	15,645	44,066			43,639				72,729
1,020,762	441,709	2,949,116	433,046	1,163,157	503,165	2,349,155	1,158,016				1,911,089
67,089	67,089	67,089	1,277,219	133,120	133,120	133,120	130,851				432,400
1,087,851	508,798	3,016,205	1,710,265	1,296,277	636,285	2,482,275	1,288,867				2,343,489

³⁾ Dr. Stefan Weingartner will no longer participate in the Share Matching Plan.

The table below shows the allocation of fixed and variable compensation for the financial years 2014 and 2013 as well as the service cost (benefit expense) for the pension plan:

Allocation of compensation and service cost

Members of the Executive Board	Reiner Winkler Chief Executive Officer		Dr. Rainer Martens Chief Operating Officer	
Individual items in €	2014	2013	2014	2013
Fixed compensation	720,000	530,000	477,000	477,000
Other benefits ¹⁾	22,334	19,158	14,585	14,426
Subtotal	742,334	549,158	491,585	491,426
One-year variable compensation	402,759	190,284	266,828	171,254
Multi-year variable compensation	995,706	280,752	896,122	252,679
Deferred APB 1 (relating to 2013 and 2012)	141,923	134,773	127,730	121,296
Deferred APB 2 (relating to 2012 and 2011)	209,987	145,979	188,988	131,383
Share-based compensation				
Performance Share Plan 2010-2013 ²⁾	643,796		579,404	
Total fixed and variable compensation	2,140,799	1,020,194	1,654,535	915,359
Service cost in accordance with IAS 19	186,810	1,398,373	159,912	157,319
Total compensation (CCGC)	2,327,609	2,418,567	1,894,447	1,072,678

¹⁾ Other benefits include charges to taxable income covering personal use of company vehicles amounting to €81,120 (2013: €82,766) and premiums for accident insurance policies taken out on behalf of members of the Executive Board amounting to €5,173 (2013: €6,326).

²⁾ In the financial year 2014, Egon Behle was awarded a cash settlement corresponding to the total value of all granted performance shares.

Michael Schreyögg
Chief Program Officer
since July 1, 2013

Dr. Stefan Weingartner
President MTU Maintenance
until March 31, 2015

Egon Behle
**(Former member of the
Executive Board)**
Member of the Executive Board
and Chief Executive Officer
until December 31, 2013

2014	2013	2014	2013	2014	2013
418,500	180,000	477,000	477,000		795,000
23,209	10,371	26,165	24,021		21,116
441,709	190,371	503,165	501,021		816,116
234,104	64,624	266,828	171,254		285,424
48,200		896,122	252,679	2,524,507	421,129
48,200		127,730	121,296	212,884	202,159
		188,988	131,383	314,978	218,970
		579,404		1,996,645	
724,013	254,995	1,666,115	924,954	2,524,507	1,522,669
67,089	1,277,219	133,120	130,851		432,400
791,102	1,532,214	1,799,235	1,055,805	2,524,507	1,955,069

PERFORMANCE-RELATED COMPONENTS

ANNUAL PERFORMANCE BONUS (APB):

The performance targets set by the Supervisory Board for the 2014 Annual Performance Bonus (APB) were as follows:

- Adjusted EBIT € 370.0 million (actual adjusted EBIT in 2014: € 382.7 million)
- Free cash flow € 0.0 million (actual free cash flow in 2014: € 42.5 million).

Deferred portions of the APB awarded in respect of 2012 and 2013 formed part of the performance-related compensation payable in 2014.

PERFORMANCE SHARE PLAN (PSP)

The following table shows the number of performance shares granted in each PSP tranche:

Performance Share Plan 2014

number of shares, value in € or months	Average Xetra share price ¹⁾	Fair value at grant date	Granted performance shares			Exercisable performance shares	Not yet exercisable performance shares		Time to end of vesting period for performance shares
			Number at Jan. 1, 2014 shares	Acquired in 2014 shares	Number at Dec. 31, 2014 shares		Performance shares 2014/shares	Number at Dec. 31, 2014 shares	
	€	€							Time at Dec. 31, 2014 months
Reiner Winkler									
Performance shares tranche 2 granted Jan. 1, 2011	47.03	31.26	7,973		7,973	7,973			
Performance shares tranche 3 granted Jan. 1, 2012	47.47	34.26	8,374		8,374		8,374	36.68	12
Performance shares tranche 4a granted Jan. 1, 2013	67.16	47.98	5,919		5,919		5,919	30.08	24
Performance shares tranche 5 granted Jan. 1, 2014	69.87	50.42		7,729	7,729		7,729	49.30	36
Personal total / average	57.01	40.33	22,266	7,729	29,995	7,973	22,022	39.34	24
Dr. Rainer Martens									
Performance shares tranche 2 granted Jan. 1, 2011	47.03	31.26	7,176		7,176	7,176			
Performance shares tranche 3 granted Jan. 1, 2012	47.47	34.26	7,537		7,537		7,537	36.68	12
Performance shares tranche 4a granted Jan. 1, 2013	67.16	47.98	5,327		5,327		5,327	30.08	24
Performance shares tranche 5 granted Jan. 1, 2014	69.87	50.42		5,121	5,121		5,121	49.30	36
Personal total / average	56.07	39.60	20,040	5,121	25,161	7,176	17,985	38.32	22
Michael Schreyögg²⁾									
Performance shares tranche 4b granted July 1, 2013	76.59	52.20	1,763		1,763		1,763	31.96	30
Performance shares tranche 5 granted Jan. 1, 2014	69.87	50.42		4,493	4,493		4,493	49.30	36
Personal total / average	71.76	50.92	1,763	4,493	6,256		6,256	44.41	34
Dr. Stefan Weingartner³⁾									
Performance shares tranche 2 granted Jan. 1, 2011	47.03	31.26	7,176		7,176	7,176			
Performance shares tranche 3 granted Jan. 1, 2012 ⁴⁾	47.47	34.26	7,537		7,537		7,537	70.38	3
Performance shares tranche 4a granted Jan. 1, 2013 ⁴⁾	67.16	47.98	5,327		5,327		5,327	70.38	3
Performance shares tranche 5 granted Jan. 1, 2014 ⁴⁾	69.87	50.42		5,121	5,121		5,121	70.38	3
Personal total / average	56.07	39.60	20,040	5,121	25,161	7,176	17,985	70.38	3
Cumulative total / average	57.53	40.67	64,109	22,464	86,573	22,325	64,248	48.24	19

Note: In the financial year 2014, no performance share rights were forfeited, nor did any lapse.

¹⁾ Average Xetra share price during the 30 trading days preceding the grant date.

²⁾ Member of the Executive Board since July 1, 2013.

³⁾ Member of the Executive Board until March 31, 2015; a cash settlement corresponding to the value of the performance shares granted in 2011, 2012, 2013 and 2014 will therefore be awarded in the financial year 2015.

⁴⁾ The amount of the cash settlement will be based on the average Xetra share price during the 30 trading days prior to March 31, 2015, and a goal achievement level of 100%.

Performance Share Plan 2013

number of shares, value in € or months	Average Xetra share price ¹⁾	Fair value at grant date	Granted performance shares			Exercisable performance shares	Not yet exercisable performance shares		Time to end of vesting period for performance shares
			Number at Jan. 1, 2013 shares	Acquired in 2013 shares	Number at Dec. 31, 2013 shares		Performance shares 2013/shares	Number at Dec. 31, 2013 shares	
	€	€							
Egon Behle²⁾									
Performance shares tranche 1b granted July 1, 2010	46.64	27.13	6,031		6,031	6,031			
Performance shares tranche 2 granted Jan. 1, 2011	47.03	31.26	11,960		11,960	11,960			
Performance shares tranche 3 granted Jan. 1, 2012	47.47	34.26	12,561		12,561	12,561			
Performance shares tranche 4a granted Jan. 1, 2013	67.16	47.98		8,878	8,878	8,878			
Personal total / average	51.64	35.35	30,552	8,878	39,430	39,430			
Dr. Rainer Martens									
Performance shares tranche 1a granted Jan. 1, 2010	36.63	22.96	9,214		9,214	9,214			
Performance shares tranche 2 granted Jan. 1, 2011	47.03	31.26	7,176		7,176		7,176	57.93	12
Performance shares tranche 3 granted Jan. 1, 2012	47.47	34.26	7,537		7,537		7,537	44.75	24
Performance shares tranche 4a granted Jan. 1, 2013	67.16	47.98		5,327	5,327		5,327	37.67	36
Personal total / average	47.53	32.46	23,927	5,327	29,254	9,214	20,040	47.59	23
Michael Schreyögg³⁾									
Performance shares tranche 4b granted July 1, 2013	76.59	52.20		1,763	1,763		1,763	38.58	42
Personal total / average	76.59	52.20		1,763	1,763		1,763	38.58	42
Dr. Stefan Weingartner									
Performance shares tranche 1a granted Jan. 1, 2010	36.63	22.96	9,214		9,214	9,214			
Performance shares tranche 2 granted Jan. 1, 2011	47.03	31.26	7,176		7,176		7,176	57.93	12
Performance shares tranche 3 granted Jan. 1, 2012	47.47	34.26	7,537		7,537		7,537	44.75	24
Performance shares tranche 4a granted Jan. 1, 2013	67.16	47.98		5,327	5,327		5,327	37.67	36
Personal total / average	47.53	32.46	23,927	5,327	29,254	9,214	20,040	47.59	23
Reiner Winkler									
Performance shares tranche 1a granted Jan. 1, 2010	36.63	22.96	10,238		10,238	10,238			
Performance shares tranche 2 granted Jan. 1, 2011	47.03	31.26	7,973		7,973		7,973	57.93	12
Performance shares tranche 3 granted Jan. 1, 2012	47.47	34.26	8,374		8,374		8,374	44.75	24
Performance shares tranche 4a granted Jan. 1, 2013	67.16	47.98		5,919	5,919		5,919	37.67	36
Personal total / average	47.53	32.46	26,585	5,919	32,504	10,238	22,266	47.59	23
Cumulative total / average	49.15	33.59	104,991	27,214	132,205	68,096	64,109	47.34	23

Note: In the financial year 2013, no performance share rights were forfeited, nor did any lapse.

¹⁾ Average Xetra share price during the 30 trading days preceding the grant date.

²⁾ Member of the Executive Board until December 31, 2013; a cash settlement corresponding to the value of the performance shares granted in 2010, 2011, 2012 and 2013 was therefore awarded in the financial year 2014.

³⁾ Member of the Executive Board since July 1, 2013.

The fair value is calculated by an independent expert in accordance with the recommendations contained in IFRS 2. A fluctuation rate of 4% per performance share is taken into account.

The methods used to calculate these figures are documented in the fairness opinions established at the respective grant dates.

The total carrying amount of the liabilities in connection with PSP compensation developed as follows:

Development of total carrying amount

in €	At Dec. 31, 2014	At Dec. 31, 2013
Performance Share Plan - tranche 1a		1,802,604
Performance Share Plan - tranche 1b		316,039
Performance Share Plan - tranche 2	1,099,864	1,847,442
Performance Share Plan - tranche 3	927,385	1,095,102
Performance Share Plan - tranche 4a	502,420	388,695
Performance Share Plan - tranche 4b	21,129	8,502
Performance Share Plan - tranche 5	502,068	
Total carrying amount	3,052,866	5,458,384

SHARE MATCHING PLAN (SMP)

The number of future matching shares depends on the cash amount paid out under the PSP. In order to determine the fair value of the SMP, a combined Monte Carlo simulation and Black-Scholes pricing model was used. The expected cash settlement was determined on the basis of the exact same assumptions used to measure the value of the PSP. The amount of the cash settlement serves as a basis for measuring the value of the forward options granted under the terms of the SMP.

Combined
calculation method

The fair value of the forward options at the grant date was calculated on the basis of the following assumptions (an option period of 52 months, a vesting period of 88 months and a fluctuation rate of 4% were assumed for all tranches):

Share Matching Plan

Model parameters	Tranche 5 financial year 2014	Tranche 4b financial year 2013	Tranche 4a financial year 2013	Tranche 3 financial year 2012	Tranche 2 financial year 2011	Tranche 1b financial year 2010	Tranche 1a financial year 2010
Measurement date	Jan. 1, 2014	July 1, 2013	Jan. 1, 2013	Jan. 1, 2012	Jan. 1, 2011	July 1, 2010	Jan. 1, 2010
Average share price at acquisition date	69.87	76.59	67.16	47.47	47.03	46.64	36.63
Dividend yield	1.89%	1.82%	1.74%	2.23%	1.84%	2.07%	2.44%
Expected volatility	23.32%	24.60%	27.94%	35.18%	51.40%	52.82%	52.08%
Risk-free interest rate	0.77%	0.71%	0.26%	0.70%	1.76%	1.37%	2.30%

The following share-based SMP compensation agreements were in place during the current and earlier reporting periods:

Share Matching Plan 2014

number of shares, value in € or months	Fair value at grant date	Granted performance shares ¹⁾			Exercised performance shares	Lapsed performance shares	Forfeited performance shares	Not yet exercisable performance shares	Time to end of vesting period for performance shares ²⁾
		Number at Jan. 1, 2014 shares	Acquired in 2014 shares	Number at Dec. 31, 2014 shares					
	€								
Reiner Winkler									
Performance Shares tranche 1a granted Jan. 1, 2010	3.722	10,238		10,238	4,662	5,576			
Performance shares tranche 2 granted Jan. 1, 2011	4.779	7,973		7,973			7,973	4	
Performance shares tranche 3 granted Jan. 1, 2012	5.771	8,374		8,374			8,374	16	
Performance shares tranche 4a granted Jan. 1, 2013	8.192	5,919		5,919			5,919	28	
Performance shares tranche 5 granted Jan. 1, 2014	8.605		7,729	7,729			7,729	40	
Personal total / average	5.954	32,504	7,729	40,233	4,662	5,576	29,995	21	
Dr. Rainer Martens									
Performance shares tranche 1a granted Jan. 1, 2010	3.722	9,214		9,214	4,209	5,005			
Performance shares tranche 2 granted Jan. 1, 2011	4.779	7,176		7,176			7,176	4	
Performance shares tranche 3 granted Jan. 1, 2012	5.771	7,537		7,537			7,537	16	
Performance shares tranche 4a granted Jan. 1, 2013	8.192	5,327		5,327			5,327	28	
Performance shares tranche 5 granted Jan. 1, 2014	8.605		5,121	5,121			5,121	40	
Personal total / average	5.812	29,254	5,121	34,375	4,209	5,005	25,161	20	
Michael Schreyögg³⁾									
Performance shares tranche 2 granted Jan. 1, 2011 ⁴⁾	4.779	907		907	516	391			
Performance shares tranche 3 granted Jan. 1, 2012 ⁴⁾	5.771	943		943			943	4	
Performance shares tranche 4a granted Jan. 1, 2013 ⁴⁾	8.192	353		353			353	16	
Performance shares tranche 4b granted July 1, 2013	8.874	1,763		1,763			1,763	34	
Performance shares tranche 5 granted Jan. 1, 2014	8.605		4,493	4,493			4,493	40	
Personal total / average	7.918	3,966	4,493	8,459	516	391	7,552	33	
Dr. Stefan Weingartner⁵⁾									
Performance shares tranche 1a granted Jan. 1, 2010	3.722	9,214		9,214	4,518	4,696			
Performance shares tranche 2 granted Jan. 1, 2011	4.779	7,176		7,176			7,176		
Performance shares tranche 3 granted Jan. 1, 2012	5.771	7,537		7,537			7,537		
Performance shares tranche 4a granted Jan. 1, 2013	8.192	5,327		5,327			5,327		
Performance shares tranche 5 granted Jan. 1, 2014	8.605		5,121	5,121			5,121		
Personal total / average	5.812	29,254	5,121	34,375	4,518	4,696	25,161		
Cumulative total / average	6.012	94,978	22,464	117,442	13,905	15,668	25,161	62,708	22

¹⁾ This column shows the number of granted performance shares. The corresponding matching share entitlement depends on the TSR ranking of the MTU share and on the share price.

²⁾ The time to end of vesting period for SMP shares is 4 months longer than for PSP shares because the strike date is in April.

³⁾ Member of the Executive Board since July 1, 2013.

⁴⁾ Granted under the terms of his previous contract as a tier-1 senior manager.

⁵⁾ Member of the Executive Board until March 31, 2015; he therefore forfeits his right to reinvest the benefits payable under the Performance Share Plan (PSP) in MTU Aero Engines AG shares.

Share Matching Plan 2013

number of shares, value in € or months	Fair value at grant date	Granted performance shares ¹⁾			Forfeited performance shares	Not yet exercisable performance shares	Time to end of vesting period for performance shares ²⁾
		Number at Jan. 1, 2013 shares	Acquired in 2013 shares	Number at Dec. 31, 2013 shares			
	€				Performance shares 2014/shares	Number at Dec. 31, 2013 shares	Time at Dec. 31, 2013 months
Egon Behle³⁾							
Performance shares tranche 1b granted July 1, 2010	4.233	6,031		6,031	6,031		
Performance shares tranche 2 granted Jan. 1, 2011	4.779	11,960		11,960	11,960		
Performance shares tranche 3 granted Jan. 1, 2012	5.771	12,561		12,561	12,561		
Performance shares tranche 4a granted Jan. 1, 2013	8.192		8,878	8,878	8,878		
Personal total / average	5.780	30,552	8,878	39,430	39,430		
Dr. Rainer Martens							
Performance shares tranche 1a granted Jan. 1, 2010	3.722	9,214		9,214		9,214	4
Performance shares tranche 2 granted Jan. 1, 2011	4.779	7,176		7,176		7,176	16
Performance shares tranche 3 granted Jan. 1, 2012	5.771	7,537		7,537		7,537	28
Performance shares tranche 4a granted Jan. 1, 2013	8.192		5,327	5,327		5,327	40
Personal total / average	5.323	23,927	5,327	29,254		29,254	20
Michael Schreyögg⁴⁾							
Performance shares tranche 2 granted Jan. 1, 2011 ⁵⁾	4.779	907		907		907	4
Performance shares tranche 3 granted Jan. 1, 2012 ⁵⁾	5.771	943		943		943	16
Performance shares tranche 4a granted Jan. 1, 2013 ⁵⁾	8.192		353	353		353	28
Performance shares tranche 4b granted July 1, 2013	8.874		1,763	1,763		1,763	46
Personal total / average	7.139	1,850	2,116	3,966		3,966	28
Dr. Stefan Weingartner							
Performance shares tranche 1a granted Jan. 1, 2010	3.722	9,214		9,214		9,214	4
Performance shares tranche 2 granted Jan. 1, 2011	4.779	7,176		7,176		7,176	16
Performance shares tranche 3 granted Jan. 1, 2012	5.771	7,537		7,537		7,537	28
Performance shares tranche 4a granted Jan. 1, 2013	8.192		5,327	5,327		5,327	40
Personal total / average	5.323	23,927	5,327	29,254		29,254	20
Reiner Winkler							
Performance shares tranche 1a granted Jan. 1, 2010	3.722	10,238		10,238		10,238	4
Performance shares tranche 2 granted Jan. 1, 2011	4.779	7,973		7,973		7,973	16
Performance shares tranche 3 granted Jan. 1, 2012	5.771	8,374		8,374		8,374	28
Performance shares tranche 4a granted Jan. 1, 2013	8.192		5,919	5,919		5,919	40
Personal total / average	5.323	26,585	5,919	32,504		32,504	20
Cumulative total / average	5.511	106,841	27,567	134,408	39,430	94,978	20

Note: In the financial year 2013, no performance share rights were exercised, nor did any lapse.

¹⁾ This column shows the number of granted performance shares. The corresponding matching share entitlement depends on the TSR ranking of the MTU share and on the share price.

²⁾ The time to end of vesting period for SMP shares is 4 months longer than for PSP shares because the strike date is in April.

³⁾ Member of the Executive Board until December 31, 2013; he therefore forfeits his right to reinvest the benefits payable under the Performance Share Plan (PSP) in MTU Aero Engines AG shares.

⁴⁾ Member of the Executive Board since July 1, 2013.

⁵⁾ Granted under the terms of his previous contract as a tier-1 senior manager.

First-time entitlement

In the financial year 2014, the members of the Executive Board were for the first time entitled to purchase MTU shares under the terms of the Share Matching Plan.

This resulted in the following matching share entitlements:

Matching share entitlements

number of shares or value in €	Number at Jan. 1, 2014 shares	Acquired in 2014 shares	Number at Dec. 31, 2014 shares	Fair value at grant date €
Reiner Winkler		1,554	1,554	3.722
Dr. Rainer Martens		1,403	1,403	3.722
Michael Schreyögg		172	172	3.722
Dr. Stefan Weingartner		1,506	1,506	3.722
Total / average		4,635	4,635	3.722

Note: In the financial year 2014, no matching share rights were exercised, and none lapsed or were forfeited.

TOTAL EXPENSE INCURRED FOR SHARE-BASED COMPENSATION

The total expense incurred for share-based compensation can be broken down as follows for the individual members of the Executive Board:

Total expense incurred for share-based compensation

Members of the Executive Board in €	Financial year 2014			Financial year 2013		
	Cash settlement	Equity instruments	Total	Cash settlement	Equity instruments	Total
Reiner Winkler	217,932	23,421	241,353	386,384	39,929	426,313
Dr. Rainer Martens	173,527	18,926	192,453	347,748	35,936	383,684
Michael Schreyögg ¹⁾	67,999	15,827	83,826	8,502	1,805	10,307
Dr. Stefan Weingartner ²⁾	934,173	113,718	1,047,891	347,748	35,936	383,684
Total expense	1,393,631	171,892	1,565,523	1,090,382	113,606	1,203,988
Former member of the Executive Board						
Egon Behle ³⁾				1,255,549	170,069	1,425,618
Total expense				1,255,549	170,069	1,425,618

¹⁾ Member of the Executive Board since July 1, 2013.

²⁾ Member of the Executive Board until March 31, 2015.

³⁾ Member of the Executive Board until December 31, 2013.

RULES WHEN TERMINATING THE CONTRACTS OF MEMBERS OF THE EXECUTIVE BOARD

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

Retirement and survivors' pensions

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

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

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

Reiner Winkler, Dr. Rainer Martens and Dr. Stefan Weingartner had already been promised under the previous pension plan that their years of service with former group companies would count toward their pensions.

Contribution
period capped at
15 years

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

Existing post-employment benefit entitlements

Members of the Executive Board in €	Initial transfer amount ¹⁾	Guaranteed capital ²⁾	Annual contribution	End of contribution period	One-time payment
Reiner Winkler	1,625,140	2,510,788	400,000	Oct. 1, 2019	7,744,205
Dr. Rainer Martens	1,366,176	2,317,650	220,000	Apr. 1, 2021	5,293,176
Michael Schreyögg	365,627	365,627	154,690	Aug. 1, 2026	3,696,618
Dr. Stefan Weingartner ³⁾	1,188,427	1,528,750	200,000	March 1, 2015	3,355,094

¹⁾ Credit for past service up to December 31, 2009 (date of changeover to new system).

Michael Schreyögg: Changeover date July 1, 2013.

²⁾ Capital payment equal to the adjusted value of the benefit entitlement at December 31, 2009, when the new pension arrangements came into force (January 1, 2010).

³⁾ All figures take into account his departure as of March 31, 2015.

Individual pension account contributions

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

The following table shows the service cost for the financial years 2014 and 2013, and the corresponding carrying amounts of pension provisions recognized for members of the Executive Board in accordance with both IFRS and the German Commercial Code (HGB):

Allocations to pension provisions and total amounts recognized

Members of the Executive Board in €	Year	Service cost (IFRS)	Service cost (HGB)	Carrying amount of pension provisions at Dec. 31 (IFRS)	Carrying amount of pension provisions at Dec. 31 (HGB)
Reiner Winkler	2014	186,810	169,893	5,556,898	4,633,159
	2013	1,398,373	1,270,476	4,646,398	4,172,597
Dr. Rainer Martens	2014	159,912	147,483	4,094,359	3,474,746
	2013	157,319	140,041	3,439,132	3,129,213
Michael Schreyögg¹⁾	2014	67,089	57,168	2,099,588	1,541,359
	2013	1,277,219	1,074,529	1,622,781	1,364,401
Dr. Stefan Weingartner²⁾	2014	133,120	122,836	2,982,350	2,550,930
	2013	130,851	116,520	2,896,643	2,635,501
Total	2014	546,931	497,380	14,733,195	12,200,194
Total	2013	2,963,762	2,601,566	12,604,954	11,301,712

¹⁾ Member of the Executive Board since July 1, 2013.

²⁾ Member of the Executive Board until March 31, 2015.

The pension obligations toward former members of the Executive Board in accordance with IAS 19 amounted to € 7,470,324 (2013: € 5,946,295) and included the pension obligation toward Egon Behle in the amount of € 3,235,873 (2013: € 3,079,256).

DISABILITY PENSIONS

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

SEVERANCE PAYMENTS ON PREMATURE TERMINATION OF CONTRACT FOR MEMBERS OF THE EXECUTIVE BOARD

The members of the Executive Board are entitled to receive severance payments if MTU prematurely terminates their appointment. In the case of ordinary termination, a severance package is payable that corresponds to the board member's basic salary, 50% of the APB and 50% of the share-based performance-related compensation component for the time from the end of the notice period until the date on which the contract would normally have expired. The amount of the severance package may not exceed two full years of payments of these compensation components. If the employment contract is terminated for cause, no severance package is payable.

Capped
severance
payments

SEVERANCE PAYMENTS ON PREMATURE TERMINATION OF CONTRACT FOR MEMBERS OF THE EXECUTIVE BOARD IN THE EVENT OF A CHANGE OF CONTROL OR SUBSTANTIAL CHANGES IN THE OWNERSHIP OF MTU AERO ENGINES AG

If another company acquires a controlling interest in MTU as defined by the German Securities Acquisition and Takeover Act (WpÜG) or if the ownership structure of MTU changes substantially as a result of a merger or comparable transaction or amalgamation, the members of the Executive Board are entitled to receive severance payments. These severance payments are paid on the condition that the Supervisory Board relieves an Executive Board member of his/her duties within one year of such a change of control or if the Executive Board member's employment contract is not renewed as a result of the change of control. In these cases, the amount payable corresponds to the board member's basic salary for the period between leaving the Executive Board and the date on which his/her contract would otherwise have expired.

In addition, the Supervisory Board is entitled to commute the agreed APB for the year in which the change of control occurs, together with any deferred components of the APB from the two previous years, and to pay out a capital sum equivalent to at least 100% of the target amount.

Further, the share-based performance-related compensation components (PSP/SMP) are automatically terminated. By way of compensation, the member of the Executive Board in question receives a pro rata payment that is calculated as if the component had been continued. The only difference is that the level of goal achievement is determined on the date of the change of control and the final amount disbursed is multiplied by the average MTU share price (Xetra) over the last 30 trading days prior to the change of control.

The sum total of all severance payments made in connection with a change of control may not exceed three years' total compensation in each case.

SUPERVISORY BOARD COMPENSATION

Compensation relative to company size

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

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

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