

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 (GCGC), and the International Financial Reporting Standards (IFRS).

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.

Variable
compensation
includes long-term
components

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. This 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 are deferred, or may not be 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. The changes to the system of Executive Board compensation to be implemented as of the financial year 2016, according to a resolution passed by the Supervisory Board in 2015, similarly reflect this intention (see section “Modified compensation system for members of the Executive Board as of the financial year 2016”).

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.

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 comprise 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 noncash benefit deriving from payments in kind such as insurance premiums and 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 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 an APB bonus entitlement 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 APB bonus entitlement of 180% is fixed at a figure 15% above the targets set for each of the two performance indicators. Between the entry threshold, the 100% level, and the maximum goal achievement level, the APB bonus entitlement is interpolated using a straight-line method. The Supervisory Board takes each Executive Board member's individual performance into account by decreasing or increasing the APB bonus entitlement by up to 20% (by means of the so-called “discretionary factor”).

Individual
performance
taken into account

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 last payment date.

Performance-related components with a 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 the case of Dr. Stefan Weingartner, his deferred APB entitlement will be based on a goal achievement level of 100%, rather than on his actual performance in the respective financial years. Furthermore, a discretionary factor of one (1) will be applied both in his case and in that of Egon Behle.

Share-based component

The long-term compensation awarded to members of the MTU Executive Board consists of a share-based payment granted in annual tranches by the Supervisory Board. This 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 Executive Board can opt to invest their payment from the PSP in MTU shares 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 respective 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

The Supervisory Board
can impose limits on
amount disbursed

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 respective 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), which is determined on the basis of changes in the share price and all dividends paid during the assessment period. The TSR 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 TSR ranking, the amount of the share-based payment ranges between 0% and 150%, with 100% being the value for an average ranking. A TSR ranking of 45 represents the entry threshold, which entitles the beneficiary to a payment corresponding to 25% of the value of the granted performance shares. A TSR ranking of 5 or better is required to obtain the maximum payment of 150% of the value of the granted performance shares. Between the entry threshold, the average TSR ranking of 25, and the maximum TSR ranking of 5 or better, the number of performance shares on which the share-based payment is based is interpolated using a straight-line method.

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 three times 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 settlement equivalent to the value of the matching shares.

MODIFIED COMPENSATION SYSTEM FOR MEMBERS OF THE EXECUTIVE BOARD AS OF THE FINANCIAL YEAR 2016

In order to link the compensation system for the Executive Board more closely with the company's performance, given that until now it included a relatively small proportion of direct share options, and in view of the requirements laid down in the latest version of the GCGC, the Supervisory Board passed a resolution at its meeting on December 8, 2015, to modify the compensation system for members of the Executive Board as of the financial year 2016.

At the proposal of the Personnel Committee, the Supervisory Board determines the total compensation to be awarded to members of the Executive Board (also referred to as target direct compensation) and the composition of this compensation. Roughly 40% of the target direct compensation is non-performance-related while the rest is performance-related.

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 tax-able reimbursements of expenses and the noncash benefit deriving from payments in kind such as insurance premiums and the use of a company car for business and private purposes, including any taxes on such benefits paid by the company.

PERFORMANCE-RELATED COMPONENTS

As of 2016, the performance-related components will consist of the Annual Performance Bonus (APB) and the Restricted Stock Plan (RSP).

Performance-related component without long-term incentive effect

The Annual Performance Bonus (APB) is granted as a performance-related compensation component without long-term incentive effect. Ideally it should make up roughly 40% of the variable portion of the target direct compensation. As in the past, the amount of this bonus will depend 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 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 at a goal achievement level of 70%, based on the arithmetical mean of the levels achieved in respect of each of the two performance targets, which entitles the beneficiary to receive 50% of the APB. Members of the Executive Board who do not reach this entry threshold are not entitled to this short-term compensation component. At the other end of the scale, the goal achievement level required to receive the maximum APB payment of 180% is fixed at 115%, based on the arithmetical mean as above. Between the entry threshold, 100% goal achievement, and the maximum bonus, the APB payment is interpolated using a straight-line method. The Supervisory Board takes each Executive Board member's individual performance into account by decreasing or increasing the APB bonus entitlement by up to 20% (by means of the so-called "discretionary factor"). As of 2016, and contrary to the system previously in place, beneficiaries will receive the APB in a single payment as a short-term compensation component.

Performance-related component with long-term incentive effect

The Restricted Stock Plan (RSP) replaces the previous combination of deferred APB, Performance Share Plan (PSP), and Share Matching Plan (SMP) as the performance-related component with long-term incentive effect. The RSP will be awarded initially in the form of a cash settlement, subject to income tax, the full net amount of which the Executive Board member is then obliged to reinvest in MTU shares. These shares must be held for a vesting period of four years.

The value of these RSP shares at the grant date represents around 60% of the total variable portion of the direct target compensation, which is weighted according to a multi-year goal achievement level. The latter is calculated by taking the arithmetical mean of the APB bonus entitlements established for the three financial years preceding the year in which the RSP shares were granted. The multi-year goal achievement level required to receive the maximum number of RSP shares is capped at 180%. In the case of a new Executive Board member who has not been in office long enough to enable a multi-year goal achievement level to be established at the RSP grant date, a bonus entitlement of 100% is assumed for the missing years.

Four-year
vesting period
for shares

In the interests of an orderly transition to the new system of long-term compensation applicable as of the financial year 2016, it has furthermore been agreed that active Executive Board members will receive a one-time cash settlement in lieu of the not-yet-exercisable performance shares previously granted under the PSP and SMP, with the obligation of converting this payment into MTU shares subject to disposal restrictions. The amount of the cash settlement corresponds to the fair value of the granted PSP shares at December 31, 2015, and the exercised share options for each of the relevant PSP tranches under the terms of the SMP. The entire net payment (after deduction of income taxes) must be immediately reinvested by the beneficiaries in vested MTU shares, which must be held for a further two years. This transitional arrangement, concluded in 2015, should be taken into account when evaluating the following statements concerning the compensation of individual members of the Executive Board.

COMPENSATION OF INDIVIDUAL 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 2015 and 2014:

COMPENSATION OF INDIVIDUAL MEMBERS OF THE EXECUTIVE BOARD

Executive Board member	Reiner Winkler Chief Executive Officer		Dr. Rainer Martens Chief Operating Officer	
in €	2015	2014	2015	2014
Non-performance-related components				
Basic salary	720,000	720,000	500,004	477,000
Other benefits ¹⁾	23,574	22,334	15,723	14,585
Performance-related components				
without long-term incentive effect (non-deferred) ²⁾	460,647	402,759	319,894	266,828
with long-term incentive effect				
Deferred APB 2012		209,987		188,988
Deferred APB 2013 ³⁾	162,321	141,923	146,089	127,730
Deferred APB 2014 ³⁾	343,574		227,617	
Share-based compensation ⁴⁾	445,295	456,166	309,263	302,241
Other ⁵⁾	231,296		155,192	
Total compensation	2,386,707	1,953,169	1,673,782	1,377,372

¹⁾ Other benefits include charges to taxable income covering personal use of company vehicles amounting to € 65,098 (2014: € 81,120) and premiums for accident insurance policies taken out on behalf of members of the Executive Board amounting to € 5,478 (2014: € 5,173).

²⁾ Non-deferred APB for the financial years 2015 and 2014; to be paid out in 2016 immediately after adoption of the annual financial statements for 2015.

³⁾ To be paid out in 2016 immediately after the adoption of the annual financial statements for 2015.

⁴⁾ Fair value at the grant date.

Michael Schreyögg Chief Program Officer		Dr. Stefan Weingartner⁶⁾ (former Executive Board Member) President MTU Maintenance until March 31, 2015		Egon Behle (former Executive Board Member) Member of the Executive Board and Chief Executive Officer until December 31, 2013		Total compensation	
2015	2014	2015	2014	2015	2014	2015	2014
500,004	418,500	119,250	477,000			1,839,258	2,092,500
24,952	23,209	6,326	26,165			70,575	86,293
319,894	234,104	44,719	266,828			1,145,154	1,170,519
			188,988		314,978		902,941
55,128	48,200	85,627	127,730	243,482	212,884	692,647	658,467
199,702		133,414				904,307	
309,263	265,177	62,904	302,241			1,126,725	1,325,825
154,082						540,570	
1,563,025	989,190	452,240	1,388,952	243,482	527,862	6,319,236	6,236,545

⁵⁾ Differences between cash settlement value and cumulated fair value at the grant date of the redeemed share-based payment benefits. In view of the transition to the new system of long-term compensation as of the financial year 2016, performance shares (tranches 2013-2015) and entitlements granted under the Share Matching Plan (2010 - 2015) are converted in the subsequent year into shares subject to disposal restrictions (2-year vesting period).

⁶⁾ Dr. Stefan Weingartner ceased to be a member of the Executive Board with effect of March 31, 2015, on which date he received the following one-time payments: 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).

RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE (GCGC)

The GCGC determines the compensation components to be disclosed individually for each Executive Board member and recommends the use of the model tables appended to the Code for this purpose. Accordingly, the following table shows the benefits granted for the financial years 2015 and 2014 as well as the minimum and maximum amounts applicable for the financial year 2015.

BENEFITS GRANTED

Executive Board member	Reiner Winkler Chief Executive Officer				
	Individual items in €	2015 ²⁾	2015 (Min)	2015 (Max)	2014 ²⁾
Fixed compensation	720,000	720,000	720,000	720,000	720,000
Other benefits ¹⁾	23,574	23,574	23,574	23,574	22,334
Subtotal	743,574	743,574	743,574	743,574	742,334
One-year variable compensation	270,000	0	583,200	270,000	270,000
Multi-year variable compensation	715,295	0	3,730,617	726,166	726,166
Deferred APB 1 (relating to 2015 and 2014)	135,000	0	629,856	135,000	135,000
Deferred APB 2 (relating to 2015 and 2014)	135,000	0	629,856	135,000	135,000
Share-based compensation					
Performance Share Plan (assessment period: 4 years)	379,752	0	1,620,000	389,658	389,658
Share Matching Plan (option period: 52 months)	65,543	0	850,905	66,508	66,508
Total fixed and variable compensation	1,728,869	743,574	5,057,391	1,738,500	1,738,500
Service cost in accordance with IAS 19	211,292	211,292	211,292	186,810	186,810
Total compensation (GCGC)	1,940,161	954,866	5,268,683	1,925,310	1,925,310

¹⁾ Other benefits include charges to taxable income covering personal use of company vehicles amounting to € 65,098 (2014: € 81,120) and premiums for accident insurance policies taken out on behalf of members of the Executive Board amounting to € 5,487 (2014: € 5,173).

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

Dr. Rainer Martens Chief Operating Officer				Michael Schreyögg Chief Program Officer				former Executive Board Member Dr. Stefan Weingartner President MTU Maintenance until March 31, 2015			
2015²⁾	2015 (Min)	2015 (Max)	2014 ²⁾	2015²⁾	2015 (Min)	2015 (Max)	2014 ²⁾	2015²⁾	2015 (Min)	2015 (Max)	2014 ²⁾
500,004	500,004	500,004	477,000	500,004	500,004	500,004	418,500	119,250	119,250	119,250	477,000
15,723	15,723	15,723	14,585	24,952	24,952	24,952	23,209	6,326	6,326	6,326	26,165
515,727	515,727	515,727	491,585	524,956	524,956	524,956	441,709	125,576	125,576	125,576	503,165
187,500	0	405,000	178,875	187,500	0	405,000	156,938	44,719	0	44,719	178,875
496,763	0	2,590,706	481,117	496,763	0	2,590,706	422,115	107,622	0	313,031	481,117
93,750	0	437,400	89,438	93,750	0	437,400	78,469	22,359	0	22,359	89,438
93,750	0	437,400	89,438	93,750	0	437,400	78,469	22,359	0	22,359	89,438
263,743	0	1,125,000	258,175	263,743	0	1,125,000	226,515	62,904	0	268,313	258,175
45,520	0	590,906	44,066	45,520	0	590,906	38,662				44,066
1,199,990	515,727	3,511,433	1,151,577	1,209,219	524,956	3,520,662	1,020,762	277,917	125,576	483,326	1,163,157
178,046	178,046	178,046	159,912	82,120	82,120	82,120	67,089	210,815	210,815	210,815	133,120
1,378,036	693,773	3,689,479	1,311,489	1,291,339	607,076	3,602,782	1,087,851	488,732	336,391	694,141	1,296,277

The table below, compiled in accordance with the GCGC recommendations, shows the allocation of fixed and variable compensation for the financial years 2015 and 2014 as well as the service cost (benefit expense) for the pension plan:

ALLOCATION OF COMPENSATION AND SERVICE COST

Executive Board member	Reiner Winkler Chief Executive Officer		Dr. Rainer Martens Chief Operating Officer	
Individual items in €	2015	2014	2015	2014
Fixed compensation	720,000	720,000	500,004	477,000
Other benefits ¹⁾	23,574	22,334	15,723	14,585
Subtotal	743,574	742,334	515,727	491,585
One-year variable compensation	460,647	402,759	319,894	266,828
Multi-year variable compensation	898,693	995,706	727,239	896,122
Deferred APB 1 (relating to 2014 and 2013)	343,574	141,923	227,617	127,730
Deferred APB 2 (relating to 2013 and 2012)	162,321	209,987	146,089	188,988
Share-based compensation				
Performance Share Plan 2010-2013 ²⁾		643,796		579,404
Performance Share Plan 2011-2014 ³⁾	392,798		353,533	
Total fixed and variable compensation	2,102,914	2,140,799	1,562,860	1,654,535
Service cost in accordance with IAS 19	211,292	186,810	178,046	159,912
Total compensation (GCGC)	2,314,206	2,327,609	1,740,906	1,814,447

¹⁾ Other benefits include charges to taxable income covering personal use of company vehicles amounting to € 65,098 (2014: € 81,120) and premiums for accident insurance policies taken out on behalf of members of the Executive Board amounting to € 5,478 (2014: € 5,173).

²⁾ In the financial year 2014, Egon Behle was awarded a cash settlement corresponding to the total value of all performance shares granted in 2011 - 2013.

Michael Schreyögg Chief Program Officer		Dr. Stefan Weingartner⁴⁾ (former Executive Board Member) President MTU Maintenance until March 31, 2015		Egon Behle (former Executive Board Member) Member of the Executive Board and Chief Executive Officer until December 31, 2013	
2015	2014	2015	2014	2015	2014
500,004	418,500	119,250	477,000		
24,952	23,209	6,326	26,165		
524,956	441,709	125,576	503,165		
319,894	234,104	44,719	266,828		
254,830	48,200	2,273,264	896,122	243,482	2,524,507
199,702	48,200	133,414	127,730		212,884
55,128		85,627	188,988	243,482	314,978
			579,404		1,996,645
		2,054,223			
1,099,680	724,013	2,443,559	1,666,115	243,482	2,524,507
82,120	67,089	210,815	133,120		
1,181,800	791,102	2,654,374	1,799,235	243,482	2,524,507

³⁾ In the financial year 2015, Dr. Stefan Weingartner was awarded a cash settlement corresponding to the total value of all performance shares granted in 2012 - 2015.

⁴⁾ Dr. Stefan Weingartner additionally received the following compensatory one-time payments:
APB € 208,688, basic salary € 278,250, other benefits € 16,625, long-term compensation €208,688.

PERFORMANCE-RELATED COMPONENTS

ANNUAL PERFORMANCE BONUS (APB)

The performance targets set by the Supervisory Board for the 2015 Annual Performance Bonus (APB) were as follows:

- Adjusted EBIT € 395.0 million (actual adjusted EBIT in 2015: € 440.3 million)
- Free cash flow € 55.0 million (actual free cash flow in 2015: € 72.0 million).

Deferred portions of the APB awarded in respect of 2013 and 2014 formed part of the performance-related compensation payable in 2015.

PERFORMANCE SHARE PLAN (PSP)

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

PERFORMANCE SHARE PLAN 2015									
Number of shares, value in €, or months	Average Xetra share price ¹⁾	Fair value at grant date	Granted performance shares			Exercisable performance share ²⁾	Not-yet-exercisable performance shares		Time to end of vesting period for performance shares
			Number at Jan. 1, 2015 shares	Acquired in 2015 shares	Number at Dec. 31, 2015 shares		Performance shares 2015 shares	Number at Dec. 31, 2015 shares	
	€	€							
Reiner Winkler									
Performance shares tranche 3 granted Jan. 1, 2012	47.47	34.26	8,374		8,374	8,374			
Performance shares tranche 4a granted Jan. 1, 2013	67.16	47.98	5,919		5,919	5,919			
Performance shares tranche 5 granted Jan. 1, 2014	69.87	50.42	7,729		7,729	7,729			
Performance shares tranche 6 granted Jan. 1, 2015	70.38	49.49		7,673	7,673	7,673			
Personal total / average	63.14	45.14	22,022	7,673	29,695	29,695			
Dr. Rainer Martens									
Performance shares tranche 3 granted Jan. 1, 2012	47.47	34.26	7,537		7,537	7,537			
Performance shares tranche 4a granted Jan. 1, 2013	67.16	47.98	5,327		5,327	5,327			
Performance shares tranche 5 granted Jan. 1, 2014	69.87	50.42	5,121		5,121	5,121			
Performance shares tranche 6 granted Jan. 1, 2015	70.38	49.49		5,329	5,329	5,329			
Personal total / average	62.13	44.43	17,985	5,329	23,314	23,314			
Michael Schreyögg									
Performance shares tranche 4b granted July 1, 2013	76.59	52.20	1,763		1,763	1,763			
Performance shares tranche 5 granted Jan. 1, 2014	69.87	50.42	4,493		4,493	4,493			
Performance shares tranche 6 granted Jan. 1, 2015	70.38	49.49		5,329	5,329	5,329			
Personal total / average	71.13	50.26	6,256	5,329	11,585	11,585			
Cumulative total / average	64.21	45.80	46,263	18,331	64,594	64,594			
Former Executive Board member									
Dr. Stefan Weingartner³⁾									
Performance shares tranche 3 granted Jan. 1, 2012	47.47	34.26	7,537		7,537	7,537			
Performance shares tranche 4a granted Jan. 1, 2013	67.16	47.98	5,327		5,327	5,327			
Performance shares tranche 5 granted Jan. 1, 2014	69.87	50.42	5,121		5,121	5,121			
Performance shares tranche 6 granted Jan. 1, 2015	70.38	49.49		1,271	1,271	1,271			
Personal total / average	60.39	43.36	17,985	1,271	19,256	19,256			

Note: In the financial year 2015, 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⁾ As of December 31, 2015, the option rights from all tranches of PSP shares are exercised, either in view of their conversion in 2016 into MTU shares subject to disposal restrictions or as part of the cash settlement awarded to Dr. Stefan Weingartner in the financial year 2015.

³⁾ Member of the Executive Board until March 31, 2015. A cash settlement corresponding to the value of the performance shares granted in 2012, 2013, 2014 and 2015 was awarded to Dr. Stefan Weingartner in the financial year 2015. The amount of this settlement was based on a goal achievement level of 100% and the average Xetra share price during the 30 trading days prior to March 31, 2015.

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		Number at Dec. 31, 2014 shares	Fair value at Dec. 31, 2014 €	
	€	€							
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	47.47	34.26	7,537		7,537		7,537	70.38	3
Performance shares tranche 4a granted Jan. 1, 2013	67.16	47.98	5,327		5,327		5,327	70.38	3
Performance shares tranche 5 granted Jan. 1, 2014	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 2012, 2013, 2014 and 2015 was therefore awarded to Dr. Stefan Weingartner in the financial year 2015. The cash settlement awarded in respect of these performance shares was based on a goal achievement level of 100% and the average Xetra share price during the 30 trading days prior to March 31, 2015.

The fair value at the grant date was calculated by an independent expert in accordance with the requirements of IFRS 2. The methods used to calculate these figures are documented in the corresponding fairness opinions.

The fair value of the unexpired tranches of PSP shares at the reporting date was adjusted to account for the conversion of PSP and SMP share options into MTU shares subject to disposal restrictions, via a one-time cash settlement, agreed upon as part of the transition to the modified Executive Board compensation system as of the financial year 2016. The fair value measurement takes into account the TSR performance of the relinquished tranches of PSP shares up to December 31, 2015 by factoring in a guaranteed minimum goal achievement level for the time to the end of the original vesting period and does not take any fluctuation rate into account.

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

DEVELOPMENT OF TOTAL CARRYING AMOUNT

in €	At Dec. 31, 2015	At Dec. 31, 2014
Performance Share Plan - tranche 2		1,099,864
Performance Share Plan - tranche 3	999,275	927,385
Performance Share Plan - tranche 4a	461,086	502,420
Performance Share Plan - tranche 4b	80,728	21,129
Performance Share Plan - tranche 5	1,280,954	502,068
Performance Share Plan - tranche 6	1,368,227	
Total carrying amount	4,190,270	3,052,866

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 at the grant date, 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.

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 6 financial year 2015	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
Measurement date	Jan. 1, 2015	Jan. 1, 2014	July 1, 2013	Jan. 1, 2013	Jan. 1, 2012	Jan. 1, 2011
Average share price at acquisition date	70.38	69.87	76.59	67.16	47.47	47.03
Dividend yield	1.87%	1.89%	1.82%	1.74%	2.23%	1.84%
Expected volatility	19.07%	23.32%	24.60%	27.94%	35.18%	51.40%
Risk-free interest rate	-0.04%	0.77%	0.71%	0.26%	0.70%	1.76%

Combined
calculation
method

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

SHARE MATCHING PLAN 2015									
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 ²⁾	Not-yet-exercisable performance shares	Time to end of vesting period for performance shares
		Number at Jan. 1, 2015 shares	Acquired in 2015 shares	Number at Dec. 31, 2015 shares	Performance shares 2015 shares	Performance shares 2015 shares	Performance shares 2015 shares	Number at Dec. 31, 2015 shares	Time at Dec. 31, 2015 months
Reiner Winkler									
Performance shares tranche 2 granted Jan. 1, 2011	4.779	7,973		7,973	2,115	5,858			
Performance shares tranche 3 granted Jan. 1, 2012	5.771	8,374		8,374			8,374		
Performance shares tranche 4a granted Jan. 1, 2013	8.192	5,919		5,919			5,919		
Performance shares tranche 5 granted Jan. 1, 2014	8.605	7,729		7,729			7,729		
Performance shares tranche 6 granted Jan. 1, 2015	8.542		7,673	7,673			7,673		
Personal total / average	7.087	29,995	7,673	37,668	2,115	5,858	29,695		
Dr. Rainer Martens									
Performance shares tranche 2 granted Jan. 1, 2011	4.779	7,176		7,176	1,905	5,271			
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		
Performance shares tranche 6 granted Jan. 1, 2015	8.542		5,329	5,329			5,329		
Personal total / average	6.921	25,161	5,329	30,490	1,905	5,271	23,314		
Michael Schreyögg									
Performance shares tranche 3 granted Jan. 1, 2012 ³⁾	5.771	943		943	345	598			
Performance shares tranche 4a granted Jan. 1, 2013 ³⁾	8.192	353		353			353		
Performance shares tranche 4b granted July 1, 2013	8.874	1,763		1,763			1,763		
Performance shares tranche 5 granted Jan. 1, 2014	8.605	4,493		4,493			4,493		
Performance shares tranche 6 granted Jan. 1, 2015	8.542		5,329	5,329			5,329		
Personal total / average	8.397	7,552	5,329	12,881	345	598	11,938		
Cumulative total / average	7.233	62,708	18,331	81,039	4,365	11,727	64,947		

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

²⁾ In view of the resolution passed in 2015 to convert PSP and SMP share options into MTU shares subject to disposal restrictions as of the financial year 2016, the SMP tranches not yet exercised as of December 31, 2015 are forfeited.

³⁾ Granted under the terms of his previous contract as tier-1 senior manager.

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, income tax 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 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.

In the financial year 2015, the members of the Executive Board were again 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 at Jan. 1, 2015	Acquired in 2015	Number at Dec. 31, 2015
Number of shares			
Reiner Winkler ¹⁾	1,554	705	2,259
Dr. Rainer Martens ¹⁾	1,403	635	2,038
Michael Schreyögg ¹⁾	172	115	287
Dr. Stefan Weingartner	1,506		1,506
Total	4,635	1,455	6,090

Note: No matching shares were issued in the financial year 2015.

¹⁾ The conversion of PSP and SMP share options into MTU shares subject to disposal restrictions agreed in 2015 fixes a redemption value of € 90.10 per matching share.

The fair value of the stated matching share entitlements was calculated on the basis of the closing price (Xetra) of the MTU share at the end of the financial year, in view of the cash settlement of the exercised tranches of SMP shares agreed upon as part of the transition to the modified Executive Board compensation system as of the financial year 2016.

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

Executive Board members in €	Financial year 2015			Financial year 2014		
	Cash settlement	Equity instruments	Total	Cash settlement	Equity instruments	Total
Reiner Winkler	1,497,510	186,604	1,684,114	217,932	23,421	241,353
Dr. Rainer Martens	1,117,161	140,840	1,258,001	173,527	18,926	192,453
Michael Schreyögg	733,837	96,431	830,268	67,999	15,827	83,826
Total expense	3,348,508	423,875	3,772,383	459,458	58,174	517,632
Former Executive Board member						
Dr. Stefan Weingartner ¹⁾	589,451	528	589,979	934,173	113,718	1,047,891
Total expense	589,451	528	589,979	934,173	113,718	1,047,891

¹⁾ Member of the Executive Board until March 31, 2015.

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					
Executive Board member in €	Initial transfer amount ¹⁾	Guaranteed capital ²⁾	Annual contribution	End of contribution period	One-time payment
Reiner Winkler ³⁾	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	215,478	Aug. 1, 2026	4,801,945

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

Michael Schreyögg: Changeover date July 1, 2013.

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

³⁾ Reiner Winkler was promised a special transfer amount of € 575,065 in 2010 in connection with the changeover of his pension entitlements to the new system.

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 2015 and 2014, 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					
Executive Board member 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	2015	211,292	180,513	5,891,528	5,267,473
	2014	186,810	169,893	5,556,898	4,633,159
Dr. Rainer Martens	2015	178,046	156,217	4,369,536	3,943,316
	2014	159,912	147,483	4,094,359	3,474,746
Michael Schreyögg	2015	82,120	61,774	2,861,629	2,358,717
	2014	67,089	57,168	2,099,588	1,541,359
Total	2015	471,458	398,504	13,122,693	11,569,506
Total	2014	413,811	374,544	11.750.845	9.649.264

The pension obligations toward former members of the Executive Board in accordance with IAS 19 amounted to € 7,167,081 (2014: € 10,452,674) and included the pension obligation toward Dr. Stefan Weingartner in the amount of € 3,165,482 (2014: € 2,982,350).

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 CONTRACTS FOR MEMBERS OF THE EXECUTIVE BOARD

Under the modified terms of the Executive Board compensation system to be implemented as of the financial year 2016, members of the Executive Board are entitled to receive a severance payment if MTU prematurely terminates their employment contract. This severance package comprises pro-rata amounts of the board member's basic salary, APB entitlement, and long-term RSP benefits covering the period up to the date on which his/her contract would normally have expired. When calculating the amount of the severance payment, a bonus entitlement of 100% is assumed for the APB and RSP benefits that would have otherwise been awarded for the financial years within this period. The total amount of the severance payment is capped at twice the departing board member's annual target direct compensation. If the employment contract is terminated by MTU for cause, no severance package is payable. In such cases, MTU also has the right to demand repayment of the tranche of RSP shares granted in the financial year in which the contract was terminated.

Capped severance
payments

SEVERANCE PAYMENTS ON PREMATURE TERMINATION OF CONTRACTS 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

In the event of a change of control that results in significant disadvantages for incumbent members of the Executive Board, these Executive Board members are accorded special rights of termination which entitle them to a severance package comprising pro-rata amounts of their basic salary, APB entitlement, and long-term RSP benefits covering the period up to the date on which their contract would normally have expired. When calculating the amount of the severance payment, a bonus entitlement of 100% is assumed for the APB and RSP benefits that would have otherwise been awarded for the financial years within this period. The total amount of the severance payment is capped at three times the departing board member's annual target direct compensation.