

LH Performance

Members of the Executive Board and management participated again in the executive programme "LH-Performance 2019". This performance-related incentive scheme, which was first launched in 1997, consists of a personal investment in Lufthansa shares coupled with an outperformance option and – for the first time with LH-Performance 2007 - a performance option. Since 2003, participants are able to contribute their own Lufthansa shares to the programme as their personal investment Lufthansa grants a discount on the shares purchased under this scheme. A vesting period restricts the selling of the shares until the end of the programme. "LH-Performance 2019" runs for four years. Upon expiry of the scheme, participants receive a bonus payment from the outperformance option if the Lufthansa share performs better throughout the programme than a benchmark basket composed of stocks of publicly listed European competitors. The basket for "LH-Performance 2019" consists of the following companies:

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Air France - KLM	30%
International Airlines Group	30%
Ryanair	15%
easyJet	15%
Norwegian	5%
Wizz Air	5%

Participants receive a bonus payment for every percentage point by which the Lufthansa share outperforms the benchmark basket, with an outperformance cap at 20 per cent. Participants will receive a bonus payment from the performance option when the performance of the Lufthansa share has reached a specified threshold. This threshold is based on the cost of equity during the programme term. The maximum bonus payment from the performance option is reached once the performance equals 1.5 times the cost of equity.

The performance measurement for the outperformance - and performance option is based on the total shareholder return. Basis for the calculations are the weighted average share prices of the last 50 trading days before the start or end of the programme.

As in the year before, employees with non-tariff salary contracts were also invited to participate in a performance-related incentive scheme. "LH-Performance AT 2019" runs for four years and entitles participants to receive a payment, depending on the outperformance and performance of the Lufthansa share. The benchmark basket as well as the threshold for the performance option is identical to that used in the executive programme "LH-Performance 2019".

By coupling a personal investment with an outperformance - and performance option, LH-Performance on one hand turns participants into shareholders who fully assume any related risk and reward, and on the other hand gratifies their entrepreneurial performance. Lufthansa succeeded in creating an executive programme that does not encounter any of the problems of share option programmes introduced by some other companies.

The terms of the "LH-Performance" programmes are also duly honored by investors and the press. In the past years "LH-Performance" was continuously rated one of the best stock option schemes of all DAX 30 companies. The features that drew particular praise were the direct comparison with other companies in the airline sector and the risk participation of management through investing their own money.

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Overview of current programmes	Expiry date	Outperformance*	Performance*
LH-Performance 2016	2020	+ 15 %	+ 30 %
LH-Performance 2017	2021	- 18 %	- 42 %
LH-Performance 2018	2022	- 24 %	- 39 %
LH-Performance 2019	2023	- 9 %	- 17 %

* As of 31 March 2020