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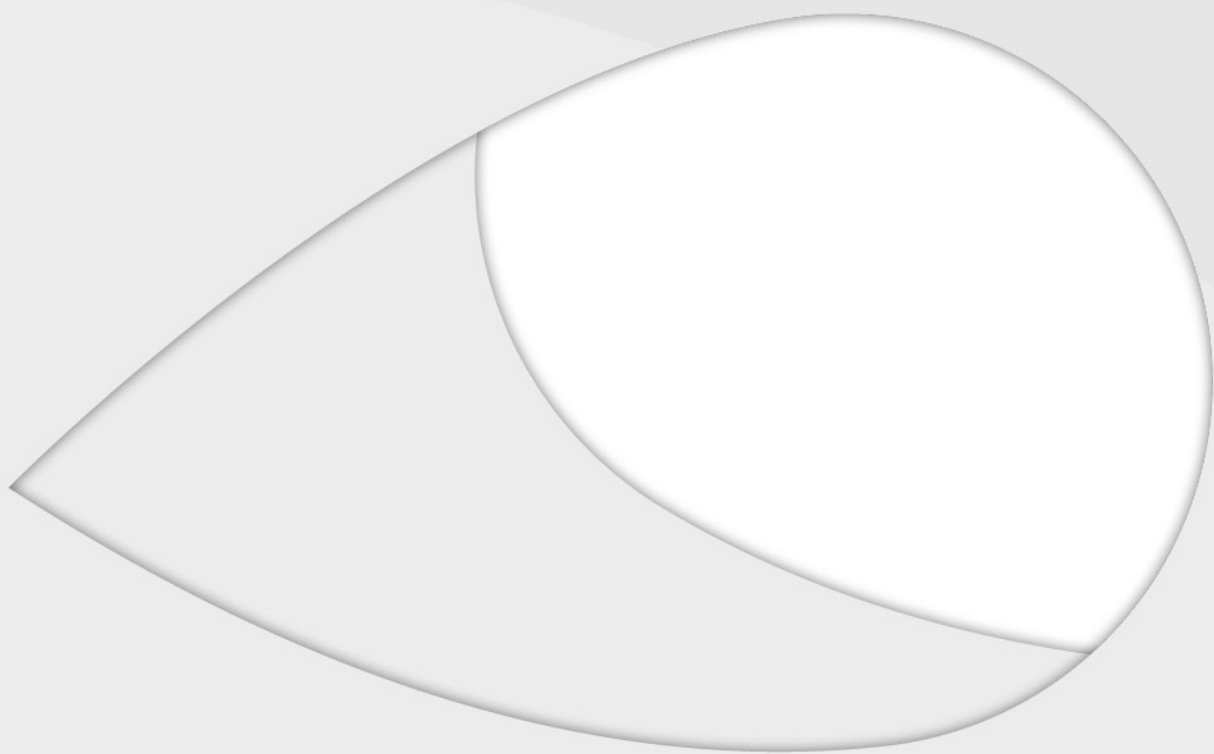
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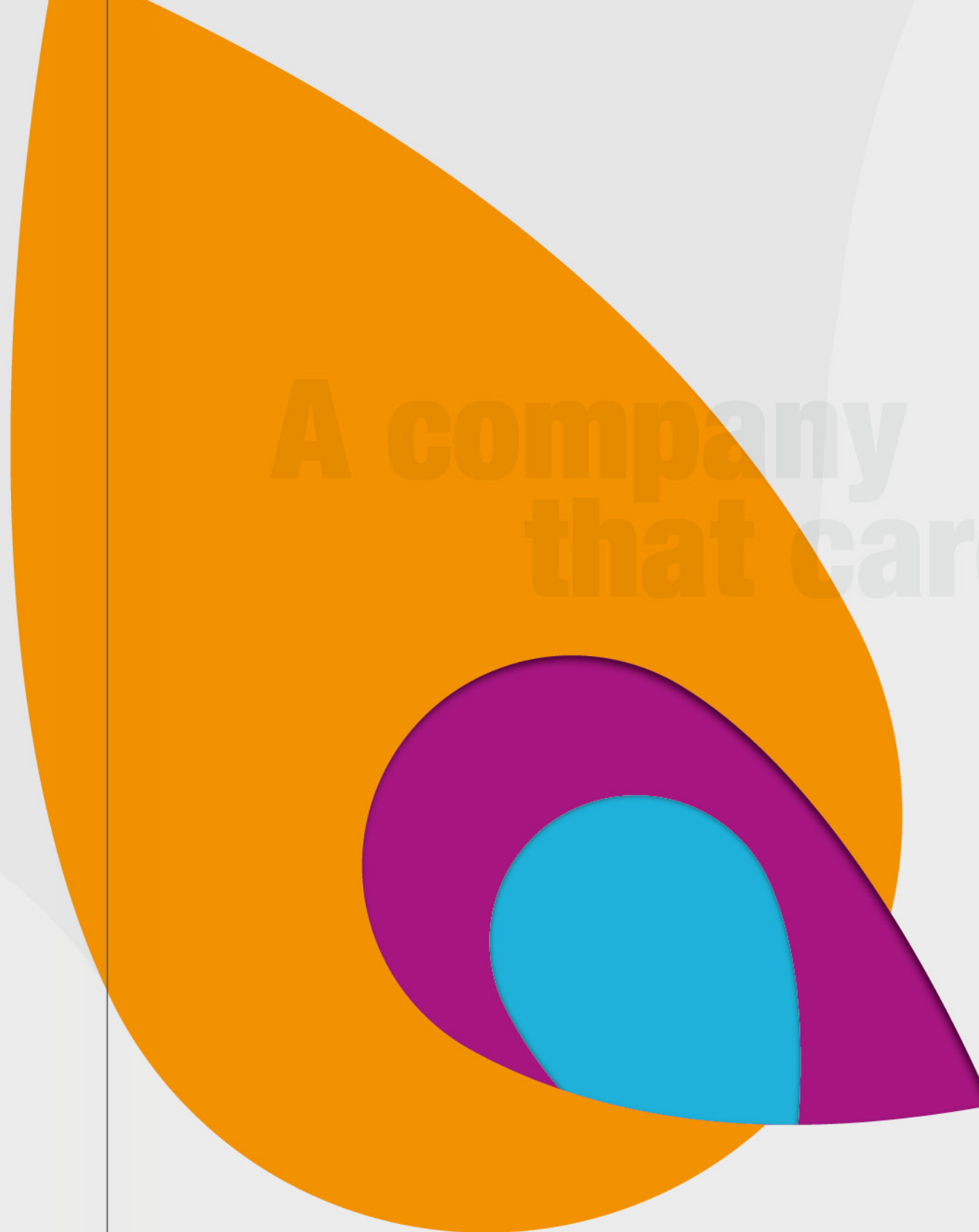
LSGgroup

Great food
is at the heart
of what we do.





A company
that cares.



For everyone
on the go.



LSGgroup

p/re.view:

17/18

**We are
driven by the
legacy of our
past and the
promise of
the future.**

**So, here we
review the
year that
was and
look ahead
to the next.**



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WORLDWIDE
PRESENCE

since-
rely
yours,



From left to right: JOCHEN MÜLLER, DR. KRISTIN NEUMANN, ERDMANN RAUER


Jochen Müller
CHIEF OPERATING OFFICER


Dr. Kristin Neumann
CHIEF FINANCIAL OFFICER


Erdmann Rauer
CHIEF EXECUTIVE OFFICER

+

dear
reader,

he year 2017 was once again a good year for our industry as a whole and for the LSG Group in particular. Within a booming world economy, airlines benefited from growing passenger numbers in every region of the world. This certainly had an overall positive impact on our business.

The year also marked the first under the LSG Group brand, which we launched the previous year as an integrator for our company's broad portfolio, one that is being promoted with a number of prestigious expert brands. This is an important factor as we transition from being a purely B2B provider of inflight services to a more consumer-oriented partner for different industries. Our proven expertise and experience in the culinary arts, logistics networks and consumer trends have enabled us to successfully widen our offerings in order to appeal to a broader customer base.

Nevertheless, the past year also confronted us with a number of challenges. The consolidation of our customers in the airline sector, combined with mergers in the catering world, have shifted market positions and required an even higher degree of flexibility when it comes to making quick, but solid, business decisions. Within this context, we are glad that the individual

business segments of the LSG Group are collaborating closer together in order to bundle their competencies and respond to the increasingly complex customer requirements with all-encompassing product and service concepts.

We are well positioned to participate in the growth of the industries we serve. Going forward, we will continue to develop our company's competencies by further exploiting the unlimited opportunities provided by digitalization, as we upgrade our product and service offering for the benefit of our customers.

"Connecting Experts. Creating Experiences" clearly expresses what the LSG Group stands for. In 2018, you will discover our new positioning and witness a fascinating range of new concepts. They have been created based on our rich history and with a clear vision of the future.

Our sincere thanks to you for your trust in the LSG Group and to each of our almost 35,000 employees for bringing their best to the table in this fast-paced industry that requires the utmost attention to detail every single minute that we serve our customers.

We look forward to further
enhancing
your journey.

Connecting Experts. Creating Experiences.

LSGgroup



The LSG Group's Integrated Offering

The brand portfolio of the LSG Group has changed substantially over the past several years due to the ongoing evolution of the LSG Sky Chefs brand, the introduction of SPIRIANT, the incorporation of Retail inMotion and the growing importance of the nominated-products and convenience-retail business.

As a result, in 2017 the LSG Group's brand portfolio was re-evaluated and optimized to better deliver on three central objectives: provide clarity, leverage synergies and build brand strength for the benefit of the company, its employees, customers and consumers.

The LSG Group possesses a portfolio of strong independent expert brands: LSG Sky Chefs (Catering and Hospitality Services), Evertaste (Packaged Products), Retail inMotion (Onboard Retail) and SPIRIANT (Equipment Solutions). Each of them represents a group of experts in their particular areas, and together they create holistic consumer experiences.

Without its own product line, the LSG Group supports the development of all business segments by acting as an integrator and pooling the competencies of its expert brands. It pushes sales leads to these brands and pulls service and product requests from them to create a combined customer offering whenever needed.

This message is summarized in the new LSG Group tagline:
Connecting Experts. Creating Experiences.



Growth, Digitalization and Individualization are Driving the Industry's Agenda

The LSG Group's market environment is characterized by continued growth in all areas of its business. Seemingly unlimited possibilities at an affordable price, combined with people's desire to explore the world have led to a continuous increase in travelling and consuming away from home. As a result, the number of airline and train passengers, in addition to convenience-retail shoppers, continues to rise as well.

Airlines have to prepare in order to secure their future

Today, roughly 90 percent of the LSG Group's revenue comes from its business with airlines. In 2017, the world's airlines carried a record 4.1 billion passengers, an increase of 7.1 percent over the previous year. Budget carriers continued to push global air traffic to new record levels, flying an estimated 1.2 billion passengers or about 30 percent of the global total. This airline sector consistently grew at a faster rate compared to the world average growth, and its market share continued to increase too, specifically in emerging economies.

The airline industry closed the year 2017 with a record operating profit. Carriers, however, are aware that the current conditions did not come about because the industry has resolved its structural issues and that the results they are enjoying will inevitably attract heightened competition and new players.

The competitive situation ranges significantly from region to region depending on the market's maturity and its level of consolidation. In the U.S., a wave of consolidation has yielded fewer but larger airlines. In Europe, the competitive field remains fragmented; major European airlines are facing stiff competition from local low-cost carriers (or LCCs) and some Middle Eastern carriers. In China and Southeast Asia, LCCs that serve new travelers are still ascendant, but they are moving into hybrid-model territory in response to the emergence of more experienced, and thus more demanding, customers that want better service and are willing to pay more for it.

Increasing flexibility in the onboard-product strategy

As a response to these developments, traditional airlines have recalibrated their onboard classes, as well as implemented other measures. While First Class is shrinking, they are investing more in Business Class and many have introduced Premium Economy as a new service concept that provides selected premium offerings at reasonable prices. Predominantly Middle Eastern and Asian carriers continue to strive for differentiation by offering a unique culinary experience during their flights across all classes. In Europe, and increasingly in North America, this approach is limited to the premium classes.

Low-cost carriers have always focused on increasing their ancillary revenue generation. In 2017, the ancillary revenues of the entire airline industry were almost four times higher than in 2010. In fact, they made up more than 10 percent of their total global revenues, ranging from 7 percent for traditional airlines and more than 30 percent for "ancillary revenue champions." The offering goes far beyond food and beverage to include boutique items, virtual products and inflight entertainment options.

Based on these developments, every type of airline is now preparing to deal with future margin pressure by reviewing their onboard-product strategies in order to maximize customer satisfaction and further increase their ancillary revenues with services surrounding the flight, including lodging, car rentals, entertainment and personalized itineraries.

Digitalization is becoming a critical success factor

Employing digital technology and marketing capabilities are essential drivers in reaching the airlines' goals. Key factors that will influence their future success include integrating the customer data airlines collect into a complete profile of the traveler, turning this data into compelling, individualized offers and constructing an interface and apps that make them stand out in a crowded market.

At the same time, airlines need to digitize more processes in order to enhance and optimize their operations so they can reduce costs while improving service.

These developments, coupled with surplus catering capacities (especially in the mature European markets) and competition among airlines, are generating considerable price and competitive pressure on inflight service providers. Consequently, consolidation in the airline-catering industry is more prevalent than ever and is expected to continue expanding on a global scale.

The response on the part of the inflight service industry, however, reaches far beyond consolidation and the reduction of overcapacities. It requires a true transformation of their business model. Offering holistic digital solutions and end-to-end IT processes while maintaining a high level of culinary expertise and consumer know-how will determine their future level of success.



continued growth in all areas of the LSG Group's business

Convenience Retailers must concentrate on individualization and branding

The outlook for the global convenience-retail industry remains positive. Its global growth is anticipated to remain at 15 percent between 2016 and 2021. That growth is mostly driven by Asia-Pacific, which is expected to generate 40 percent of it in the next five years.

Customer demand for convenience retail will also be further stimulated by advances in e-commerce and technology. Global socioeconomic and demographic trends will contribute with an increasingly urban and aging populace.

However, retailers need to reduce costs and increase efficiency in a challenging market where consumer spending is being squeezed and costs are rising. At the same time, they need to invest in online technology, refresh core systems and develop smarter, personalized offers in addition to rethinking the role of their stores.

Retailers are also facing increasing competition from a number of brands that want a closer connection with their consumers and seek it by targeting them with individual offers and experiences. They need to respond by intensifying their focus on their consumers and what their offer means to them.

Brand authenticity and sustainability are becoming increasingly important in retail, too. Consumers want to associate themselves with brands that have a sense of purpose and represent their views, beliefs and values. They are also becoming intolerant of brands that are not transparent and fail to follow through on their promises.

European Train Operators need to realize the importance of onboard services

The popularity of travelling by train in Europe has steadily increased since the market was opened in 2010. In fact, trains now compete with air travel on short-distance routes that are served by both on the continent. At the same time, airlines and high-speed trains are more frequently joining forces in order to allow passengers to purchase single tickets that enable them to complete their journey using both modes of transportation.

The liberalization of the high-speed rail market also promotes the development of ancillary services, which produce non-ticket revenues. Onboard services are very similar in nature both on rails and in the air. That is because passenger needs are becoming indistinguishable regardless of how they choose to travel. This is why it is vital for railway companies to capitalize on the opportunity to develop additional revenue streams. Onboard services also offer them a chance to differentiate themselves from other train companies. That is why ancillary services will become even more relevant in the railway segment in the years to come.

STRATEGIC TRANSFORMATION



*The LSG Group
is evolving at a rapid pace*

*In response to the significant
changes in its diverse markets, the
LSG Group has redefined its
strategy and is changing its
business model.*

Meanwhile, its scope of core activities has been broadened beyond airline catering to include onboard retail, inflight equipment and logistics, convenience retail on a global scale and train services exclusively in Europe. Except for the case of the Europe-based train business, the company has established expert teams in those areas in every region it is present.

While the LSG Group will grow in the areas just mentioned, its mix of revenues, however, will change due to the overproportional growth of its non-classic airline catering activities, especially when it comes to the onboard-retail and convenience-retail segments. The revenue ratio will be altered from the current almost 80 percent classic airline catering and slightly above 20 percent other activities to 70 and 30, respectively, over the coming years.

Still, due to the strong growth in airline passenger volumes, there will also be substantial growth opportunities in classic airline catering through organic growth and selected mergers and acquisitions.

Considering the substantial shift in demand away from classic catering and in favor of onboard retail, compounded with demand focused on hub locations, particularly in Europe, a new operating model for the classic catering activities, which are marketed under the LSG Sky Chefs brand, is being implemented. In 2017, the LSG Group successfully launched a pilot central production unit and introduced a logistics network designed to deliver to an even larger number of airports than are currently served. At this unit, meals are prepared (including tray setting) and then shuttled to their respective airport delivery docks via refrigerated trucks. Over the next few years, this centralized-production concept will be applied on a larger scale. The goal is to establish an “asset-light” presence or work with local partners at smaller airports.

At hub locations, meanwhile, demand continues to grow in line with passenger volumes, and new routes are being absorbed by multiple international carriers. Attaining a high level of culinary excellence is crucial in order to meet the requirements of those legacy carriers that consider onboard service a means to differentiate and strengthen their brand.

This is why it remains important to further invest in promoting culinary excellence and enriching the expertise of the company’s chefs in creating authentic dishes in their kitchens around the world. The LSG Group enjoys a huge competitive advantage through its global network and the diversity of its chefs who daily bring their proven skills to the table.

In parallel, the LSG Group is also actively enhancing its capabilities with a marked focus on onboard retail under the Retail inMotion brand, which it fully acquired in 2016 after three years of close cooperation. Since then, Dublin-based Retail inMotion has grown significantly and opened new offices in Dallas, Texas (USA), and Sao Paulo (Brazil). It employs 140 digital natives from 25 nationalities who work and network in a start-up environment developing high-tech solutions that concentrate on digitalizing the entire passenger experience, including front and back end.

Over the past two years, the company has established itself as the market leader in onboard retail IT-technology, fostered by its strong culture of collaboration and innovation. As a result, it has accumulated a rich portfolio of airline customers, ranging from traditional network carriers to new low-cost start-up airlines.

The intended diversification of the LSG Group has led to the globalization of its convenience-retail activities, which the company started more than five years ago in North America. Today, a global community of convenience-retail experts is preparing a strategic entry into new markets through a number of promising business opportunities in Asia, Africa and Latin America.

From an internal perspective, the LSG Group is transforming its operating model by becoming a more process-oriented company with harmonized and consistent methods that will result in more efficiency, consistency and accelerated speed to market.

The LSG Group is managed by a three-member Executive Board that includes Erdmann Rauer as Chief Executive Officer (CEO since October 2014 and with the company since 2006), Dr. Kristin Neumann as Chief Financial Officer (CFO and with the company since July 2014) and Jochen Müller as Chief Operating Officer (COO and Executive Board member since March 2005 and with the company since 2003) and a Group Development Committee, consisting of the Executive Board and the Heads of the Regions, Divisions and Value-Chain functions. The composition of these bodies represents a strong mix of corporate insight, experience from other industries and diverse personal backgrounds and skills.



During the year under review, and in addition to its extensive transformation efforts, the LSG Group won and retained a number of business contracts in all segments and extended its partner network. At the same time, the company's management team made conscious decisions to withdraw from certain markets and customer contracts that did not fulfill the profitability targets that need to be achieved in order to secure the long-term viability of the company.

At the industry's leading platform, the World Travel and Catering Exhibition (WTCE), the LSG Group once again displayed its integrated approach to dealing with the industry's transformation. It also showed its individual brand competencies under the slogan "FROM changing demands TO adapted solutions."

Catering and Hospitality:

LSG Sky Chefs is making proactive business decisions

During the first half of the year, LSG Sky Chefs ceased serving Thomas Cook in Germany and Scandinavia because extending the relationship would have resulted in significant losses. Subsequently, the company decided to both close and sell its airline catering facilities in Scandinavia and transferred the Catering and Hospitality operations in Helsinki back to Finnair after deciding not to exercise its purchase option.

At the same time, it entered the Ufa, Russia, market within the framework of its joint venture with Aeroflot, Aeromar, thus assuming responsibility for the upgrading and management of an existing catering facility there. Palma de Mallorca, Spain, is the first airport where the company established a presence in line with its new modular production concept (referred to as an "asset-light" configuration) for the Europe region, which responds to local market needs and reduces the dependency on assets. The location was completed after just a few months of preparation.

In Japan, the company signed an agreement with Osaka-based AAS Catering to provide technical assistance services to their inflight-catering business at Kansai Airport. This new partnership strengthens its position in Japan and complements the existing joint venture with Cosmo Enterprise, which is present at the Tokyo Narita and Haneda airports. In China, the joint ventures in Chengdu and Shanghai were extended for a period of 20 and 10 years, respectively. This will allow the LSG Group to participate in the growth potential of the large Chinese market and its airlines, many of whom with it already enjoys longstanding partnerships.

In the Americas, a number of important customer contracts were regained or extended. In Sao Paulo, Brazil, LSG Sky Chefs welcomed back GOL, serving more than 100 of their international and national flights per day. The system-wide contract with Alaska Airlines, covering 40 airports in the United States and Mexico, with an average of 3,100 flights per week was successfully retained. The U.S. nationwide business with American Airlines at 31 locations, including their hubs in Dallas, Los Angeles, New York City, Charlotte, Miami, Philadelphia and Phoenix, was extended, confirming LSG Sky Chefs' position as the airline's preferred catering partner.

The extension of the LSG Sky Chefs Catering Egypt joint venture in Cairo, Egypt, for another seven years marked another highlight of the year, as this was the company's first catering unit outside of Germany when it was founded in 1978. In addition, LSG Sky Chefs' market position in Luanda, Angola, where it has been present for five years, was significantly strengthened by winning TAP Air Portugal as a new customer.

The company's train team draws on the on the unique competencies of the LSG Groups' expert companies in order to create holistic concepts for its customers. In 2017, it acquired TGV Lyria as a new flagship customer. TGV Lyria connects Paris with four cities in Switzerland (Zurich, Bern, Lausanne and Geneva) 14,000 times per year. The train team also developed a new service concept for them characterized by both its authentic "Swissness" and "Frenchness." It was introduced toward the end of the year and encompasses buy-on-board articles for Coach Class, meal boxes for Business travelers and complimentary signature meals for First Class.

It also signed a new contract with TGV France-Italie to take over the service on six daily connections between Paris, France, and Milan, Italy, in January 2018. In addition to the onboard catering, the agreement covers crew management and the loading of the trains. Furthermore, train services out of Brussels were extended to comprise 65 Thalys and 10 Eurostar trains per day.

Onboard Retail:
Retail inMotion strengthens its leading market position

In 2017, Retail inMotion significantly expanded, primarily by winning new customers for its unique, holistic onboard-retail technology platform.

An extensive new onboard-retail concept was launched for LATAM Airlines Group in five Latin American countries (Argentina, Chile, Colombia, Ecuador and Peru). LSG Sky Chefs had previously been the provider of classic catering services for LATAM at a number of locations. Retail inMotion began providing them with its proprietary software for an end-to-end inflight-retail platform and administering their food and beverage services in the spring. This business positions Retail inMotion as the onboard-retail market leader in Latin America. A dedicated office was opened in Sao Paulo, Brazil, in order to explore further market opportunities.

Aer Lingus was also acquired as a new customer. Retail inMotion supports them with extensive retail services, including range development, category management, crew training, and menu card and catalogue design. It also assumed responsibility for managing the financial performance of the airline's onboard-retail and duty-free programs. This onboard-retail solution represents the most complete program of its kind in the market.

Retail inMotion also opened a new office in the Dallas, Texas (USA), area in order to better serve its customers in the North American region. The largest contract in the world for the provision of crew-personalized payment sleds for 25,000 flight attendants was extended with long-term customer American Airlines, for whom Retail inMotion created the world's first Android-based mobile payment sales solution back in 2012.

A new partnership with AirAsia Group marked Retail inMotion's entrance into the dynamic Asian market. It will provide AirAsia with its inflight point-of-sale solution in Malaysia, the Philippines, Indonesia, Japan, India and Thailand. It will also introduce more modules of its digital-retail platform.

Equipment Solutions:
SPIRIANT demonstrates its innovative capacity

SPIRIANT's proven excellence in creating and developing "on-brand" onboard equipment enabled it to retain major customer contracts. Those include the development of extensive Equipment Solutions concepts for Lufthansa, Condor, Alaska and Finnair, as well as the delivery of approximately 120 onboard items for Czech Airlines. Within the year, SPIRIANT considerably expanded its product portfolio.

The company's dedicated amenity-kit team (based in Hong Kong) was recognized by customers and industry experts alike: SPIRIANT received the prestigious TravelPlus Award for the design of a First Class Lufthansa gentleman's amenity kit and was recognized as "Supplier of the Year" by the same industry body for their highly acclaimed kits.

Packaged Products:
Evertaste aims at global expansion

In 2017, a new global function was established in order to drive the global expansion of the company's rich portfolio of frozen, chilled and ambient packaged products for convenience retailers. The same products have already been sold to airlines and train operators under the former Oakfield Farms and Starfood brands. But growth opportunities have so far only been pursued at a local level. The new team will focus on developing a structured approach to exploit the rich market potential that exists for those products on a global scale. The company's commitment to this business segment is underlined by the introduction of Evertaste, LSG Group's global expert brand for packaged products.

From
changing
demands
to adapted
solutions

A RICH NETWORK OF PARTNERSHIPS



Early market entrants benefit generations to come

The LSG Group has always been a pioneer in expanding its geographic reach by entering markets at a very early stage of maturity through partnerships with local entrepreneurs, airlines and airports. This unique network is still unmatched in the industry and dates back to 1978, when LSG Sky Chefs entered the Egyptian market. Then, in the late 1980s, during a political and economic period of new openness, it invested in Russia and China. This strong entrepreneurial character is symbolic of the LSG Group and has always been a key strength and driver of its success. Major partnerships including more than one location span the globe:

Russia

Aeromar, the 51/49 joint venture with Russian carrier Aeroflot, was established in 1989 at Moscow's Sheremetyevo Airport. Today, it comprises seven locations: Rostov on Don, Sheremetyevo, Sinferopol, Sochi, St. Petersburg, Ufa and Vladivostok and is the number-one caterer in Russia. In 2012, the LSG Group also entered into a partnership with Novaport (a Russian airport operator) that includes locations in Novosibirsk and Chelyabinsk. These locations complement LSG Group's wholly owned facilities to make it the leading airline-catering network in Russia.

China

The LSG Group's vast presence is built on 13 joint ventures with major Chinese airlines, authorities and local partners at 19 airports. Established between 1990 and 2014, they include units at the country's major airports located in Beijing, Chengdu, Dunhuang, Guangzhou, Hangzhou, Hefei, Hong Kong, Kunming, Lanzhou, Lijiang, Nanchang, Nanjing, Sanya, Shanghai-Hongqiao, Shanghai-Pudong, Shangri-La, Urumqi, Wenzhou and Xian.

Latin America/ the Caribbean

The partnership with Goddard Enterprises was founded in 1995 with an LSG shareholding of 49 percent. It extends across 17 countries in Latin America and the Caribbean with 21 total locations in Antigua, Barbados, Bermuda, Cayman Islands, Colombia, Ecuador, El Salvador, Grenada, Guatemala, Jamaica, Netherlands Antilles, Paraguay, St. Lucia, Trinidad and Tobago, Uruguay, Venezuela and the U.S. Virgin Islands. In 2015, the agreement was extended by another 20 years, until 2035. Additionally, the LSG Group has wholly owned locations in Argentina, Brazil, Chile, Panama and Venezuela.

Mexico

Aerococina de Mexico was established in 1997, and the company has a current shareholding of 51 percent with presence in Bajio, Cancun, Cozumel, Guadalajara, Merida, Mexicali, Mexico City, Monterrey, Puerto Vallarta, San Jose del Cabo and Tijuana.

United Kingdom

Alpha LSG Limited – In 2012, the LSG Group and Alpha Flight Group joined forces in the highly competitive UK market. Today, they are present at 17 airports: London Heathrow, London Gatwick, London Stansted, Birmingham,

Manchester, Glasgow, Edinburgh, East Midlands, Newcastle, Bristol, Cardiff, Doncaster, Luton, Prestwick, Leeds-Bradford, Aberdeen and Belfast. Additionally, the company serves a number of local airports within its logistics network.

Canada

CLS Catering, a joint venture with Cathay Pacific Catering Services, dates back to 1994. Today, the LSG Group holds 70 percent of the partnership, which is present in Toronto, Vancouver and Calgary (since 2016) and caters to both airlines and convenience-retail customers.

South Korea

The joint venture with Asiana Airlines was established in 2003 with an LSG shareholding of 80 percent. Initially limited to the fast-growing Seoul-Incheon airport, today it is also present at the other two major airports in South Korea: Gimpo and Busan.

Japan

In 2014, the LSG Group entered into a partnership with Cosmo Enterprise Co., Ltd. by acquiring 20 percent of the shares from Japan Airport Terminal Co., Ltd. The joint venture is present at the Tokyo Narita and Haneda airports.

These and many other local partnerships are mutually beneficial. While the LSG Group benefits from the local know-how and market access of its partners, these companies gain access to a rich source of expertise in important areas, such as operations, quality and technology, as well as research and development.

In addition to these geographic partnerships, the LSG Group works with experts in the areas of logistics and nominated products.

Currently, the Group's partnerships comprise more than 100 global locations. In 2017, non-consolidated revenues from partnerships amounted to 1.3 billion EUR.

Building on the success and engagement of the first Global Business Partner Day held in 2015, the LSG Group invited its partners once again for a gathering in 2017. The focus of the conference was on sharing the LSG Group's strategy, capabilities and mission. It was also an opportunity to reassess many longstanding relationships in order to seek new, exciting business opportunities.

PRODUCT PORTFOLIO



The LSG Group is the world's leading provider of end-to-end onboard products and services.

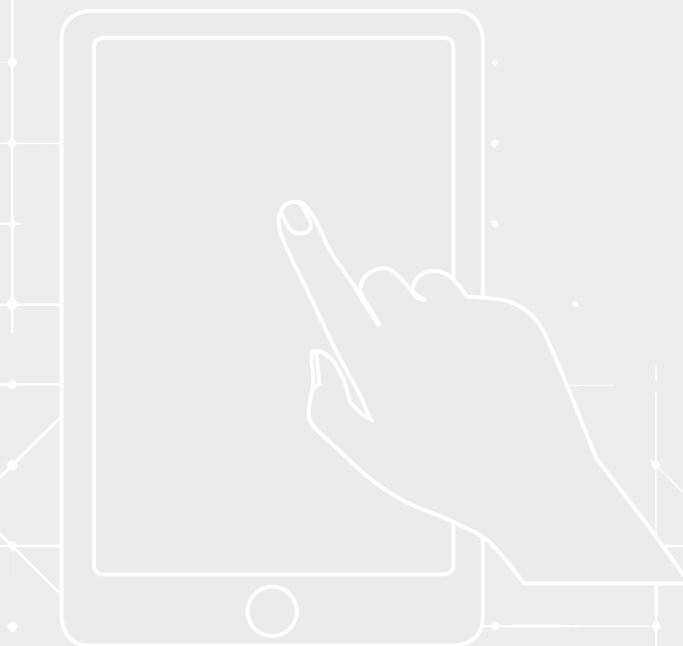


The LSG Group's expert brands bring together a rich portfolio that covers three main target industries: airlines, train operators and convenience retailers. Beyond the four global brands (LSG Sky Chefs, Evertaste, SPIRIANT and Retail inMotion), there are also the regional brands SCIS and Ringeltaube and the joint venture with Kühne + Nagel, SkylogistiX. Each of those businesses are present in their respective markets with unique competencies that when brought together support customers in creating holistic consumer experiences.

LSG Sky Chefs

Hospitality and Catering Services

LSG Sky Chefs is the expert brand for classic culinary and hospitality solutions serving airline and train customers. It offers solutions for complete catering programs, including full-tray menus, premium dining onboard, last-mile logistics, crew training, as well as lounge and hospitality services. The company's proven expertise in airline catering spans more than 75 years. Its high level of culinary excellence and vast experience in day-to-day logistics are the two major pillars of this business.



Retail inMotion

Onboard Retail

Retail inMotion (RiM) is the expert brand servicing airline and train customers with proprietary products, services and technology for the travel industry.

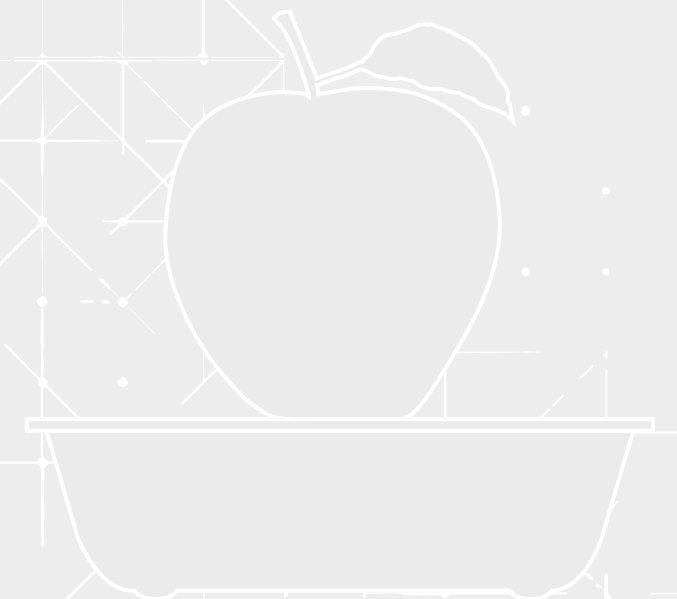
RiM's offering includes the selection, procurement and distribution of expertly designed onboard-retail products, the complete management of buy-on-board programs and the end-to-end IT support of those programs through innovative proprietary software designed to maximize ancillary revenues and streamline onboard-retail programs.

Ever taste

Packaged Products

Evertaste is the expert brand for packaged-product solutions and food components serving the three leading industries the company works for (airlines, trains and convenience-retail chains).

The packaged-product range covers the full spectrum of ready-to-eat offerings in any temperature zone (frozen, chilled and ambient), from sandwiches to boxed-meal solutions. The packaging design and assortment of nutritional snacks and meal components can be individually tailored to the customer's needs and brand values. The offering also includes product brokerage and licensing.





SPIRIANT

Equipment Solutions

SPIRIANT is the expert brand for equipment and related logistics services for airline and train customers. It offers a complete portfolio of products ranging from premium tableware, amenity kits and comfort items to onboard essentials for all classes, including crew and service items, such as galley equipment, trolleys and trays.

SPIRIANT has the insight and knowledge necessary to source, design and deliver a variety of product concepts that meet the specific operational needs of airlines and train operators while contributing to building unique brand stories. SPIRIANT's tagline, "Where inspiration meets performance," reflects this fact.

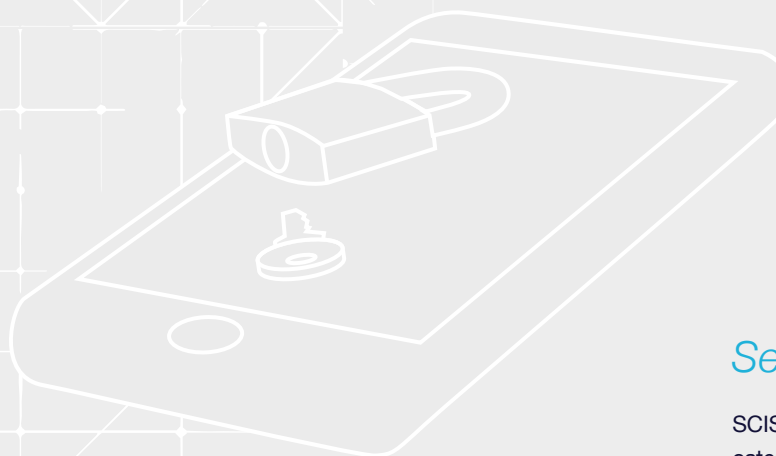
Additionally, SPIRIANT has a joint venture with Kühne + Nagel, one of the world's leading logistics providers, named SkylogistiX. It offers outsourcing and logistics expertise for the supply-chain management of inflight catering equipment, supported by state-of-the-art, custom-designed IT systems.



Ringeltaube

Retail Solutions

The Ringeltaube shops can be found at major airports in Germany offering a vast variety of beverages, fragrances, cosmetics, apparel, travel accessories and gourmet foods exclusively to airport and airline employees.



SCIS Air Security

Security Services

SCIS Air Security is recognized in the U.S. as the leader in airline-catering security. As customer requirements have evolved, the company has expanded its range of products and services to include the airport operations area, aircraft and cargo security, personnel screening, in-flight entertainment and point-of-sales solutions, duty-free and cash-management services.



The LSG Group's revenue development in 2017 was largely impacted by its decisions to purposely withdraw from certain markets and customer contracts as described in the Course of Business section of this review. Foreign exchange rates also had a negative influence on the revenue development.

Consequently, and despite the continued market growth, revenues increased only by 0.8 percent to EUR 3,219 million in 2017. Adjusted for currency-related factors, the growth was 3.0 percent. Changes in the group of consolidated businesses contributed to a growth in sales of EUR 7 million.

The cost of materials and services rose by EUR 13 million to EUR 1,396 million. This development was mainly driven by higher volumes and the changes in the group of consolidated businesses. The cost of materials ratio slightly went up to 43.4 percent compared to 43.3 percent in the previous year.

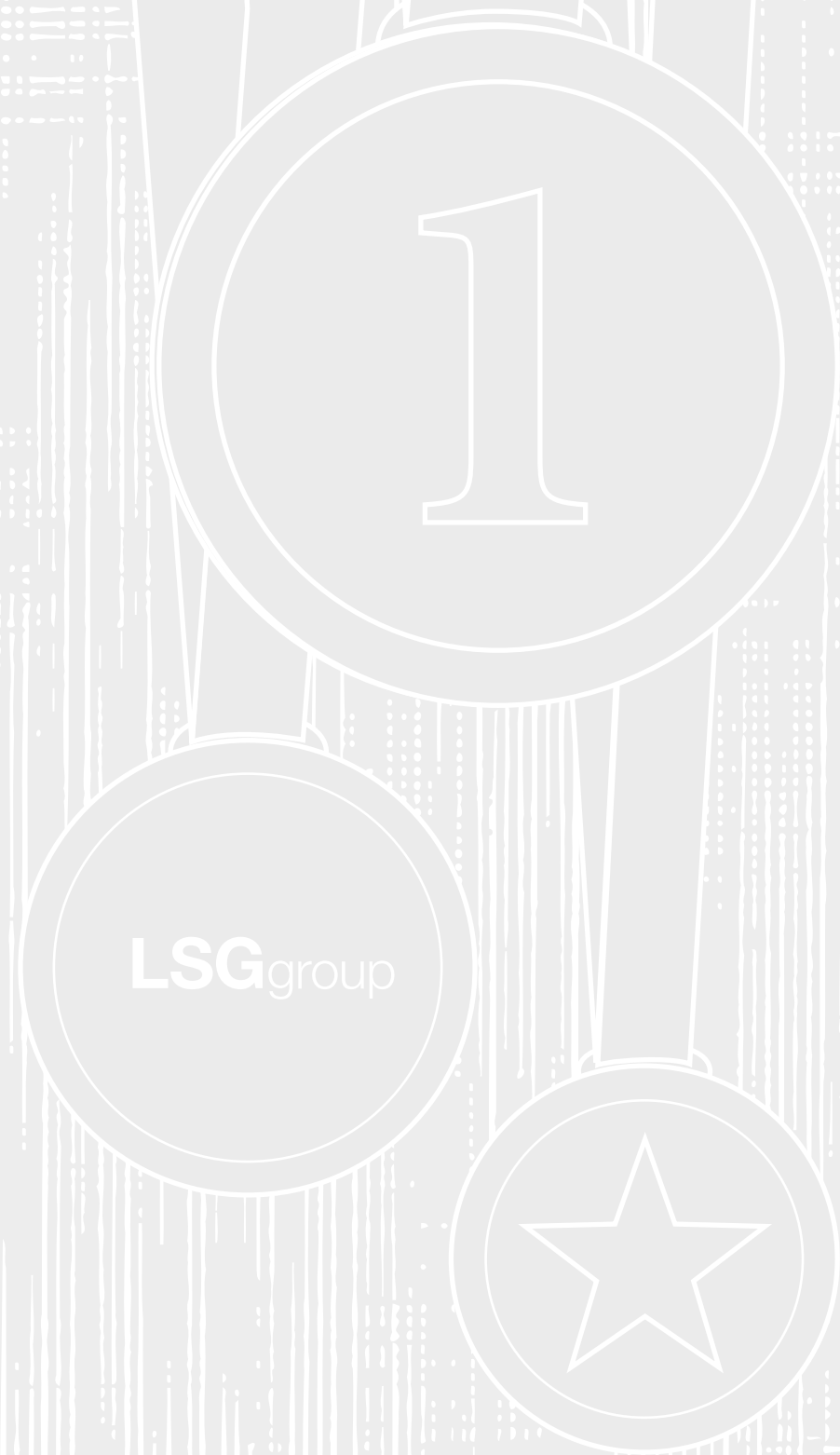
The average number of employees went down to 34,965, meaning 1.7 percent fewer than the year before. This was due to the deconsolidation of the Finland operations and the adoption of new operating models in selected European locations. In total, staff costs climbed by 3.1 percent to EUR 1,221 million. This can primarily be attributed to restructuring expenses in Europe.

The amortization and depreciation ratio sank to 2.8 percent, compared to the 2016 figure (3.3 percent). The nominal amount dropped by EUR 16 million to EUR 90 million, which can mostly be attributed to lower extraordinary depreciation in Europe. Other operating expenses increased by 2.3 percent to EUR 561 million on a year-to-year basis. This trend is mainly due to increased allowance for bad debts for trade receivables.

The Adjusted EBIT (Earnings Before Interest and Taxes) decreased because of the increase in transformation costs by 36.5 percent to EUR 66 million. The Adjusted EBIT ratio of 2.1 percent was 1.2 percentage points lower than in 2016. The EBIT sank by 25.0 percent to 45 million. Due to extraordinary depreciation on fixed assets, it is EUR 21 million below the Adjusted EBIT.

Excluding the above-mentioned transformation costs and the extraordinary cost of depreciation, the LSG Group achieved a good result.

"the LSG Group had a solid performance in 2017"



QUALITY AND OPERATIONAL COMPLIANCE POLICY



*All-encompassing policy
underscores industry-leading
standards*



QUALITY



FOOD SAFETY



HALAL



SECURITY



EMPLOYEE SAFETY
& RAMP SAFETY



ENVIRONMENTAL
MANAGEMENT

One of the major pillars of the LSG Group's unique selling proposition is its promise to provide customers with products and services that meet and exceed their expectations.

The company's Quality and Operational Compliance Policy lays out its steadfast commitment to produce the highest quality in its operations and adhere to the strictest standards in its industry. Including areas like quality, food safety, halal, security, employee safety, ramp safety and environmental management, the policy represents a truly holistic approach.

For the LSG Group, quality and operational compliance are absolutely non-negotiable. They are of utmost importance to its employees around the world in performing their daily tasks and are clear differentiating factors from its competitors. The Quality and Operational Compliance Policy reiterates this commitment and challenges the organization to uphold the highest standards possible, as well as fully comply with legal regulations every day in all of its almost 200 locations across the globe.

The company's catering quality and food safety have earned numerous commendations from its customers and other industry bodies, including the prestigious Medina Quality Awards. In 2017, they recognized the company's Munich, Bogota and Antigua & Barbuda facilities: Munich received the Silver Medal for Europe, the Middle East and Africa (EMEA), Bogota, Colombia, the Gold Medal and Antigua & Barbuda earned the Silver Medal for the Americas.

ENVIRONMENTAL CARE



*A systematic and expansive approach that is
lived through the sharing of best practices*

A systematic approach for continuous improvement

The LSG Group’s approach to Environmental Care is documented in its new Quality and Operational Compliance Policy. For more than two decades, the LSG Group has had the industry’s most structured and expansive approach to Environmental Care. This approach permeates everything the company does to ensure wide-scale environmental awareness and continuous improvement throughout its worldwide organization. It is designed to meet the heightened expectations of customers, consumers and shareholders regarding environmental care.

Best-Practice Examples

The company’s vast geographical reach gives it an advantage when it comes to finding different ways of protecting natural resources and the environment as a whole. Its widespread best practices are shared to foster the exchange of knowledge between the regions and promote constant improvement throughout the LSG Group. Here are a few examples.

“Project Green”

In cooperation with customer Air New Zealand and the New Zealand Ministry for Primary Industries, the company’s Auckland customer service center started an initiative to tackle the inflight waste arriving on Air New Zealand’s international flights.

“Project Green” is expected to divert 150 tons of waste from landfill annually. It has enabled 40 Air New Zealand inflight products that were previously sent to landfill (due to biosecurity controls) to be reclassified so that they can be reused on future flights if removed from aircraft sealed and untouched.

Moving forward, the organizations will look at how they can further expand the range of unused products that can safely be recovered and develop a more precise approach to analyzing collection data to ensure aircraft are catered more accurately.

A “smart” Box

A newly designed meal box has a number of “smart” features: Because of its efficient dimensions, LSG Sky Chefs can load up to eight one-way trips with one single aircraft approach, which saves time, energy and money. Currently, Eurowings passengers can buy these boxes containing a sandwich, drink and sweet treat. Waste reduction is ensured by the fact that the box was designed in conjunction with a quality institute to be reusable.

13 tons

of waste were diverted

Thanks to "Project Green," after one month 13 tons of waste were diverted, including 266,000 plastic cups, 480 kg of sugar packets and 3.5 tons of bottled water.

Save

104 sheets of paper

On each Boeing 747 flight, 104 sheets of paper were saved.

Paperless Onboard

It is hard to imagine just how many different places there are for stowing items onboard a large aircraft. Crew members usually have to trawl through paper-based lists to find out where a particular item is located onboard.

The LSG Group Galley Guide is an app for airline crews that shows all goods loaded onboard an aircraft, including their location in the galleys. Installed on the crew's work tablets, it offers a quick search function and provides additional information on the products stored. This systematic process digitalization results in a quicker and smoother service workflow that is beneficial for both the crew and passengers aboard. Additionally, it saves huge amounts of paper.

p/re.view: 17/18

Electric Catering

The first electric catering truck (eLift) was introduced at Frankfurt Airport. The fully electric truck, which was developed in a joint project with external partners, reduces noise and CO² emissions in a sustainable manner.

The purpose of creating the eLift was to develop separate concepts for making more electronic individual vehicle components. The truck chassis and the box body are separated both mechanically and in terms of power in order to be able to supply the lifting system independently.

Another special feature of the eLift is its fully electronic bridge mechanism for shifting the front platform. The lifting drive and the support of the highloader truck have been converted to electro-hydraulic drives. This means that all the drives are 100% electronic.

6 h

running time

The truck's battery has a capacity of 113 kWh, which means about six hours of running time.

fortyone

p/re.view:

OUTLOOK



Market Leadership, Transformation and Profitable Growth top the Agenda

The industries which the LSG Group serves – airlines, train operators and convenience retail – will continue to grow thanks to seemingly unlimited travel possibilities and people's inspiration to discover new countries and cultures. The growth of the airline industry, which still accounts for roughly 90 percent of the LSG Group's revenues, is expected to hit 6 percent in 2018 (measured in passenger numbers). The trends in convenience retail and the train business also look promising.

Within this overall positive market environment, the LSG Group is pursuing three strategic goals – Market Leadership, Transformation and Profitable Growth – in all of its regions and divisions, albeit with different priorities and focal areas.

In order to maintain and further strengthen its leading market position, the standardization of processes tops the agenda. Digitalization is a crucial enabler in this endeavor. Multiple projects in this area have already been launched, including consolidated and digitally available learning platforms and the introduction of new apps in the company's own operations and for service onboard. These projects will be pursued further and with the highest priority because they will contribute to increasing consistency and the quality of products and services.

Transformation will continue in 2018 and beyond. In addition to the transformation of the operational model, achieving process orientation will remain a goal at all levels and within

all functions of the company. The aim is to establish a holistic management approach reflecting the continuous nature of process orientation.

Of course, profitable growth will certainly be pursued in all areas of the business. Thanks to the company's strong market position in classic airline catering, however, this business segment will grow disproportionately to others. Opportunities lie in the expansion of routes by legacy carriers, gaining a greater share of their business and entering into new, promising markets through partnerships. In the onboard-retail area, growth is expected to be exponentially stronger, based on the successes of the past year and the unique solutions that can be offered in this area. Innovations in equipment solutions for airlines and trains will also promote the expansion of these activities. In the train segment, opportunities will open up by offering creative concepts in upcoming tenders. Significant market potential can be seen in convenience retail, where the LSG Group is establishing a global team in order to capture the enormous potential in various regions.

For 2018, the LSG Group expects a slight decrease in revenues and an Adjusted EBIT above the 2017 figure. The expected decrease in revenues is due to negative exchange rate effects, the full-year impact of the customer losses in 2017 and the cessation of the catering services for Asiana in Seoul, South Korea. The increase in the Adjusted EBIT can be attributed to the lower transformation costs expected for 2018.

key figures
consolidated
income
statement
executive
board
responsibilities

KEY FIGURES



Key Figures	2017	2016	2015	2014	2013
Revenues (EUR m)	3,218	3,194	3,022	2,633	2,514
EBIT	45	60	85	75	107
Employees as of Dec. 31	34,563	35,530	34,310	32,843	32,307

Company Data 2016

Meals produced	696 million
Airports served	205
Countries	56
Companies comprised	156
Customers	more than 300
Corporate Headquarters	Neu-Isenburg (Frankfurt), Germany
Executive Board	Erdmann Rauer, Chief Executive Officer Dr. Kristin Neumann, Chief Financial Officer Jochen Müller, Chief Operating Officer
Supervisory Board	Dr. Bettina Volkens (Chairwoman), Carmen Borsche, Thomas Freude, Dr. Richard Hesch, Dr. Tanja Rückert, Ulrik Svensson, Ronald Laubrock ¹⁾ (Deputy), Frauke Bendokat ¹⁾ , Rainer Geng ¹⁾ , Eleftherios Kechaidis ¹⁾ , Holger Niebler ¹⁾ , Christina Weber ¹⁾
Core-business activities	Catering and Hospitality Services Onboard Retail Equipment Solutions Packaged Products

¹⁾ Employee Representative

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR 2017



	2017 k €	2017 k €	2016 k €
Revenue		3,218,895	3,193,541
Other operating income (including changes in inventories)	61,476		66,858
Total operating income		3,280,371	3,260,399
Cost of materials and services	-1,395,514		-1,383,373
Staff costs	-1,220,614		-1,183,546
Depreciation and amortization	-89,577		-106,034
Other operating expenses	-561,187		-548,766
Total operating expenses		-3,266,892	-3,221,719
Profit/loss from operating activities		13,479	38,680
Investment Result		31,867	21,746
EBIT		45,346	60,426
Adjusted EBIT		66,218	104,253

EXECUTIVE BOARD RESPONSIBILITIES

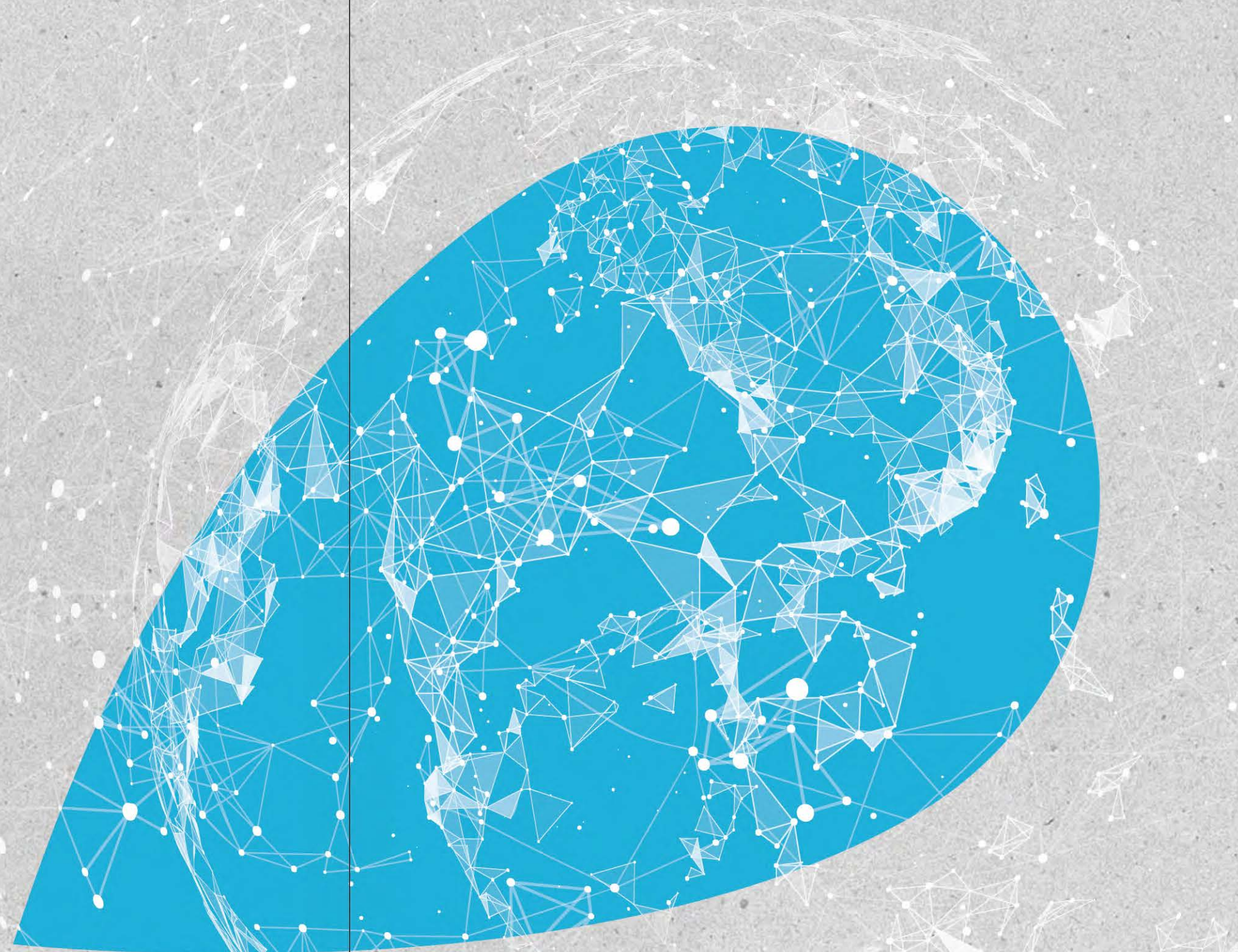


	Erdmann Rauer Chief Executive Officer	Dr. Kristin Neumann Chief Financial Officer/Labor Director	Jochen Müller Chief Operating Officer
Corporate Functions	Sales and Marketing	Product and Service Development	Operations Value Chain
	Business Development	Finance and Controlling	Information Management
	Communications	Quality and Process Management	Infrastructure
	Legal, Corporate Affairs and Compliance	Human Resources and Business Capabilities	
Regions, Divisions	Onboard Retail	SPIRIANT	Asia-Pacific
	Convenience Retail	Ringeltaube	Eastern Europe/Middle East/Africa
		Lounges	Europe
		SCIS	Latin America
			North America

WHERE WE ARE



The
LSG Group's worldwide
presence



NORTH AMERICA

CANADA Calgary (YYC) Hamilton (YHM) London (YXU) Toronto (YYZ) Vancouver (YVR) UNITED STATES Anchorage (ANC) Atlanta (ATL) Austin (AUS) Baltimore (BWI) Boston (BOS) Burbank (BUR) Charlotte (CLT) Chicago (ORD) Dallas Love Field (DAL) Dallas-Ft. Worth (DFW) Denver (DEN) Detroit (DTW) Fort Lauderdale (FLL) Fort Myers (RSW) Houston (IAH) Las Vegas (LAS) Los Angeles (LAX) Miami (MIA) Minneapolis (MSP) New York - JFK (JFK) New York - La Guardia (LGA) Oakland (OAK) Ontario (ONT) Orlando (MCO) Philadelphia (PHL) Phoenix (PHX) Pittsburgh (PIT) Portland (PDX) Raleigh-Durham (RDU) Sacramento (SMF) Salt Lake City (SLC) San Diego (SAN) San Francisco (SFO) San Jose (SJC) Santa Ana (SNA) Seattle (SEA) Tampa (TPA) Washington - International (IAD) Washington - National (DCA)

LATIN AMERICA

ANTIGUA & BARBUDA Antigua (ANU) ARGENTINA Buenos Aires (EZE) BARBADOS Barbados (BGI) BERMUDA (UK TERRITORY) Bermuda (BDA) BRAZIL Belém (BEL) Campinas (CPQ) Fortaleza (FOR) Natal (NAT) Recife (REC) Rio de Janeiro - International (GIG) Rio de Janeiro - Santos Dumont (SDU) Salvador (SSA) São Paulo (GRU) CAYMAN ISLANDS (UK TERRITORY) Grand Cayman (GCM) CHILE Santiago de Chile (SCL) COLOMBIA Bogotá (BOG) ECUADOR Guayaquil (GYE) Quito (UIO) EL SALVADOR San Salvador (SAL) GRENADA Grenada (GND) GUATEMALA Guatemala City (GUA) HONDURAS San Pedro Sula (SAP) JAMAICA Kingston (KIN) Montego Bay (MBJ) MEXICO Bajío (BJX) Cancun (CUN) Guadalajara (GDL) Merida (MID) Mexico City (MEX) Monterrey (MTY) Puerto Vallarta (PVR) San José del Cabo (SJD) Tijuana (TIJ) Zacatecas (ZOL) NETHERLANDS ANTILLES Bonaire (BON) Curaçao (CUR) St. Maarten (SXM) PANAMA Panama City (PTY) PARAGUAY Asunción (ASU) PERU Lima (LIM) ST. LUCIA St. Lucia (UVF) TRINIDAD & TOBAGO Port of Spain (POS) Tobago (TAB) URUGUAY Montevideo (MVD) VENEZUELA Caracas (CCS) Isla Margarita (PMV) VIRGIN ISLANDS (US TERRITORY) St. Thomas (STT)

EUROPE/MIDDLE EAST/AFRICA

ANGOLA Luanda (LAD) BELGIUM Brussels (BRU) BULGARIA Sofia (SOF) CZECH REPUBLIC Brno (EGYPT Cairo (CAI) ESTONIA Tallinn (TLL) FINLAND Helsinki (HEL) FRANCE Paris (CDG) Paris - Gare de Lyon Rail Station (PAR) GERMANY Alzey (XZY) Berlin - Schoenefeld (SXF) Berlin - Tegel (TXL) Bremen (BRE) Cologne (CGN) Dortmund (DTM) Dresden (DRS) Düsseldorf (DUS) Frankfurt (FRA) Hamburg (HAM) Hanover (HAJ) Leipzig (LEJ) Munich (MUC) Münster-Osnabrück (FMO) Paderborn (PAD) Stuttgart (STR) Weeze (NRN) IRELAND Dublin (DUB) ITALY Bergamo (BGY) Milan - Malpensa (MXP) Rome (FCO) Rome Ciampino (CIA) LATVIA Riga (RIX) LITHUANIA Vilnius (VNO) NETHERLANDS Amsterdam (AMS) PORTUGAL Lisboa (LIS) RUSSIA Chelyabinsk (CEK) Krasnoyarsk (KJA) Moscow - Domodedovo (DME) Moscow - Sheremetyevo (SVO) Novosibirsk (OVB) Rostov-on-Don (ROV) Simferopol (SIP) Sochi (AER) St. Petersburg (LED) Ufa (UFA) Vladivostok (VVO) SOUTH AFRICA Cape Town (CPT) Durban (DUR) Johannesburg (JNB) SPAIN Palma de Mallorca (PMI) SWITZERLAND Geneva (GVA) Zurich (ZRH) TANZANIA Dar es Salaam (DAR) TURKEY Antalya (AYT) Bodrum (BJY) Dalaman (DLM) Istanbul - Sefaköy (IST) Izmir (ADB) UNITED ARAB EMIRATES Dubai (DUB) UNITED KINGDOM Aberdeen (ABZ) Belfast (BFS) Birmingham (BHX) Bristol (BRS) Cardiff (CWL) Doncaster (DSA) Durham Tees Valley (MME) East Midlands (EMA) Edinburgh (EDI) Glasgow (GLA) Humberside (HUY) Leeds/Bradford (LBA) Liverpool (LPL) London - Gatwick (LGW) London - Heathrow (LHR) London-Stansted (STN) Luton (LTN) Manchester (MAN) Newcastle (NCL) Norwich (NWI) Prestwick (PIK)

ASIA/PACIFIC

CHINA Beijing (PEK) Chengdu (CTU) Dunhuang (DNH) Guangzhou (CAN) Hangzhou (HGH) Hefei (HFE) Hong Kong (HKG) Kunming (KMG) Lanzhou (LHW) Lijiang (LJG) Nanchang (KHN) Nanjing (NKG) Qingdao (TAO) Sanya (SYX) Shanghai - Hongqiao (SHA) Shanghai - Pudong (PVG) Shangri-La (DIG) Urumqi (URQ) Wenzhou (WNZ) Xian (XIY) COOK ISLANDS Rarotonga (RAR) INDIA Bangalore (BLR) Hyderabad (HYD) JAPAN Fukuoka (FUK) Tokyo - Haneda (HND) Tokyo - Narita (NRT) Osaka-Kansai (KIX) MICRONESIA Guam (GUM) Saipan (SPN) MYANMAR Yangon (RGN) NEPAL Kathmandu (KTM) NEW ZEALAND Auckland (AKL) Christchurch (CHC) Queenstown (ZQN) Wellington (WLG) SOUTH KOREA Busan (PUS) Seoul - Gimpo (GMP) Seoul - Incheon (ICN) THAILAND Bangkok - Donmuang (DMK) Bangkok - Suvarnabhumi (BKK) Bangkok U-Tapao (UTP)

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