January – March 2016

Interim Consolidated Financial Statements

ONE gategroup™

Consolidated Income Statement

in CHF m	January – March 2016	January – March 2015
Total revenue	**743.3**	**669.9**
Materials and service expenses	(304.1)	(270.1)
Personnel expenses	(291.3)	(283.1)
Other operating income and expenses, net	(130.0)	(108.5)
Depreciation and amortization	(16.4)	(14.5)
Other gains and (losses), net	–	(0.1)
Total operating expenses, net	**(741.8)**	**(676.3)**
Operating profit/(loss)	**1.5**	**(6.4)**
Finance costs, net	(3.8)	(28.9)
Share of result of associates and joint ventures	1.2	0.6
Loss before tax	**(1.1)**	**(34.7)**
Income tax expenses	(4.9)	(2.9)
Loss for the period	**(6.0)**	**(37.6)**
thereof attributable to shareholders of the Company	(6.5)	(38.0)
thereof attributable to non-controlling interests	0.5	0.4
Earnings per share attributable to shareholders of the Company		
Basic loss per share in CHF	(0.25)	(1.46)
Diluted loss per share in CHF	(0.25)	(1.46)

Consolidated Statement of Comprehensive Income

in CHF m	January – March 2016	January – March 2015
Loss for the period	**(6.0)**	**(37.6)**
Items that will not be reclassified to profit or loss		
Actuarial losses net, on defined benefit schemes, net of taxes	(25.4)	(17.1)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences arising during the year	(14.5)	32.7
Other comprehensive income	**(39.9)**	**15.6**
Total comprehensive income	**(45.9)**	**(22.0)**
thereof attributable to shareholders of the Company	(46.3)	(22.3)
thereof attributable to non-controlling interests	0.4	0.3

The accompanying notes form an integral part of these Interim Consolidated Financial Statements.

Consolidated Balance Sheet

in CHF m	March 31, 2016	December 31, 2015
Cash and cash equivalents	113.2	102.6
Trade receivables	285.4	284.7
Other current receivables and prepayments	105.4	94.5
Inventories	113.6	101.9
Current income tax assets	13.1	10.4
Total current assets	**630.7**	**594.1**
Property, plant and equipment	279.7	284.4
Intangible assets	592.0	412.1
Investments in associates and joint ventures	15.9	15.0
Other non-current receivables	33.7	34.8
Deferred income tax assets	44.9	45.9
Retirement benefit assets	0.1	–
Total non-current assets	**966.3**	**792.2**
Total assets	**1,597.0**	**1,386.3**
Short-term debt	256.1	65.3
Trade and other payables	200.3	217.3
Current income tax liabilities	16.8	14.7
Short-term provisions	33.3	36.6
Other current liabilities	324.1	298.9
Total current liabilities	**830.6**	**632.8**
Long-term debt	275.0	277.4
Deferred income tax liabilities	21.9	13.9
Retirement benefit obligations	209.9	192.4
Long-term provisions	66.1	33.0
Other non-current liabilities	3.1	3.5
Total non-current liabilities	**576.0**	**520.2**
Total liabilities	**1,406.6**	**1,153.0**
Equity attributable to shareholders of the Company	185.0	230.3
Non-controlling interests	5.4	3.0
Total equity	**190.4**	**233.3**
Total liabilities and equity	**1,597.0**	**1,386.3**

The accompanying notes form an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

in CHF m	Share capital	Treasury shares	Retained earnings and other reserves	Currency translation	Total	Non-controlling interests	Total equity
	Attributable to shareholders of the Company						
At January 1, 2016	**134.0**	**(19.6)**	**90.4**	**25.5**	**230.3**	**3.0**	**233.3**
(Loss)/profit for the period	–	–	(6.5)	–	(6.5)	0.5	(6.0)
Other comprehensive income	–	–	(25.4)	(14.4)	(39.8)	(0.1)	(39.9)
Total comprehensive income	**–**	**–**	**(31.9)**	**(14.4)**	**(46.3)**	**0.4**	**(45.9)**
Equity-settled share-based payments	–	–	1.0	–	1.0	–	1.0
Change in non-controlling interests	–	–	–	–	–	2.0	2.0
At March 31, 2016	**134.0**	**(19.6)**	**59.5**	**11.1**	**185.0**	**5.4**	**190.4**
At January 1, 2015	**134.0**	**(20.4)**	**167.6**	**6.5**	**287.7**	**3.0**	**290.7**
(Loss)/profit for the period	–	–	(38.0)	–	(38.0)	0.4	(37.6)
Other comprehensive income	–	–	(17.1)	32.8	15.7	(0.1)	15.6
Total comprehensive income	**–**	**–**	**(55.1)**	**32.8**	**(22.3)**	**0.3**	**(22.0)**
Equity-settled share-based payments	–	–	0.6	–	0.6	–	0.6
At March 31, 2015	**134.0**	**(20.4)**	**113.1**	**39.3**	**266.0**	**3.3**	**269.3**

The accompanying notes form an integral part of these Interim Consolidated Financial Statements.

Consolidated Cash Flow Statement

in CHF m	January – March 2016	January – March 2015
Loss before tax	**(1.1)**	**(34.7)**
Adjustments for:		
Finance costs, net	3.8	28.9
Share-based payments	1.0	0.6
Share of result of associates and joint ventures	(1.2)	(0.6)
Depreciation and amortization	16.4	14.5
Other (gains) and losses, net	–	0.1
Net cash flow before working capital and provision changes	18.9	8.8
Changes in working capital	(16.9)	(37.2)
Changes in provisions and retirement benefit obligations	(6.8)	1.1
Cash used in operations	(4.8)	(27.3)
Interest paid	(2.7)	(12.9)
Interest received	0.3	0.1
Income taxes paid, net	(3.9)	(3.9)
Net cash flow used in operating activities	**(11.1)**	**(44.0)**
Acquisition of subsidiaries, net of cash acquired	(74.6)	–
Purchase of property, plant and equipment	(11.5)	(7.5)
Purchase of intangible assets	(1.1)	(2.4)
Dividends from associates and joint ventures	0.2	0.3
Capital increase in associates	(0.3)	–
Net cash flow used in investing activities	**(87.3)**	**(9.6)**
Proceeds from debt	196.4	1.5
Repayments of debt and other financing costs	(87.6)	(4.4)
Net cash flow generated from/(used in) financing activities	**108.8**	**(2.9)**
Increase/(decrease) in cash and cash equivalents	**10.4**	**(56.5)**
Movement in cash and cash equivalents		
At start of the year	102.6	183.8
Increase/(decrease) in cash and cash equivalents	10.4	(56.5)
Effects of exchange rate changes	0.2	(13.0)
At end of the period	**113.2**	**114.3**

The accompanying notes form an integral part of these Interim Consolidated Financial Statements.

Notes to the Interim Consolidated Financial Statements

1. General Information

gategroup Holding AG (the "Company") and its subsidiaries (together the "Group") are primarily engaged in the operation of airline catering and provisioning services worldwide. The majority of the Group's operations are located in Europe and North America. The Company has its registered office at Balz-Zimmermannstrasse 7, CH-8302 Kloten, Switzerland and its shares are listed on the SIX Swiss Exchange.

These interim consolidated financial statements were authorized for issue by the Board of Directors of the Company (the "Board") on May 18, 2016.

2. Accounting Policies

2.1 Basis of preparation

These interim consolidated financial statements, for the three month period ended March 31, 2016, have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.2 Changes in accounting policies

The accounting policies applied in the interim consolidated financial statements are consistent with those used in the 2015 annual consolidated financial statements, except where noted in the following paragraph:

Income tax expense is recognized based upon the best estimate of the average annual income tax rate expected for the full year.

The interim consolidated financial statements contain assumptions and estimates that affect the figures stated in this interim report. The definitive results may differ from these estimates.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2016, but did not have a material impact on the interim consolidated financial statements:

Standard	Effective date	Relevance for the Group
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016	Several standards have been modified on miscellaneous points.
IAS 1 (amendment) – Disclosure Initiative	January 1, 2016	The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning January 1, 2016, and have not been early adopted:

Standard	Effective date
IAS 7 (amendment) – Disclosure Initiative*	January 1, 2017
IFRS 7 (amendment) – Disclosures – Initial application of IFRS 9*	January 1, 2018
IFRS 9 – Financial Instruments*	January 1, 2018
IFRS 15 – Revenue from Contracts with Customers*	January 1, 2018
IFRS 16 – Leases*	January 1, 2019
IAS 28 and IFRS 10 (amendment) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

* Impact still to be assessed

3. Segment Information

3.1 Reportable segment information

January – March, 2016 in CHF m	**EMEA**	**North America**	**Latin America**	**Asia Pacific**	**Eliminations**	**Total reportable segments**
Catering and retail on board	213.9	120.8	38.0	50.2	–	422.9
Handling	64.7	94.2	10.1	18.2	–	187.2
Equipment	60.8	1.7	–	0.2	–	62.7
Other	27.2	30.5	4.5	8.3	–	70.5
Intersegment	1.5	1.2	–	0.1	(2.8)	–
Total revenue	**368.1**	**248.4**	**52.6**	**77.0**	**(2.8)**	**743.3**
Segment EBITDA	**13.7**	**–**	**5.0**	**3.3**	**–**	**22.0**
Additions to non-current assets[I]	3.6	7.5	0.9	0.6	–	12.6

January – March, 2015 in CHF m						
Catering and retail on board	156.5	116.2	40.3	49.2	–	362.2
Handling	65.9	87.7	9.8	14.7	–	178.1
Equipment	62.1	1.8	–	0.1	–	64.0
Other	24.5	25.7	4.9	10.5	–	65.6
Intersegment	1.3	1.2	–	0.1	(2.6)	–
Total revenue	**310.3**	**232.6**	**55.0**	**74.6**	**(2.6)**	**669.9**
Segment EBITDA	**6.7**	**(4.6)**	**5.0**	**3.8**	**–**	**10.9**
Additions to non-current assets[I]	2.7	6.0	0.7	0.5	–	9.9

[I] Relates to property, plant and equipment and intangible assets

The comparative segment information has been restated to be consistent with the structure followed in the 2015 annual consolidated financial statements.

Included in the 2015 result of North America is a CHF 8.0m expense related to the labor agreement with the US workforce.

3.2 Reconciliation

Reconciliation of Segment EBITDA to operating profit

in CHF m	**January – March 2016**	**January – March 2015**
Segment EBITDA – reportable segments	22.0	10.9
Share-based payments	(1.0)	(0.6)
Restructuring costs	(0.8)	(1.1)
Operating taxes (non-income taxes)	(2.5)	(1.3)
Depreciation	(12.9)	(12.1)
Amortization	(3.5)	(2.4)
Other gains and (losses), net	–	(0.1)
Management fees, net	0.2	0.3
Operating profit/(loss)	**1.5**	**(6.4)**

4. Finance Costs, Net

in CHF m	January – March 2016	January – March 2015
Financial income	0.3	0.1
Financial expenses	(5.6)	(9.6)
Net interest on defined benefit schemes	(1.6)	(1.4)
Foreign exchange gains/(losses), net	3.1	(18.0)
Finance costs, net	**(3.8)**	**(28.9)**

The net foreign exchange loss of CHF 18.0m as of March 31, 2015, was primarily due to the Swiss National Bank's removal of the currency ceiling against the Euro on January 15, 2015. This resulted in a significant strengthening of the Swiss Franc against most major currencies in which the Group operates.

5. Seasonality

Historically, the Group's revenue has exhibited some seasonality with the strongest revenue performance in the second and third quarter. Traditionally cash flow generation has been weakest in the first quarter.

6. Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period. Treasury shares are not considered as outstanding shares.

	January – March 2016	January – March 2015
Loss for the period attributable to shareholders of the Company (in CHF m)	(6.5)	(38.0)
Weighted average number of shares outstanding	26,118,146	26,066,799
Basic loss per share (in CHF)	(0.25)	(1.46)

Diluted earnings per share

As the Group incurred a loss in the three month period ended March 31, 2016, the diluted earnings per share equals the basic loss per share. The effect of the share-based payment arrangements are anti-dilutive. For the period ended March 31, 2015, the diluted loss per share equalled basic loss per share.

7. Short-term and Long-term Debt

On March 26, 2015, the Group entered into a five-year EUR 240.0m multicurrency Revolving Credit Facility ("RCF"). On March 16, 2016, the RCF was extended by EUR 110.0m to EUR 350.0m. As of March 31, 2016, the Group utilized EUR 80.0m, GBP 7.0m and SEK 1'280m of the RCF (CHF 248.4m).

On November 23, 2015, the Group entered into a five-year EUR 250.0m Term Loan.

8. Retirement Benefit Obligations

An actuarial loss, net of taxes, of CHF 25.4m (2015 loss: CHF 17.1m) was recognized through comprehensive income in the three month period ended March 31, 2016. The 2016 actuarial loss arises principally from a decrease in discount rates in all major plans, off-set by minor positive returns on plan assets in the US and UK plans. The 2015 loss arose principally due to decreases in discount rates for all major plans.

9. Contingent Liabilities

The Group has contingent liabilities arising in the ordinary course of business, principally in respect of legal claims, tax risks, guarantees, customer relationships, pledges, letters of credit and treasury relationships and transactions. It is not anticipated that any material liabilities will arise from such contingent liabilities.

10. Business Combinations

Business combinations 2016

The Group:

– purchased 100% of Inflight Service Group (“IFS”) on February 1, 2016. IFS is a leading airline retail on board provider in Europe with a focus on the Nordic and Baltic region. With the acquisition, the Group became the leader in retail on board services in terms of size, number of customers, business intelligence and on board technology.
– purchased 75% of Cambodia Air Catering Services LTD (“CACS”) on March 17, 2016. CACS is the main inflight and airport lounge catering service provider in Cambodia. The Group is confident that the addition of CACS will expand its ability to bring innovative approaches to new customers and geographies and will help provide synergies in the Asian Pacific region. The non-controlling interests were measured at the present ownership instruments’ proportionate share in the recognized amounts of CACS’s identifiable net assets.

The acquired businesses contributed revenues of CHF 38.4m (IFS CHF 37.8m and CACS CHF 0.6m) and a net loss of CHF 0.9m (IFS loss of CHF 1.0m and CACS profit of CHF 0.1m) to the Group for the period from the date of their respective acquisition to March 31, 2016.

The accounting for the acquisitions is summarized as follows:

in CHF m	Provisional IFS	Provisional CACS	Provisional Total
Cash consideration transferred	76.9	5.8	82.7
Contingent consideration	–	0.1	0.1
Non-controlling interests	–	2.0	2.0
Fair value of identifiable net liabilities/(assets)	47.8	(3.4)	44.4
Goodwill	**124.7**	**4.5**	**129.2**

Contingent consideration: The Group has agreed to pay an additional CHF 0.1m to a former shareholder of CACS on the third anniversary of the closing date, subject to the shareholder being able to satisfy certain specific requirements.

Acquisition related costs: These costs amount to CHF 1.0m and are not included in the consideration transferred. They have been recognized as an expense in “Other operating income and expenses, net” in the consolidated income statement.

Goodwill related to the acquisitions of IFS and CACS arose because the consideration paid for the combinations effectively included amounts in relation to expected synergies, revenue growth, future market development and the assembled workforce of the businesses acquired. These benefits are not separable from goodwill. None of the goodwill recognized is expected to be deductible for tax purposes.

The fair values of the assets and liabilities as per the dates of acquisition are as follows:

in CHF m	Provisional IFS	Provisional CACS	Provisional Total
Cash and cash equivalents	7.3	0.8	8.1
Trade receivables	5.1	1.0	6.1
Other current receivables and prepayments	7.1	1.3	8.4
Inventories	16.1	–	16.1
Current income tax assets	0.9	–	0.9
Property, plant and equipment	0.9	0.6	1.5
Intangible assets	59.0	2.3	61.3
Deferred income tax assets	0.9	–	0.9
Short-term debt	(77.3)	–	(77.3)
Trade and other payables	(18.3)	(0.6)	(18.9)
Current income tax liabilities	–	(0.7)	(0.7)
Other current liabilities	(10.8)	(0.1)	(10.9)
Deferred income tax liabilities	(8.3)	(0.1)	(8.4)
Long-term provisions	(30.4)	(1.1)	(31.5)
Fair value of net (liabilities)/assets acquired	**(47.8)**	**3.4**	**(44.4)**

The initial accounting for both business combinations have only been provisionally determined at the end of the reporting period. The necessary market valuations, other calculations and final determination of the consideration have not been finalized and are therefore based on best estimates. The principal amounts being provisional are trade receivables and trade payables, intangible assets, goodwill and long-term provisions.

IFRS 3 allows up to a twelve-month measurement period from acquisition date to complete the initial accounting. Changes in the carrying amounts of the identifiable assets and liabilities will be calculated as if any revised fair values had been recognized from acquisition date.

Receivables and payables acquired are stated at fair value. Included in the long-term provisions of IFS are onerous contracts of CHF 11.5m.

The cash outflow arising from the acquisitions is summarized as follows:

in CHF m	IFS	CACS	Total
Purchase consideration settled in cash	76.9	5.8	82.7
Less: Cash and cash equivalents	(7.3)	(0.8)	(8.1)
Cash outflow on acquisition	**69.6**	**5.0**	**74.6**

Business combinations 2015

The Group did not make any acquisitions during the three month period ended March 31, 2015.

11. Events Occurring After the End of the Interim Reporting Period

There are no events occuring after the end of the reporting period that warrant disclosure.

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