Q3 2014 Results

Investors and Analysts Presentation

13 November 2014

Serving people on the move

Solid operational performance

- Total reported revenue of CHF 828.9 million for Q3 (+1.6% vs. previous year) and CHF 2,252.6 million for the first three quarters (-1.2%).
- At a constant currency up by 3.4% to CHF 843.1 million for Q3 and 3.0% up to CHF 2,348.7 million for first three quarters of 2014
- EBITDA margin of 8.2% for Q3 compared to 8.0% in the previous year and 5.7% for first three quarters of 2014, compared to 5.6% in the previous year

- Ongoing positive revenue growth in Product and Supply Chain Solutions contributed to solid profitability
- Positive revenue growth in North America and Emerging Markets lowered by adverse foreign exchange impacts
- Revenues in Europe in line with expectations as follow from the disposal of the Brussels operations and the discontinuation of the Norwegian short-haul contract
- EBITDA benefited from a strong profitability uplift in Europe and ongoing contribution from Emerging Markets, offset by weaker profitability in North America following adverse conditions during Q1 2014 and lower short haul flight volumes
- Core group initiatives on track and in light of the US performance over the last year operational restructuring is being undertaken
- Organic growth of 3-4% expected to continue

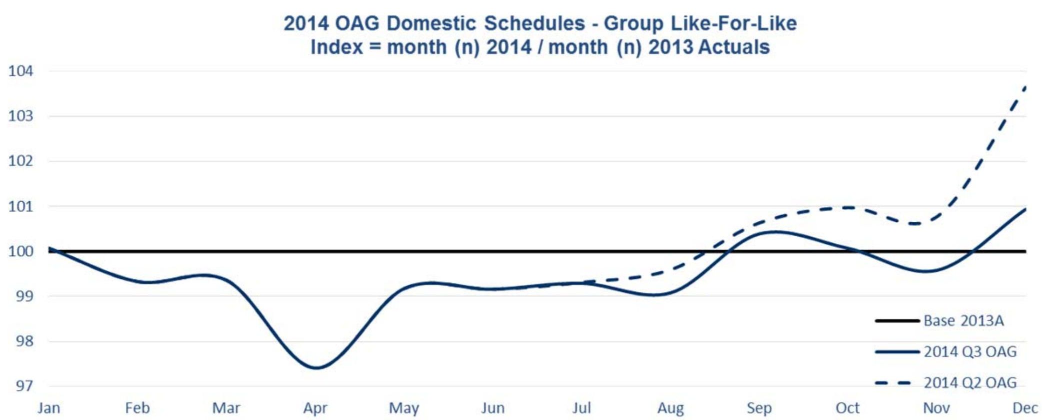
Q3 YTD financial performance

in CHF m		Change vs. Q3 YTD 2013	Change @ constant FX
Revenue	2'252.6	28.5	67.6
EBITDA	128.6	1.0	8.2
EBITDA margin	5.7%	0.1pp	0.2pp
Profit for the period	30.6	19.9	23.1
Cash generated from operations	71.4	24.6	
Net debt	283.7	38.0	
Cash incl. available credit lines	264.8	47.3	

Note: EBITDA refers to Segment EBITDA throughout the presentation

OAG flight volume for gategroup portfolio

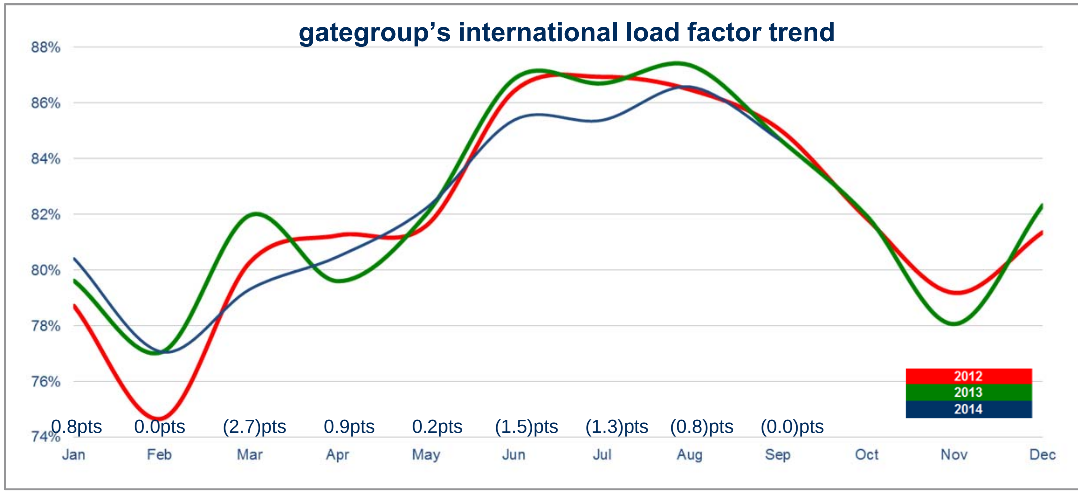
Positive development in international volumes continues albeit lower levels expected in Q4



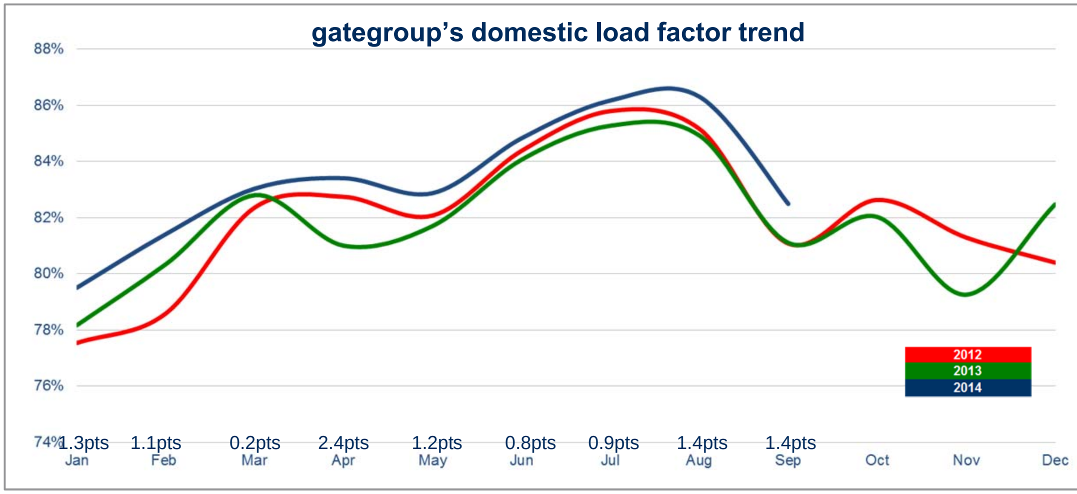
Stronger domestic volumes towards end of the year expected, however capacity increases at lower levels than anticipated at the beginning of the year

Source: OAG schedules, Company analysis

Load factor trends



International load factors lower than in previous year reflecting capacity increases on long haul routes



Load factors maintained at high levels reflecting the curtailment of flight volumes

Source: IATA, Company analysis

Global portfolio performance

Per Segment	Revenue change	Revenue change @ constant FX	EBITDA margin
Airline Solutions	(2.9%)	1.7%	6.2%
Product and Supply Chain Solutions	8.5%	9.6%	6.3%
Per Geography			
Europe	(1.9%)	(2.3%)	6.7%
North America	2.1%	7.3%	5.3%
Emerging Markets	(4.6%)	8.5%	8.0%
gategroup *	**(1.2%)**	**3.0%**	**5.7%**

*Note: includes Eliminations and Corporate Costs

Total Personnel and Material Cost Ratio improving

	2010	2011	2012	2013	Q3 YTD 2013	Q3 YTD 2014
Revenue total	2'700.0	2'688.1	2'992.5	3'002.2	2'281.1	2'252.6
Revenue growth		*-0.4%*	*11.3%*	*0.3%*		*-1.2%*
Material Cost Ratio	41.8%	41.9%	43.2%	41.5%	41.5%	41.8%
Personnel Costs Ratio	36.4%	37.1%	37.2%	38.5%	38.8%	37.9%
Personnel & Material Cost Ratio	78.2%	79.1%	80.4%	80.0%	80.2%	79.6%

- Personnel and Material cost ratio shows positive trend in 2013 and YTD 2014
  - Personnel cost ratio is showing benefit from European restructuring and other cost containment measures in YTD 2014 performance
  - Material cost ratio has remained relatively constant (except 2012 due to the Australian acquisition)
- Personnel and material cost ratio should be looked at in total as the changing mix of services and products drives changes in proportion of material cost vs labor

Overall total personnel and material cost ratio improved in 2013 and momentum continues in 2014

Additional cost containment measures

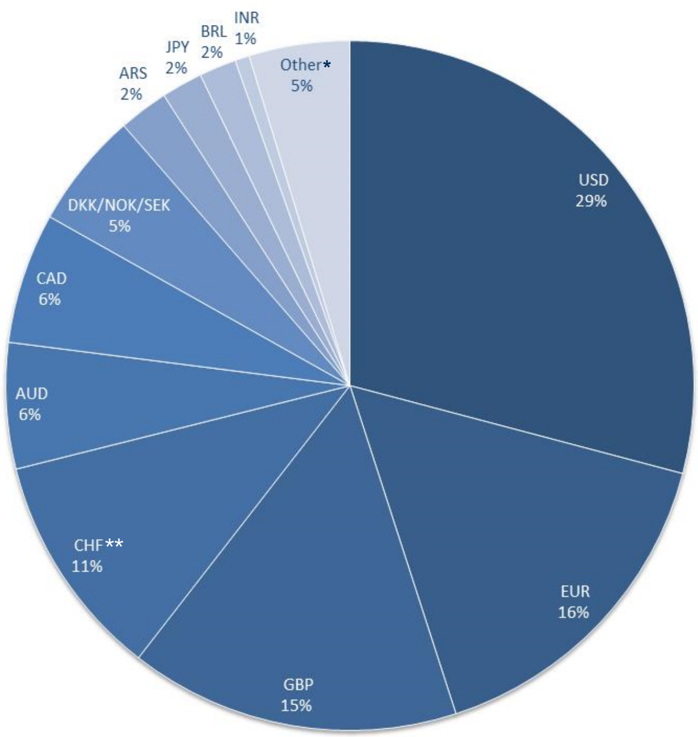
- gategroup continues to streamline and adjust its organization to ensure capture of the growth opportunities and to enable another step change in support costs
- Additionally core group-wide initiatives, referenced in Q2, are being progressed
- All actions are expected to accelerate and support the delivery of the financial objectives of the Group over the next 2 years
- Savings of approximately CHF 15 million are expected in 2015, with a run rate of CHF 30 million in place by the beginning of 2016 to support the delivery of the mid-term plan targets for 2016 and 2017
- Restructuring costs are expected to be CHF 6-7 million (approximately CHF 3 million in 2014 and approximately CHF 3-4 million in 2015 in line with historical levels)

Initiatives	**Procurement**	**IT**	**Organizational Realignment**
Details	▪ Focus on external services spend	▪ Benefits from its revised IT strategy	▪ Indirect labor rightsizing ▪ Back office streamlining ▪ Realignment of group wide functions
Run rate savings	CHF 10 m	CHF 7 – 9 m	CHF 12 m

Core group wide initiatives, announced in Q2, on track to deliver cash benefits of on order of CHF 15 million in 2015, with total expected contribution of CHF 30 million for 2016

Q3 YTD 2014 currency exposure

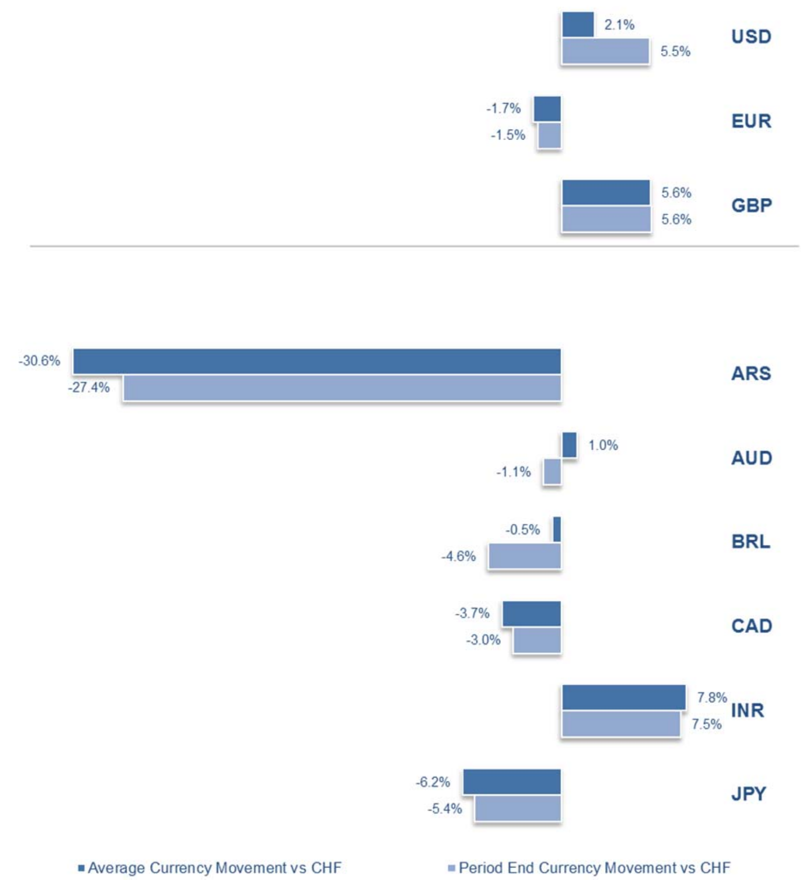
Revenue by currency



* Other Emerging Markets include CLP, CNY, COP, HKD, MXN, NZD, PEN, PKR, THB, ZAR

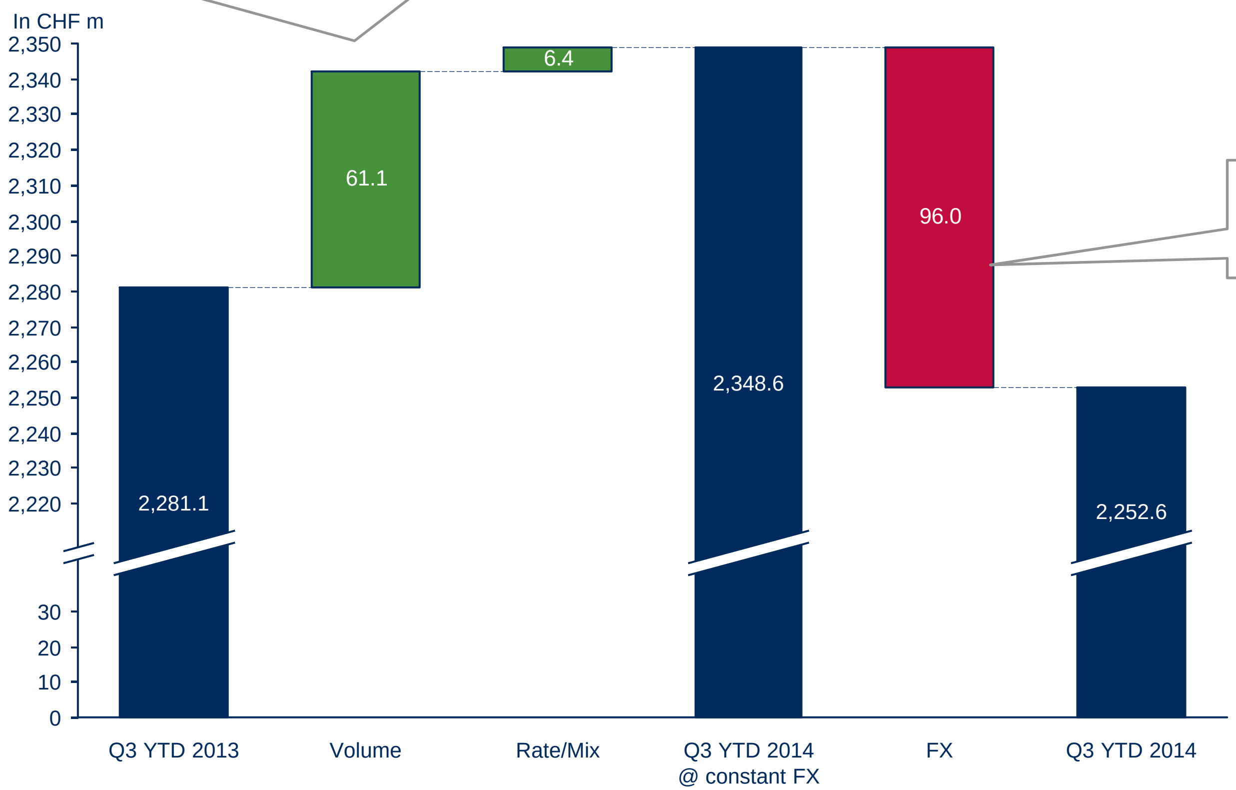
** Currency of country of domicile of the company

Currency change in Q3 YTD 2014 versus 2013



Revenue bridge

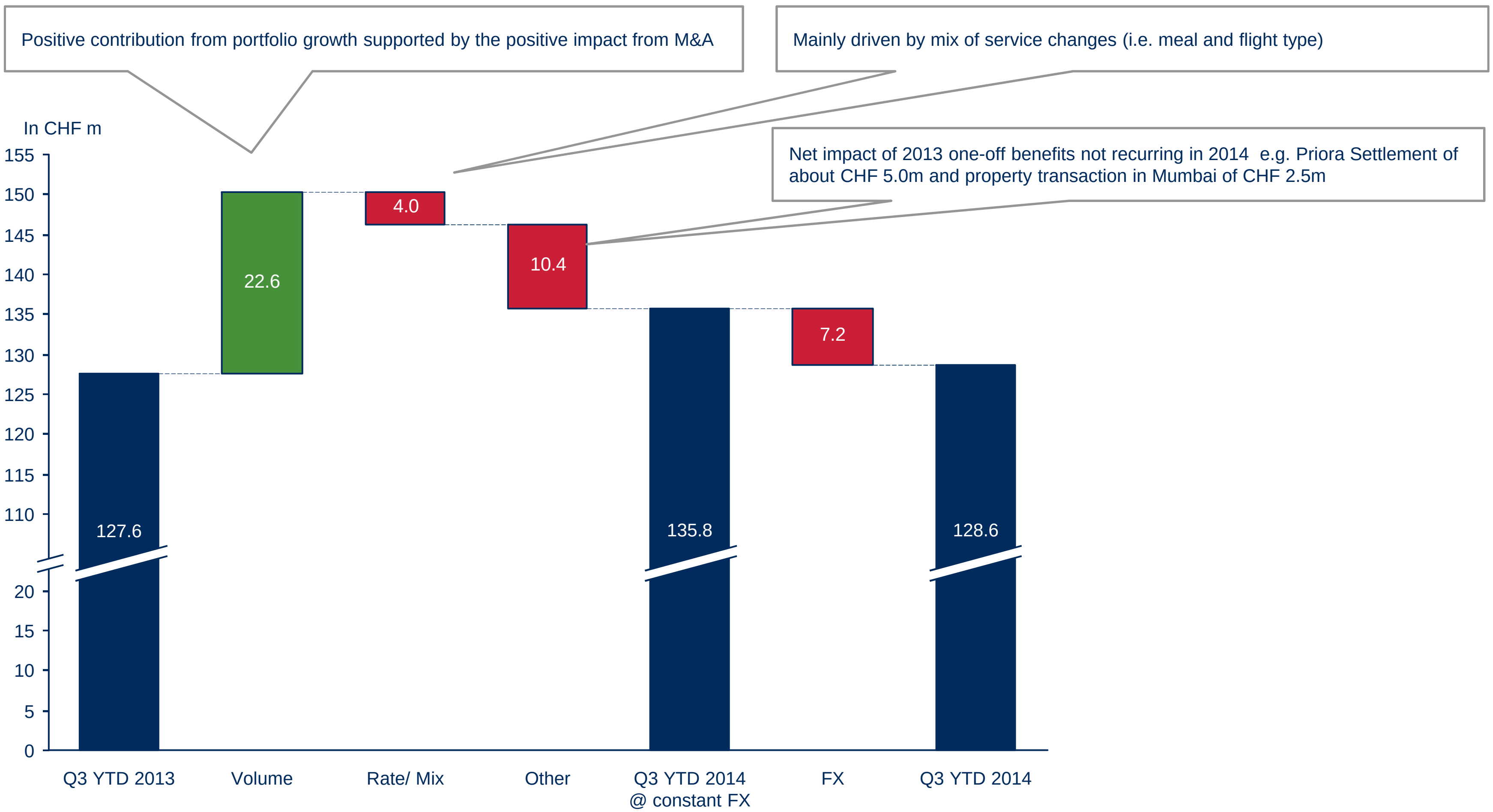
- 5.1% portfolio growth
- (1.1)% net contract losses
- (1.4)% Auckland acquisition net of the divestiture of the Brussels operation and de-icing business as well as deconsolidation of Shanghai operation



Primarily due to AUD, ARS, CAD and USD

Impact	2.7%	0.3%		(4.2%)	

EBITDA bridge



Impact	Volume	Rate/ Mix	Other	FX
	17.7%	(3.1%)	(8.2%)	(5.6%)

Segment information

Revenue in CHF m	Q3 YTD 2014	Q3 YTD 2013	Change
Airline Solutions	1'921.6	1'978.3	(2.9%)
P&SC Solutions	484.9	447.0	8.5%
Corporate Center	-	-	
Eliminations	(153.9)	(144.3)	(6.7%)
gategroup	**2'252.6**	**2'281.1**	**(1.2%)**

Volume	Rate/Mix	FX
1.4%	0.3%	(4.6%)
9.7%	(0.1%)	(1.1%)
(6.5%)	0.0%	(0.2%)
2.7%	**0.3%**	**(4.2%)**

EBITDA in CHF m	Q3 YTD 2014	Q3 YTD 2013	Change
Airline Solutions	119.0	122.1	(2.5%)
P&SC Solutions	30.7	28.4	8.1%
Corporate Center	(21.1)	(22.9)	7.9%
Eliminations			
gategroup	**128.6**	**127.6**	**0.8%**

Volume	Rate/Mix Other	FX
19.3%	(16.5%)	(5.3%)
(8.3%)	20.2%	(3.8%)
6.5%	0.5%	0.9%
17.7%	**(11.3%)**	**(5.6%)**

Reconciliation of EBITDA to operating profit

in CHF m	Q3 YTD 2014	Q3 YTD 2013
EBITDA	**128.6**	**127.6**
Share-based payments	(0.4)	(1.2)
Restructuring costs	(10.2)	(10.5)
Operating taxes (non-income taxes)	(5.9)	(4.6)
Depreciation	(32.8)	(34.9)
Amortization	(10.0)	(12.3)
Other gains and (losses), net	6.5	6.4
Management fees, net	0.5	0.2
Operating profit	**76.3**	**70.7**

Positive impact from lower depreciation and amortization charges

Other gains and (losses), net relate to the disposal of Shanghai stake, and largely equal to 2013 gains (losses) net from the property sale in Sydney after acquisition of facility from Qantas

Finance (costs) / income details

in CHF m	Q3 YTD 2014	Q3 YTD 2013
Interest income	0.6	1.3
Other finance income	0.3	0.4
Financial income	**0.9**	**1.7**
Interest expense	(26.7)	(26.5)
Other finance costs	(3.8)	(4.2)
Financial expense	**(30.5)**	**(30.7)**
Net interest on defined benefit schemes	(3.9)	(4.6)
Foreign exchange gains/ (losses), net	1.5	(12.9)
Finance costs, net	**(32.0)**	**(46.5)**

Stabilized exchange rates, eliminate further unrealized foreign exchange losses which were experienced in 2013

Earnings details

in CHF m	Q3 YTD 2014	Q3 YTD 2013
Profit before tax	45.9	23.5
Income tax expense	(15.3)	(12.8)
Profit for the period	**30.6**	**10.7**
Basic earnings per share (CHF)	1.12	0.33
Diluted earnings per share (CHF)	1.12	0.33
Weighted average number of shares outstanding for Basic EPS	*26,066,799*	*26,066,799*

Tax expense as a result of mix effect of profits and losses in different countries subject to different tax rates

Full year tax rate 2014 expected to be in line with 2013 tax rate

Balance Sheet information

in CHF m	30 Sep 2014	31 Dec 2013	30 Sep 2013	Change to year end
Cash and cash equivalents	144.3	174.2	189.8	29.9
Tangible fixed assets	305.6	296.0	300.2	9.6
Trade working capital	228.7	196.0	222.6	32.7
Debt	428.0	435.2	435.5	7.2
Net financial debt	283.7	261.0	245.7	22.7
Net pension liability	165.8	121.9	141.0	43.9
Equity (Shareholders of the Company)	293.8	285.2	267.9	8.6
Available credit lines	120.5	122.7	122.3	2.2

Higher pension liability principially due to unfavorable development of discount rates since year end

Cash Flow information

in CHF m	Q3 YTD 2014	Q3 YTD 2013	Change
EBITDA	**128.6**	**127.6**	1.0
Changes in working capital Changes in provisions and retirement benefit obligations Other	(27.7) (13.9) (15.6)	0.1 (16.8) (14.9)	
Cash generated from operations	**71.4**	**96.0**	24.6
Interest, net Income taxes paid, net	(29.5) (11.5)	(29.7) (8.9)	
Net cash flow generated from operating activities	**30.4**	**57.4**	27.0
Acquisitions, net of cash acquired Capex & Other	(2.7) (48.5)	(6.5) (24.9)	
Net cash flow used in investing activities	**(51.2)**	**(31.4)**	19.8
Net cash flow used in financing activities	**(9.9)**	**(3.0)**	6.9
Change in cash	**(30.7)**	**23.0**	53.7

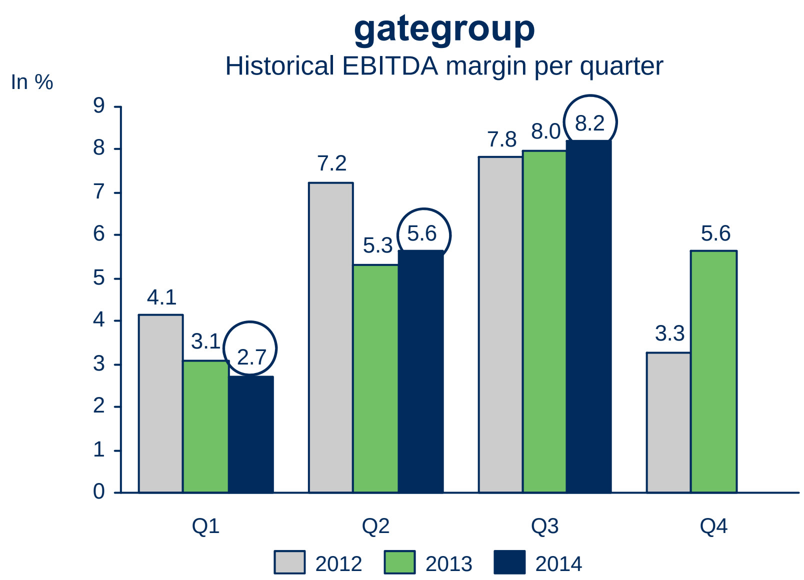
Cash from operations decrease largely driven by weaker North American performance in Q1 (CHF 10m) and impacted by one-time working capital reversal of CHF 5m on termination of retail services with Norwegian Airlines

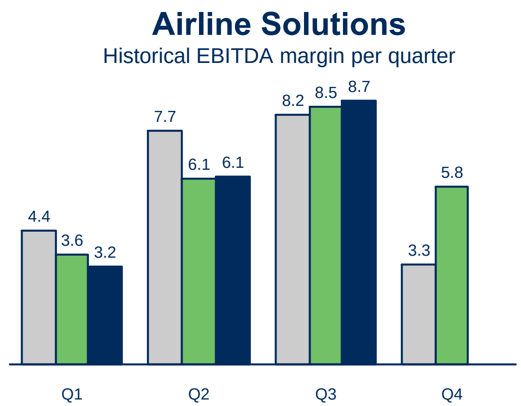
About CHF 10m is due to adverse timing on receivables and payables at Q3 close, which is expected to reverse in Q4 gategroup™

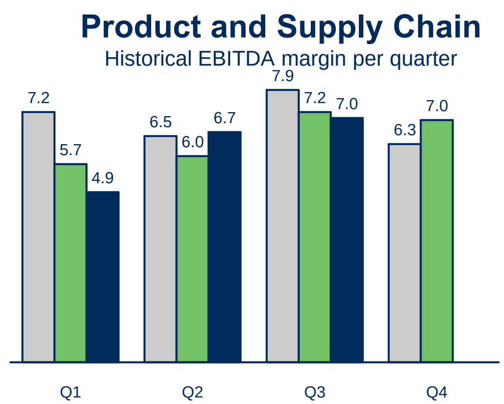
Changes in working capital and provisions and retirement benefit obligations

in CHF m	Q3 YTD 2014	Q3 YTD 2013	Change
Change in inventories	(1.4)	(2.3)	
Change in trade receivables	(39.8)	(23.0)	
Change in trade payables	14.0	17.7	
Change in other receivables and payables, net	(0.5)	7.7	
Total	**(27.7)**	**0.1**	27.8
Cash movements in retirement benefit obligations	(15.4)	(12.7)	
Cash movements in restructuring provisions	(12.0)	(14.5)	
Cash movements in other provisions	(2.4)	(4.9)	
Non-cash movements in retirement benefit obligations	7.8	8.9	
Non-cash movements in restructuring provisions	10.2	10.5	
Non-cash movements in other provisions	(2.1)	(4.1)	
Total	**(13.9)**	**(16.8)**	2.9

Q4 2014 EBITDA margin to be in line with previous year







- Q1 substantially weaker due to weaker volumes and North American performance
- Q2 and Q3 recovery driven by stabilizing volumes on short haul flights and European restructuring benefits
- **Q4 2014 margins expected to be at or above previous year** due to improvements achieved in the Airlines Solutions Division, notably in Europe and the Emerging Markets

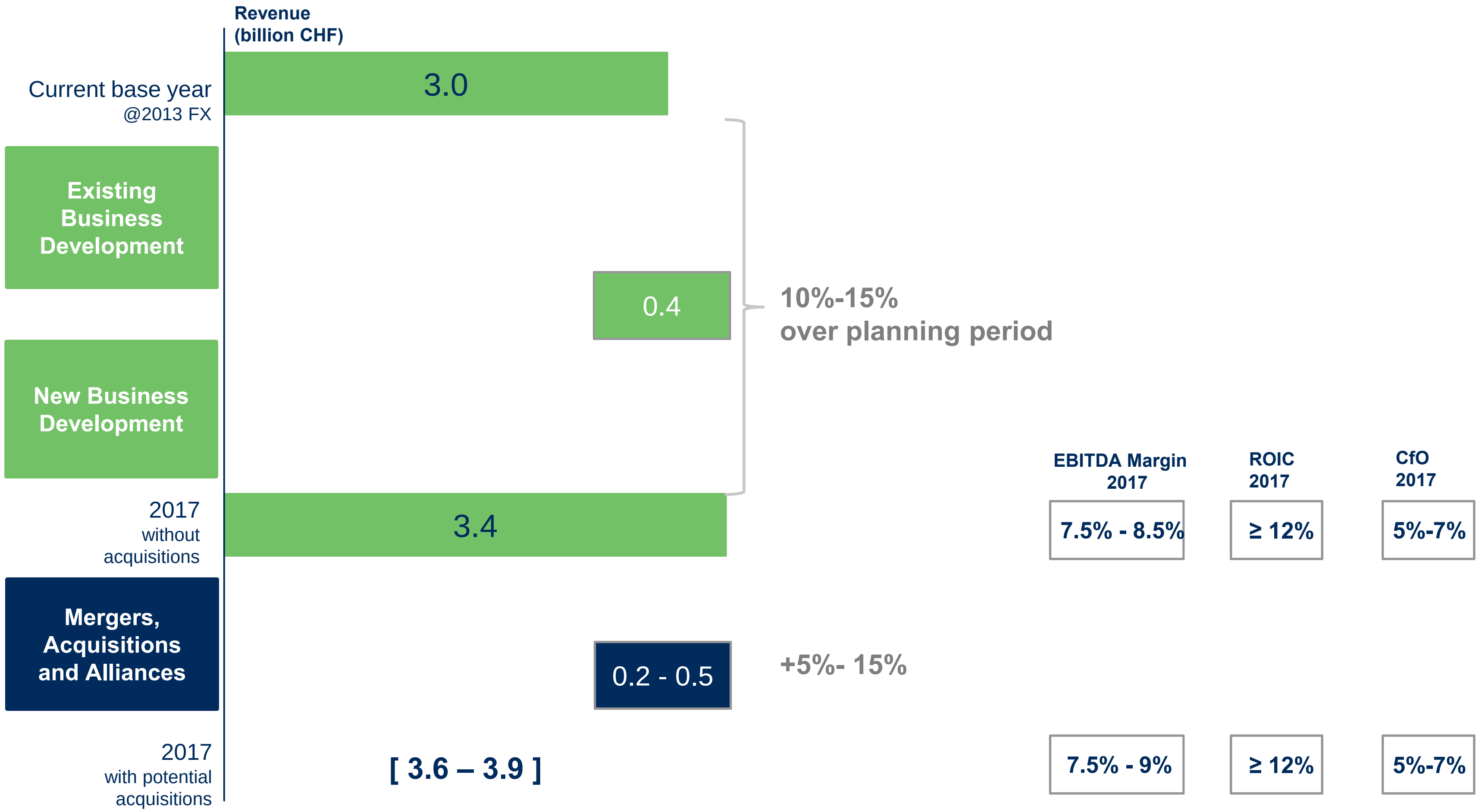
2014 summary and outlook

- Positive momentum continues in Q3 leading to solid results
- Revenues on reported basis are expected to be flat reflecting expected currency movements and portfolio adjustments (notably Shanghai and Brussels).
- Underlying organic growth of 3-4% expected to continue
  - European performance stabilized with positive outlook
  - North American performance weaker than expected but stable; additional operational restructuring is being undertaken
  - Emerging Markets' performance continues to benefit from integration of acquisitions and underlying organic growth; adverse currency movement substantially reduced in Q3
  - Product and Supply Chain Solutions' performance is expected to continue top-line growth with stable margins
- Core group initiatives on track to deliver cash benefits on order of CHF 15 million for 2015, with total expected contribution of CHF 30 million for 2016

Expected flat revenue development with an EBITDA margin in the range of 5.6% to 6.2%

Appendix

Mid term plan 2017



Note: Based on management estimates – for principle assumptions please refer to next slide of this presentation
CfO - Cash generated from operations is the net cash flow (used in) / from operating activities as in the consolidated cash flow statement before interests and income tax

Mid term plan 2017 - drivers

Per Segment	Expected total revenue growth over the planning period	2017 Expected EBITDA margin range
Airline Solutions	10% - 13%	7% - 9%
Product and Supply Chain Solutions	15% - 20%	7.5% - 9%
Per Geography		
Europe	6% - 8%	7% - 9%
North America	8% -10%	7% - 8%
Emerging Markets	20% - 25%	10% - 13%
gategroup	**10% - 15%**	**7.5% - 8.5%**

Assumptions for gategroup 2017 strategic targets

gategroup 2017 strategic targets are based on a model that includes the following assumptions:

- Constant cost structure with variable costs (direct material and direct labor) held at a constant percent of revenue during forecast period, based on 2013 results
- Revenue increases as a function of IATA-growth factors for each Airline Solutions region and for the Product and Supply Chain Solutions Business on a worldwide basis
- Pricing in line with the existing contracts
- Management is able to identify and consummate acquisitions from the available universe of worldwide industry participants
- Based on 2013 foreign exchange rates, in particular there will not be a material strengthening of the Swiss franc, primary against the Euro, Pound Sterling and U.S. dollar

Details on Shanghai transaction

- The Group completed the disposal of Shanghai Pudong International Airport Gate Gourmet Air Catering Co. Ltd., on July 2, 2014
- China Aviation Investment Co., Ltd., an affiliate of the Air China Group acquired a 51% interest, thereby reducing gategroup's participation to 29% with Shanghai Airport Group Co., Ltd. retaining its 20% shareholding
- The business disposed of had assets of CHF 15.3m, of which CHF 7.2m was cash, and liabilities of CHF 6.1m (reflecting the 80% owned subsidiary)
- 2013 total revenue of Shanghai operation was at CHF 19.4m with EBITDA of CHF 2.6m
- The retained 29% interest is reflected with a fair value of CHF 3.7m as of September 30, 2014. The gain on the transaction amounts to CHF 6.6m whereof the total consideration of CHF 6.5m is considered as a current receivable as of September 30, 2014

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