

gategroup: 8-point program for a new start

Dear Shareholders of gategroup Holding AG

After years of poor operating results coupled with equally insufficient corporate governance, we believe the time for a new beginning has come. For this reason, we have proposed **four highly qualified candidates for election to the Board of Directors** of gategroup Holding AG at the upcoming Annual General Meeting: Gerard van Kesteren, Frederick W. Reid, Heinz Köhli and Tommy Tan. Information on their professional background as well as a brief video introduction are available on the website www.savegategroup.com.

We would like to take this opportunity to share with you our analysis of gategroup Holding AG and briefly outline a more modern business model. gategroup should in fact be a Swiss success story: a strong, independent global market leader; a genuine Swiss brand, active in a niche market with a long-term growth outlook. Instead, despite favorable baseline conditions, the company has fallen behind nearly every one of its peers in terms of operating performance over the past few years. Nearly all long-term growth or margin targets have been missed and the costs are questionable. Costly acquisitions proved to be nonstarters, and the group has not generated positive cash flows in years. The Board of Directors and executive management, who bear primary responsibility for the direction the company takes, continue to be rewarded handsomely, while the shareholders are given a deteriorating share price and curtailed dividends in return.

gategroup cannot be allowed to lose a place among the field of competitors!

Based on this analysis, we are proposing the following measures to all members of the Board of Directors:

- 1 In light of the poor operating performance, the **remuneration of the Board of Directors** should be scaled down by 50% until further notice.
- 2 The **fixed component of the Executive Management Board members' remuneration** should be reduced by 35% to better align their compensation with the interests of all stakeholders.
- 3 A **restructuring program** with a savings potential of CHF 150 million over the next three years should be launched. The CHF 150 million would be broken down as follows:
 - a) CHF 80 generated by cutting labor costs. This corresponds to a 250 basis point reduction in the personnel cost ratio, which would bring the cost ratio back down to 2008 levels, i.e. the level prior to the cost explosion;
 - b) CHF 60 million generated through a reduction in other operating costs, including consulting, legal, audit and communications, which are currently much too high;
 - c) CHF 35 million saved through centralized procurement of goods and services;
 - d) CHF 25 million in negative effects (e.g. inflation).
- 4 We also call for a thorough review of the key geographic areas and a less vertical integration. Emphasis here should be put on the return on capital employed (ROCE). In the past, many unprofitable or uneconomical acquisitions were made with the intention of increasing revenue. However, these measures were often taken at the expense of profitability. Thus the group does not operate on the market as a single dynamic entity.
- 5 gategroup has paid **excessively high interest rates on its financing** for years. A costly bond with a volume of EUR 350 million and a coupon of 6.75% should be refinanced with a more short-term bank loan.
- 6 The **tax structure** of the company also merits reevaluation, including consideration of relocation to a canton with more favorable tax treatment, such as Canton Zug. Moreover, the large loss carryforwards of over CHF 600 million could benefit from better management
- 7 The **introduction of long term profit sharing program** for the top 100 employees, including ambitious individual and group objectives, should be actively pursued.
- 8 With regards to a **growth strategy**, we ask you to consider the following:
 - a) Decisive steps should be taken to improve cooperation with airlines to enhance the quality of the gategroup offering so that passengers spend less on food at the airport and in turn consume more during the flight (especially during short- and medium-haul flights);
 - b) The company should give the passenger the opportunity to purchase attractive menus for their flight during the flight booking process (on the airlines' websites, OTA, metasearch sites, etc.);
 - c) The involvement of premium food manufacturers should be intensified to make more targeted use of selected products (such as Swiss brands – ice cream in SWISS flights);
 - d) The offering of sellable products during the booking process could be expanded.

Overall, we are convinced that the **longer-term outlook** for gategroup Holding AG's business is **excellent**. Accordingly, we believe that for the employees, customers and shareholders, the company holds great potential for improvement. It is time to take advantage of these opportunities!

Do not miss this opportunity on 16 April 2015 to elect the more qualified team with the more constructive strategy.

Sincerely



Rudolf Bohli
RBR Capital Advisors AG



Jonathan Herbert
Cologny Advisors LLP

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