

OPEN LETTER TO THE BOARD OF DIRECTORS OF GATEGROUP

February 29, 2016

Dear Chairman and Members of the Board of gategroup,

We were surprised by gategroup's press statement from February 16. Previously, in your letter dated February 3, which was signed by Chairman Andreas Schmid and Vice Chairman Remo Brunschwiler, you stated that the board would evaluate our proposed candidates on February 18, and that we could still file a request for the election of our proposed candidates on February 22 if the board disagreed with our initial proposal. We held our approach to be very reasonable, as it allowed a smooth transition in the event Andreas Schmid decided to step down. Also, in our meeting on February 1, Andreas Schmid indicated that he had not yet decided to stand for re-election. Therefore, we felt an even greater obligation to facilitate an amicable exit if he decided to do so.

With his latest decision, supported by the majority of the board, and announcement, his initial good intentions have now been recanted. We can only wonder to what has led him to such a change of heart in such a short period of time.

While reading the press release we identified mistakes and erroneous assumptions which we would like to correct in order to set the record straight.

The two candidates which we proposed to the board of directors at the 2015 AGM are independent and have no relationship to RBR or Colongny other than being proposed by us. We believe they have the necessary qualifications to improve the performance of the board and create shareholder value. We are sure that you would agree that Fred Reid is a great, independent board member who coincidentally also votes in line with your opinion.

We proposed Gerard van Kesteren for his outstanding track record as a manager and CFO. During his tenure as CFO of Kuehne & Nagel, he was regarded as one of the best CFOs in Europe. He is an honest and upstanding business person who does not shy away from making tough decisions, and yet he understands that you have to compromise to get things done. In short: Gerard van Kesteren possesses the qualities to put gategroup on the right track and to restore corporate governance within the company.

Yet, this is the man you decided not to propose for re-election because he is "not fully aligned with the rest of the board regarding strategy". We seriously question the rationale of the board and suspect he was silenced for speaking an inconvenient truth.

Let us assume for a moment that the lack of alignment on strategy was indeed the reason for not proposing Gerard van Kesteren for re-election. Let us delve a bit deeper into the strategy of gategroup. As we see it, gategroup has a three-pillar strategy:

- 1) Grow in emerging markets and retail on board.
- 2) Grow through acquisitions.
- 3) Improve profitability through streamlining and optimizing processes and SG&A.

This is essentially what the company announced on September 3, 2015. On that day, investors were greatly disappointed by this announcement as the share price fell by more than 10%. It would be very enlightening for investors if the company would disclose the minutes of the board meeting where there were most likely strong disagreements on the strategy. The share price reaction was a rejection of your strategy and goals, which have clearly not convinced investors and are in need of modification.

We have always pointed out that it is much safer and creates much greater value for shareholders if the company *initially* emphasizes cost savings rather than acquisitions. We would not be surprised if Gerard van Kesteren and the majority of investors, ourselves included, would back such a front-loaded strategy.

To summarize this point: proposing to not re-elect Gerard van Kesteren at the next AGM jeopardizes the fragile progress that has been achieved over the last 12 months. What candidate would want to serve under your leadership if disagreeing with your opinion leads to an expulsion from the board? Also, naming, singling out and publicly shaming board members who cast a dissenting vote or opinion destroys collegiality, pre-empts the plurality of views and leads to an unhealthy state of affairs on any board. You have clearly chosen the wrong path in corporate governance.

Nevertheless, Andreas Schmid and Remo Brunschwiler invited us in their letter from February 3 to explain our rationale for further changes at the board level, including the chairmanship. The following will also clarify gategroup's claim that we want to make further changes to management:

We strongly believe that gategroup has the potential to be a world-class company. However, despite progress made since last year, gategroup continues to lack the ambition for a full-scale transformation. gategroup is a world market leader in a growing market. The largest competitors are weak, as they are run by ailing legacy carriers. The best-in-class operator Do&Co demonstrates one can achieve sustainable **double-digit EBITDA margins** while consistently growing sales by more than 20%! In other words: the starting position for gategroup is quite exceptional and our goal is to put the right framework in place to truly revive and transform the company.

Since our settlement before the 2015 AGM in regard to the board composition, we have worked tirelessly with gategroup's management and the board (mainly the chairman). We have made several proposals and demands to improve corporate governance, management composition, the long-term incentive scheme and company targets.

Sadly, we must conclude that not a single one of our proposals or demands have been implemented or taken into serious consideration. The protocols of our meetings and e-mails and letters exchanged over the last nine months are a testimonial to the fact that Andreas Schmid makes promises but is unable or unwilling to keep them.

In summary, we conclude the following shortcomings:

CHECKS AND BALANCES

Corporate governance: We are convinced that the checks and balances at gategroup are not implemented adequately. While we believe that management should have a high degree of entrepreneurial freedom, we are very concerned about the lack of control and supervision exercised by the board. Many conversations with Andreas Schmid and management have led us to the

unacceptable conclusion that the board has not reviewed any of the major contracts signed within the last 12 months. Furthermore, we cannot understand how the board can approve a group strategy without making a full review of all of the pre-existing major contracts. Overall, this situation cannot be supported and is a breach of the board's fiduciary duty to shareholders.

DUE DILIGENCE

The assessment and approval of top management jobs by the board is flawed. We have already highlighted in our letter from June 24, 2015, that we have serious reservations about Messrs. Anbeek and Fisch continuing to serve on the executive management board. From our many conversations with Andreas Schmid, we conclude that the board has never properly assessed these gentlemen on the executive board. Furthermore, the appointment of Mr. David de la Torre as the Chief Commercial Officer of gategroup was executed without a proper assessment by the board and has consequently proved to be a fiasco. Given that he resigned within less than six months for "personal reasons" and already secured a new job within days of his resignation (!), our initial suspicions are confirmed that he was appointed for reasons other than his qualifications and ambitions.

AMBITION

Financial targets: We have outlined in several letters and meetings (most recently in an e-mail from January this year to Julie Southern, Head of the Nomination and Compensation Committee, with Andreas Schmid CCed) that 8-10% EBITDA margins are an achievable and appropriate margin target for 2018. If you analyze the bottom-up measures that were announced on September 3, 2015, you will also come to a very similar conclusion. Adding up the savings from the announced white collar overhead reduction (we estimate CHF 40 million in ongoing savings) and the 10-25% of savings potential from CHF 400 million SG&A results in a total savings potential of CHF 80-140 million. This equals more than 250bps to almost 500bps margin improvement potential (from a basis of 5.6% in 2014). Interestingly enough, this does not even include any further margin improvement potential from better sourcing (we estimate 100-150bps margin improvement potential) and improved blue collar efficiency (we estimate 100-200 bps improvement potential). Even when taking some substantial headwinds into consideration, you end up well within the range of 8-10% for 2018. This does not compare to the figure announced, an artificially low margin improvement potential of 25-50bps p.a. by 2020. Despite several requests from our side, the board has failed to deliver any satisfactory explanation for this shortfall.

IMPLEMENTATION

Coincidentally, management has started to lower its guidance on expectations for 2016 earnings. Of the announced 300 headcount reduction, only 220 were actually carried out by the year's end, and it seems that the remaining 80 will not be leaving as certain plans regarding IT have changed in the interim. At the same time, management has communicated that only 10% of the targeted 10-25% savings on SG&A can be realized. Moreover, substantially less than 10% will be achieved within the next 12 months. As far as we understand, best practice would be to achieve substantial savings in SG&A within the first three months from inception. gategroup management has had this mandate since April 2015 and has not made any significant savings to this day!

Of course, this leaves many open questions as to how the board supervises the restructuring process and what corrective measures are taken when management deviates from the stated plan.

COMPENSATION PLAN

Management incentive plan: Ever since we started our discussions with Andreas Schmid we emphasized that an appropriate management incentive plan is paramount to achieving ambitious targets and aligning management and shareholder interests. We conclude from our last e-mail

exchange with Julie Southern, that to our dismay, no new long-term incentive plan is in place. We are seriously concerned that Andreas Schmid as Chairman might not be giving this issue the full consideration it deserves. We are not surprised that management is lowballing expectations for earnings as long as their incentive plan is up in the air. We are convinced that we are not the only shareholders who think this mismanagement is a waste of shareholders' time and detrimental to the company's reputation and performance.

COHERENT DISCLOSURE

Gategroup handles stock exchange regulations on ad hoc publicity arbitrarily to suit its narrow interests. Last year, gategroup received our formal request regarding agenda items and motions on February 11 and did not publish this ad hoc relevant information until March 2. Furthermore, the information contained in the press release contained intentionally misleading information. gategroup confirmed four of our five board candidates and talked about a fifth unconfirmed candidate. The fifth candidate was in fact Paolo Amato, and 10 days later his name showed up on the list of candidates of gategroup. This year, however, gategroup decided to make our informal discussions public without even having received our formal request letter and without awaiting the names of all of our candidates.

In summary, **it is not our intention to gain undue weight on or control of gategroup's board. To the contrary, we are very concerned about the current board's poor corporate governance, their failure of oversight and inadequate management supervision.** Furthermore, we are very disappointed that despite ongoing discussions for over a year, the board has not been able to implement more ambitious margin targets and align management incentives with shareholder value creation.

THE PROPOSAL TO SHAREHOLDERS

Based on all of this, we have decided to give shareholders an opportunity to have a better board of directors. Since the listing of the shares, Andreas Schmid has been the only candidate available for the position of chairman. Given his track record and gategroup's calamitous performance under his leadership, we believe it is preposterous to claim that it would be in the best interest of the company and the shareholders to not give shareholders a better alternative.

Anthonie Stal has been on the board of directors since 2009, which includes the time period of the infamous fraud scandal. Under his tenure, the board approved the highly controversial share incentive scheme which rewarded the board of directors with an excessive share payout with no relation to any operational performance targets. At last year's presentation of the candidates for the board of directors, which was held in Zurich ahead of the AGM, he was notably absent because he missed his flight.

On paper, Remo Brunschwiler looks like the perfect candidate for a board of directors. Nevertheless, we would like to bring to the attention of all gategroup shareholders that Remo Brunschwiler was part of the defamation of one of our candidates for the board of directors last year. While we understand that during a contest there will be heated arguments, we are convinced that certain behavior is absolutely off limits and that it raises serious questions regarding Brunschwiler's moral and ethical standards.

Therefore, we will recommend to all shareholders that they not re-elect Andreas Schmid, Anthonie Stal and Remo Brunschwiler. We firmly believe that it is in the best interest of the company and all stakeholders to continue down the path of improvement and rejuvenation of the board of directors which was already set at last year's AGM.

We can assure you and all shareholders that we want the best possible solution for the company. Therefore, we are going to correct the grave error in judgement of the board and propose Gerard van Kesteren for re-election. In addition, we will propose a new, highly-qualified and independent individual as well as a representative of the largest shareholder, RBR and Coligny, for the board of directors of gategroup.

There is no need to introduce Gerard van Kesteren. We are simply honored and fortunate to have such a high-quality individual willing to represent all shareholders on the board. We admire him for his business acumen and even more so for his highest standards of integrity. His involvement is an indispensable guarantee that a new era has started at gategroup.

We are very pleased to propose Nils Engel as a new independent candidate to the board of directors of gategroup. Nils Engel, a Swiss citizen, has an impressive CV as an entrepreneur and as the former CEO of BZ Bank, a boutique investment bank with strong Swiss roots and one of the earliest and most vocal defenders of shareholders rights in Switzerland. Having spent his formative years at BZ Bank and ultimately attaining the position of CEO, Nils Engel has vast experience in advising CEOs and board members of publicly listed companies. He has a keen knowledge of shareholder value creation and proper corporate governance. As an entrepreneur, he manages and develops a franchise network for Burger King, which gives him first-hand experience in the food and hospitality industry. Needless to say, gategroup could greatly benefit from his experience: Burger King implemented best-in-class, zero-based budgeting, which has led to substantial operational improvements and windfall profits for shareholders.

Lastly, a few words as to the motivation of RBR and Coligny, as the largest shareholder of gategroup, for deciding to propose Rudolf Bohli, a Swiss citizen, as a board candidate. As the largest shareholder in gategroup, we have a vested interest in seeing gategroup prosper. Our fiduciary duty to our investors is aligned with the interest of all shareholders of gategroup. We are committed to improving corporate governance, strengthening the management team and achieving industry leading performance.

Given his education as an electrical engineer from ETH Zurich, his experience as an entrepreneur and CEO for over a decade and as an investor for nearly twenty years, we strongly believe that Rudolf Bohli is well equipped to complement the range of competencies of the proposed board. Furthermore, he is the driving force behind many of the changes which have been achieved at gategroup over the last 12 months. Without his effort and contribution, many of the necessary changes at gategroup would simply not have materialized over the last 12 months. These changes include: more airline, finance and restructuring expertise on the board of directors; announcement of a restructuring program; reduction of the number of headquarters from three to one; reduction of the complexity of the executive management board; lower taxes thanks to a new tax structure; refinancing of the expensive bond. We are convinced that he has a lot more to contribute to complete the transformation of gategroup into a world-class company.

In addition, we support the re-election of Julie Southern, Fred Reid and David Barger to the board of directors as they contribute the critical airline expertise and network. This expertise was lacking on the board until the last AGM.

As a further sign that **it is not our intention to gain undue weight on or control of gategroup's board, we specifically decided not to propose a candidate for chairmanship.** We ask the current board to propose an alternative candidate for chairman. We will continue our dialogue with the current board of directors. As Swiss citizens versed in our tradition of Swiss diplomacy, we remain open to a consensus solution, but we cannot compromise on the fundamental requirements of proper corporate governance: Investors have waited too long. In fact, it has been eight years of

dismal underperformance, beset by a fraud scandal. It is time we all focus on the future and the great potential of gategroup and leave the unpleasant past behind us.

We look forward to the shareholders expressing their views at the AGM and always remain at your disposal with our best interests for the company in mind.

Sincerely,

RBR Capital Advisors AG

Cologne Advisors LLP



Rudolf Bohli

Jonathan Herbert