

## OPEN LETTER TO THE SHAREHOLDERS OF GATEGROUP

March 21, 2016

Dear shareholders of gategroup,

Gerard van Kesteren has courageously accepted to be proposed for re-election by the very same board that had unanimously voted to oust him only a month ago. Everybody who knows Gerard van Kesteren understands that this was not a light-hearted decision for him. We understand that Gerard only accepted the invitation to re-join the board with the guarantee that corporate governance at gategroup will be substantially improved. Also according to our understanding Gerard van Kesteren demanded among others the following:

1. The current chairman Andreas Schmid announces to step down after a year as the chairman of gategroup;
2. Several concrete measures to improve corporate governance and operating performance at gategroup.

As we understand from today's press release from gategroup the first requirement has been met. Given that this was a negotiation between the company and Gerard van Kesteren as a candidate we believe Gerard van Kesteren has the right to inform you about the decision making process should you, the shareholders, ask him. We encourage you to do so as it is an important element to get the full picture and will enable you to cast an informed vote at the upcoming AGM. We are excited by the progress that Gerard van Kesteren has achieved in such a short period of time.

Nevertheless, we remain concerned and are convinced that much more needs to be done to restore proper corporate governance and a healthy state of affairs at gategroup. Let us just review the board's decision to reinstate Gerard van Kesteren: only a month ago the board unanimously voted to dismiss Gerard van Kesteren and commented negatively on his performance as board member. Now they backtrack without any change of the material facts. Even though we appreciate that the board has reversed the decision to dismiss Gerard van Kesteren it doesn't alleviate the fact that the initial decision was a serious mistake, which now risks hampering target-oriented decision making within the board. Last year gategroup spent CHF 1.5 million of shareholders' money to fight its largest shareholder and avoid a fair vote at the AGM. In speeding up the process of renewal, the board would have an opportunity to limit this wasteful spending.

Gategroup listed in 2009 with an excessive management and board re-numeration package with no operational targets attached. Chairman Andreas Schmid still holds roughly 250'000 shares which are currently worth about CHF 10 million from that program. The infamous fraud case from 2011 had no consequences for any of the board members that remained comfortably in their seats despite a clear

lack of control and oversight. Failings in corporate governance are ongoing and detailed in our previous letter to the board and shareholders as well as the attached presentation.

Furthermore, despite management claiming the opposite, operating performance continued to deteriorate significantly in 2015. While local currency sales grew by 3.3%, the number of employees increased by 4% leading to deterioration in productivity. Other operating expenses excluding restructuring cost increased by 7% in CHF and dramatically more in local currency. The most shocking increase came in **consulting and legal fees which increased by over 35% in CHF to CHF 41 million**. To claim that cost cutting is on track is preposterous.

We believe it is appropriate to give the new management some time to execute on improving operating margins to an acceptable level. But we do not believe that after eight years of mediocre performance and weak corporate governance chairman Andreas Schmid should be re-elected even for one year.

As the largest shareholder in gategroup, we have made abundantly clear that it is not our intention to gain undue weight or influence on the board of directors. Our desire is to find the best possible leadership to make gategroup great again. We are open to a compromise to get the deal *all* shareholders deserve. In this spirit we are prepared to offer Andreas Schmid to pull back the candidacy of Rudolf Bohli for the board if he retires already this year. We support Nils Engel's candidacy as he is a strong candidate who will work towards bringing about the right change.

As far as the succession plan for chairman Andreas Schmid is concerned, we are very excited to report that we have had discussions with several very high profile candidates who are willing to accept the chairmanship once it is vacated. Needless to say that such a decision should not be rushed as a proper due diligence is required. Nevertheless we believe with the good faith of all parties involved, a successor could be announced within a few weeks. To conduct such a process ahead of the AGM seems unrealistic. Nevertheless, assuming that the current chairman is not being re-elected, we are convinced that the current board has more than enough qualified members to be able to fulfil its mandate in the interim.

In case Andreas Schmid is unwilling to step down ahead of the AGM, we recommend you to vote at the AGM to:

- **Not re-elect** Andreas Schmid as chairman or a member of the board
- **Not re-elect** Remo Brunschwiler and Anthonie Stal for the board of directors
- **Re-elect** the other current members of the board including Gerard van Kestern as proposed by the board of directors
- **Elect** Nils Engel as a new member to the board of directors
- **Elect** Rudolf Bohli as a new member to the board of directors in case Andreas Schmid does not step down ahead of the AGM

Should you have any further questions or suggestions we would be delighted to talk to you at your convenience.

Sincerely,

RBR Capital Advisors AG

Handwritten signature of Rudolf Bohli in black ink.

Rudolf Bohli

Cologne Advisors LLP

Handwritten signature of Jonathan Herbert in black ink.

Jonathan Herbert