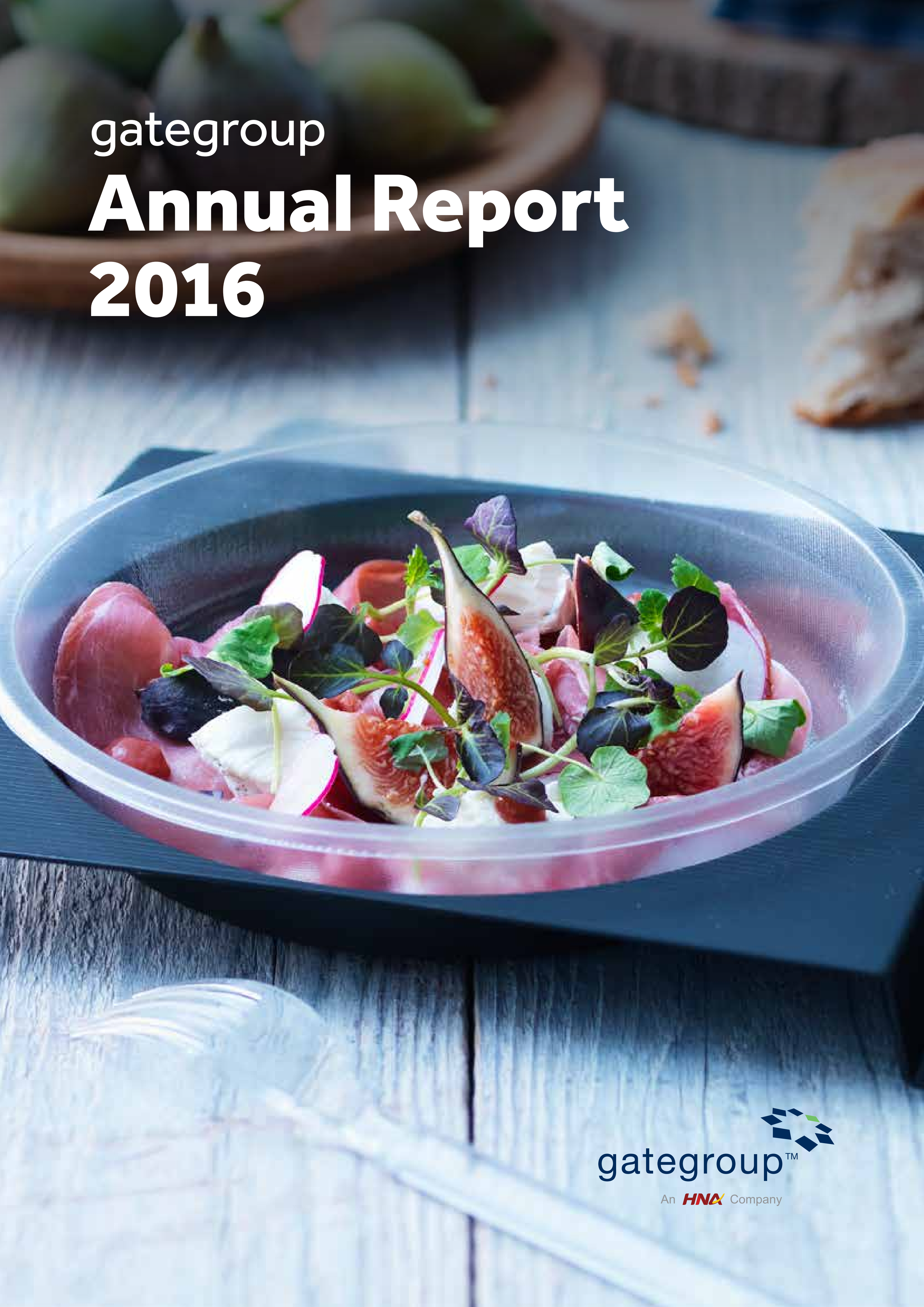
gategroup

# Annual Report 2016



gategroup™

An HNA Company

Annual Report 2016

# We Deliver,
# We Innovate.

gategroup™

An HNA Company

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# Message from the Chairman

Dear Stakeholders of gategroup,

It is a great pleasure and honour for me to serve as the chairman of gategroup and it makes me proud to work with such an excellent and successful team. I wish to thank my predecessor, Mr. Andreas Schmid, and his Board of Directors for making gategroup the world-class company it is today and for entrusting us with leading it into the next successful phase of its future.

In the course of the last 20 years, both HNA and gategroup have experienced rapid growth and a great evolution from regional beginnings to world leading companies. I see great potential to learn from one another and to further develop our business together, and I am certain that we will continue to prosper side by side.

Our roots may be in different parts of the world but both HNA and gategroup today have a global presence and culture. In the future, both companies will become a new form of enterprise operating on a global scale and bringing success and prosperity to customers, employees, suppliers, business partners, neighbours, and everyone we interact with.

I am very pleased to welcome gategroup to the HNA family and to set out into a bright future together.

Thank you for your trust and your support.

Sincerely,

**Adam Tan**
Chairman

# Interview with the CEO

**The Gateway 2020 strategy was announced in 2015. How satisfied are you with the progress at the beginning of 2017?**

I am very happy with the results so far. We have made significant progress on all aspects of our strategy and the effect is beginning to show clearly in our financial performance: Revenue is up 12.2% at actual exchange rates or 13.8% at constant exchange rates, we surpassed our EBITDA margin improvement target, and we went from a net loss to a profit of CHF 30.7 million. Since we announced the Gateway 2020 strategy in September 2015, our share price increased by more than 60%. I want to take this opportunity to thank every member of the gategroup team for their dedication and commitment to implementing our strategy and delivering our objectives. It is thanks to their fantastic support that we are successful as a company today. But of course, we need to keep pushing to keep delivering in the future.

**gategroup has been taken over by HNA Group. What does this mean for the Company in general and for the Gateway 2020 strategy in particular?**

Our new owners stand behind us and fully support our Gateway 2020 strategy. We continue to focus on delivering great products and services and achieving our business objectives, so nothing really changes for our employees, our customers and the rest of our stakeholders. Together with our new Board of Directors, we are looking at how to further develop the Company on a strategic level. The acquisition of Servair was the biggest event in the airline catering industry in many years and HNA were fully supportive of the venture and played a key role in making it happen. This illustrates how the strategic guidance and support of our new owners is of enormous value for us.

**In 2016, gategroup expanded its presence through a number of acquisitions, including many in emerging markets. Why do you seek to enter such underdeveloped markets and will you continue to push expansion into such countries?**

We do most of our business in developed markets, with North America and Europe accounting for some 84% of our revenue. These markets are constantly changing driven by new competitors, business models, culinary trends and product offerings. Our challenge is to adapt to these trends by finding new avenues for growth such as the retail on board segment and by delivering continuous productivity improvements. Emerging markets on the other hand are much smaller in part because their economic potential has not yet been realized. Such countries typically have a very young popula-

Servair chef Joël Robuchon has 30 Michelin Stars under his belt.

tion, a high rate of economic growth and enormous potential to further develop their tourism sector. With our investment and expertise, we contribute to realizing that economic potential and we are rewarded with higher margins and prospects for future growth. It is a win-win situation but the level of political and economic risk is also elevated. We mitigate some of that risk by working with local partners and by acquiring well-established companies, and we diversify our geopolitical risk exposure by expanding into emerging markets in different parts of the world: In 2016, we expanded in Cambodia, Bolivia, Mexico and the acquisition of Servair has made us the market leader on the African continent. Frankly, it is possible that not all of these investments play out as planned but I am convinced that the biggest risk of all is to miss these opportunities altogether. The acquisition of Servair was a key milestone in this respect as we aim to be the global company with the largest network in the industry.

**Will gategroup and its brands continue to exist under HNA? Do you have any plans to launch new brands or streamline the existing brand portfolio?**

gategroup and its brands are established world-class players in the airline catering industry and even though we are now one of HNA's autonomous portfolio companies, HNA has expressed no interest in changing our brand architecture. However, the Company, its products and services and the industry as a whole evolve constantly and we must keep asking ourselves whether our brands still adequately reflect what we stand for. gategroup remains the umbrella brand that contains our fully integrated line of products and services and the individual brands that go with them. As new products and services are introduced, we may decide to launch new brands but we may also consolidate some of the existing ones. Under our new strategy, some of our offering is being channeled through our Centres of Excellence and they may take on some of the


functions of certain brands. We will continue to leverage the brand equity of our well-established brands but following a number of acquisitions it is probably time for a level of consolidation.

**What is your outlook for gategroup for 2017?**

The integration of Servair continues to be an area of intense focus. We are working very closely with our new colleagues and I am deeply impressed by the tremendous progress that has already been made. This is a very exciting time for Servair and gategroup and this partnership will bring endless possibilities and opportunities. Besides Servair, we keep looking for ways to further develop the business, be it through new products and services or geographical expansion. In this respect, the cooperation with HNA will be highly beneficial for both sides as we will be able to grow in emerging markets through integrating our existing networks and open up new ones together. Overall, 2016 has been a very good year for the global airline industry and 2017 also saw a promising start. Through our four Centres of Excellence, we will also continue to introduce innovations such as obex, our new handheld device to access various data streams onboard, and we will remain at the forefront of the industry evolution with retail on board concepts and pre-order solutions. No matter how the year continues, we will continue to work closely with our customers around the world, supporting them in their business and helping them create value for their passengers and for themselves.

## Our new owners bring enormous value to the Company


12%
REVENUE
INCREASE

# Financial Review

## In 2016, gategroup significantly improved profitability and increased revenue through acquisitions while reducing financing cost.

gategroup's financial performance for the year 2016 improved substantially across all areas. Total revenue increased 12.2% to CHF 3,363.1 million from CHF 2,996.4 million in 2015. Reported EBITDA for the twelve months ended December 31, 2016, grew by CHF 54.9 million to CHF 200.5 million year on year. This translates to an EBITDA margin improvement of 121 basis points over the previous year and represents a significant outperformance of our guidance of between 25 to 50 basis points annual EBITDA margin improvement. Operating free cash flow grew by more than CHF 14.7 million from CHF 67.1 million in 2015 to CHF 81.8 million in 2016.

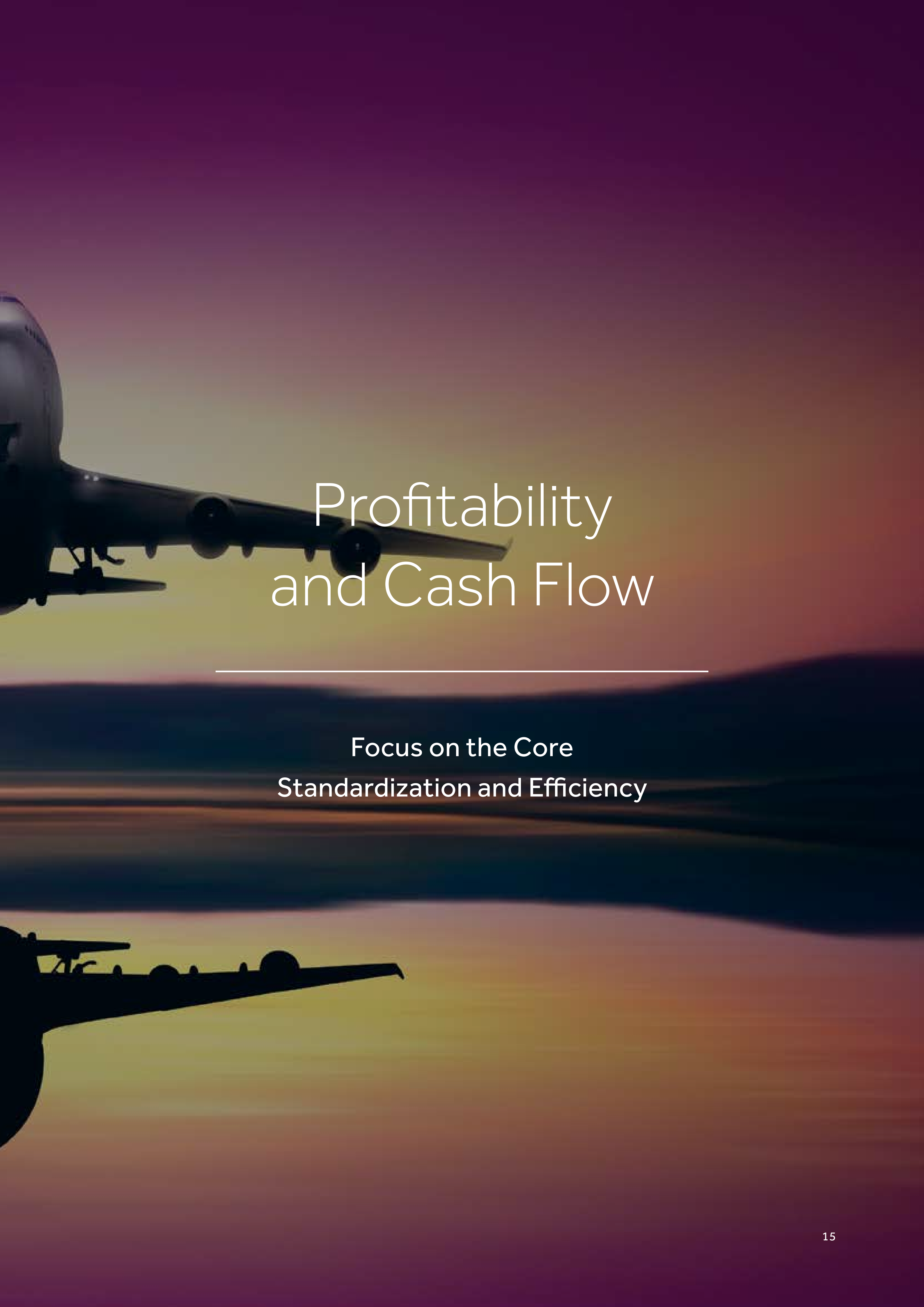
Adding more than CHF 340 million in annual revenue through acquisitions in 2016, gategroup continued its geographic expansion. Our strategy of increasing leverage in order to grow through acquisitions and subsequently maintaining financial discipline by using free cash flow to repay debt has proven successful. Following the IFS acquisition in February 2016, gategroup managed to return to the same leverage level as before the acquisition within six months. On January 1, 2017, gategroup acquired 50% minus 1 share and took on control over Servair, creating the global leader and world's largest provider of airline catering and onboard products and services.

gategroup's financing cost was reduced by more than two thirds from CHF 86.5 million in 2015 to CHF 26.7 million in 2016. A major achievement in this respect was the refinancing of existing debt in mid-year when gategroup managed to introduce extensive ring-fencing language to protect the Company's capital structure and secure the same cost of debt. In February 2017, gategroup successfully raised CHF 350 million through the issuance of a 5-year corporate bond with 3% interest per annum to finance the acquisition of Servair. The strong investor interest in the transaction underscores gategroup's attractiveness in the financial community.

# Our Strategy

## Innovation and Growth

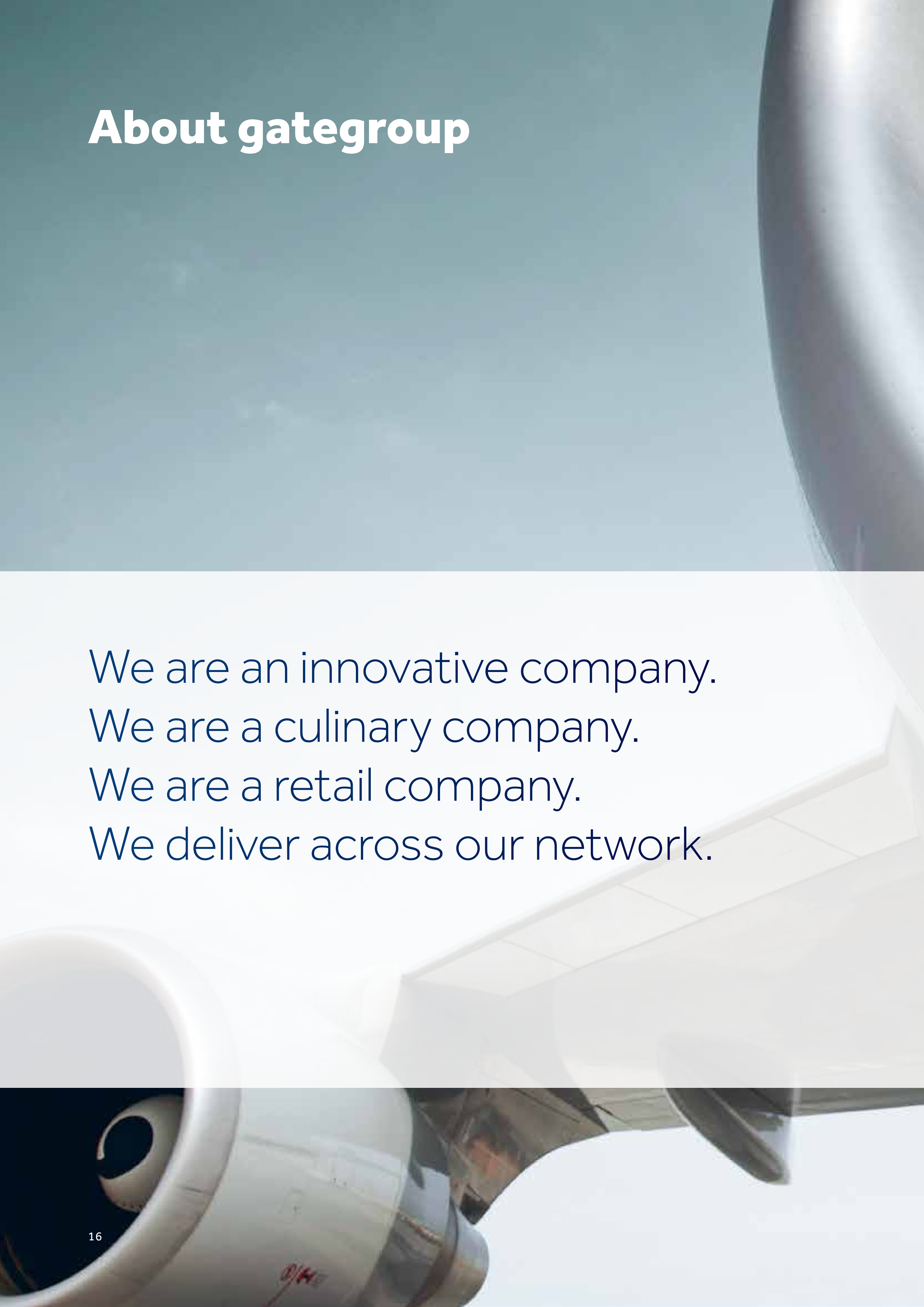
Commercial Innovation
Geographic Expansion



# Profitability and Cash Flow

Focus on the Core

Standardization and Efficiency



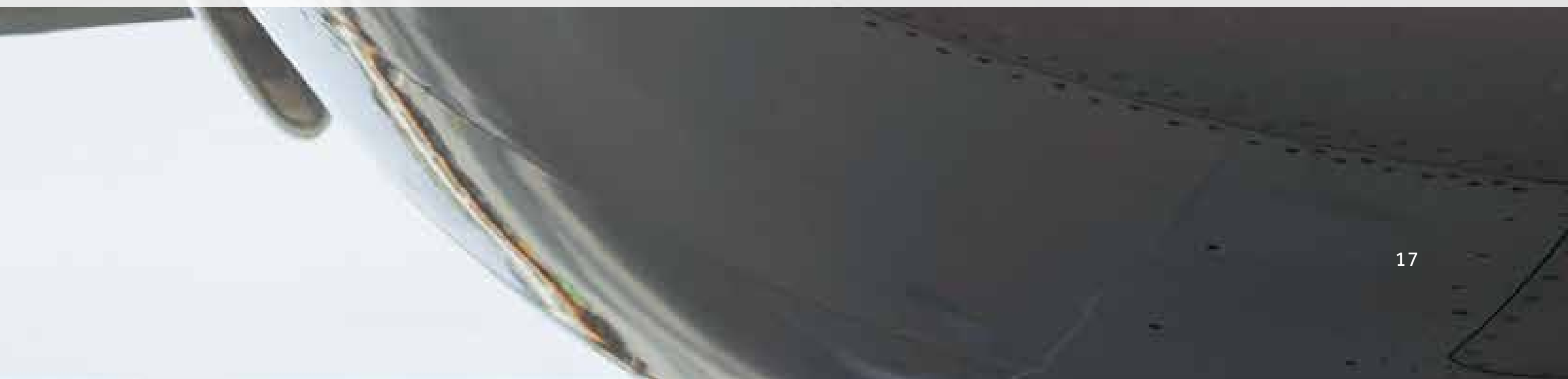
# About gategroup

We are an innovative company.
We are a culinary company.
We are a retail company.
We deliver across our network.

gategroup is the global leader and world's largest provider of products, services and solutions related to a passenger's onboard experience. The Company specializes in inflight catering and retail on board, as well as other services and products linked to airline hospitality and logistics.

Through a global network spanning six continents, gategroup supplies 300 airlines at over 170 locations and serves more than 500 million passengers per year. The Company has 43,000 employees and annual revenues of more than CHF 4.5 billion.

Our unrivalled geographic footprint allows us to offer integrated solutions and deliver operational excellence on a global scale. Our worldwide network of facilities ensures a consistent product and quality of service as the offerings developed in the Centres of Excellence are delivered through five geographical regions providing local support and expertise.



# What We Do

We act as ONE gategroup sharing culture, expertise and insight.

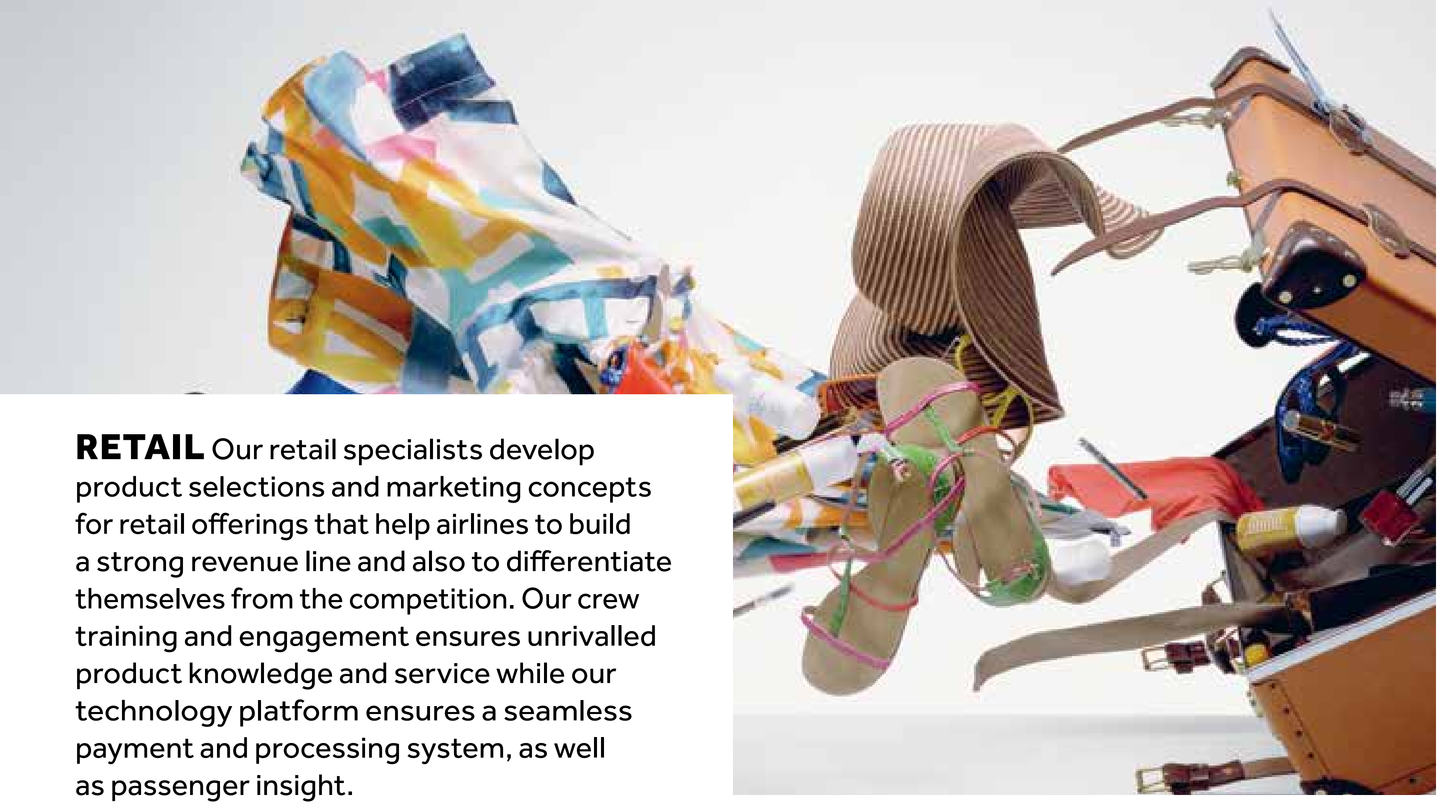
We deliver operational excellence through our five regions.

We design and develop new concepts and best practice through our four Centres of Excellence.

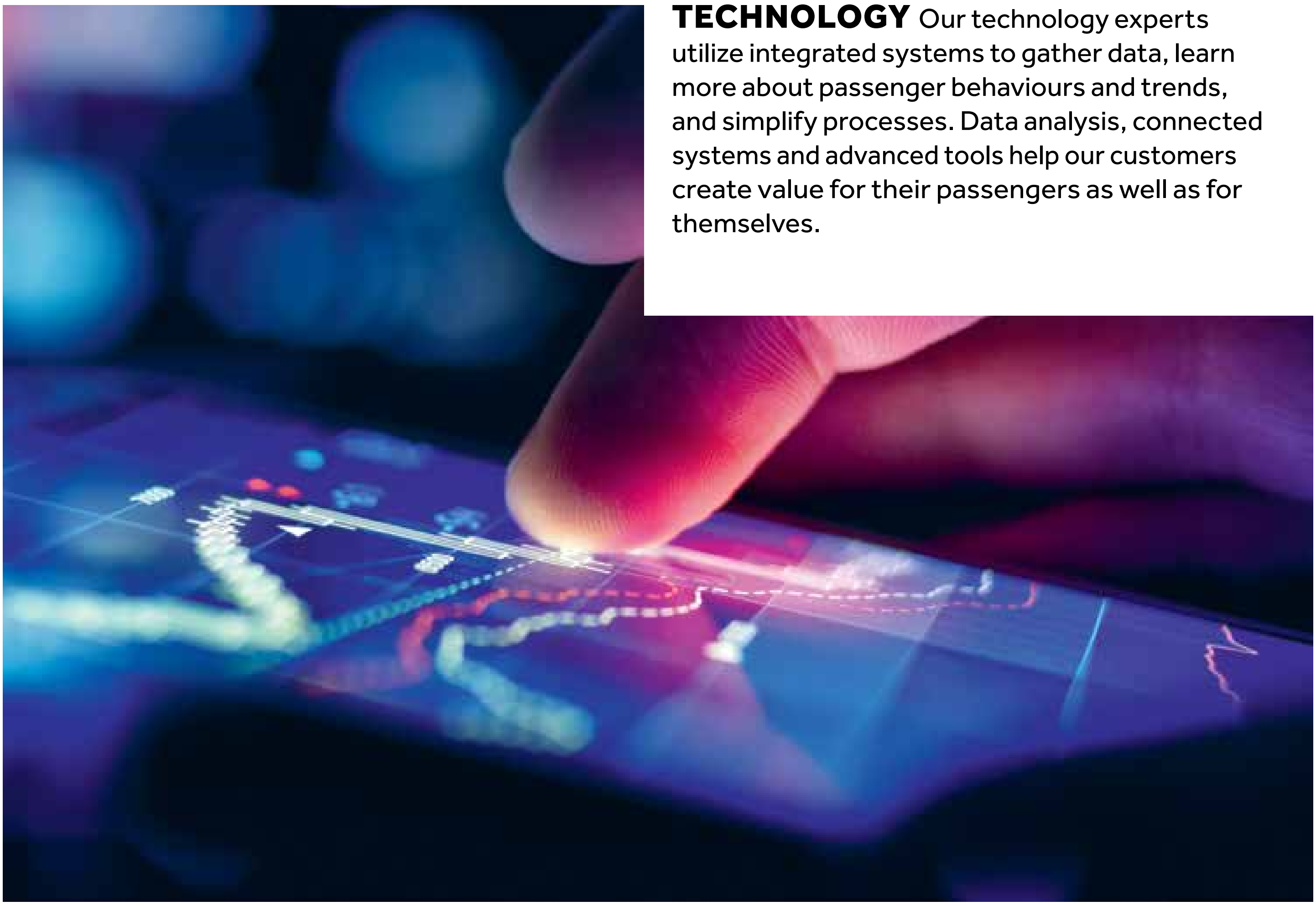
We create simplified and standardized processes and systems through our support functions.

# We Deliver, We Innovate.

# Centres of Excellence



**RETAIL** Our retail specialists develop product selections and marketing concepts for retail offerings that help airlines to build a strong revenue line and also to differentiate themselves from the competition. Our crew training and engagement ensures unrivalled product knowledge and service while our technology platform ensures a seamless payment and processing system, as well as passenger insight.



**TECHNOLOGY** Our technology experts utilize integrated systems to gather data, learn more about passenger behaviours and trends, and simplify processes. Data analysis, connected systems and advanced tools help our customers create value for their passengers as well as for themselves.

**INNOVATION** Our innovation Centre of Excellence challenges the status-quo and encourages airlines to improve their total travel experience. They stay ahead of the latest culinary and retail trends and design innovative passenger-centric concepts that bring these to life on board. They co-create solutions together with our customers; from concept to reality.

**CULINARY** Our lead chefs are constantly on the lookout for the latest trends in food and cooking techniques; seeking inspiration from the best-in-class restaurants around the world. In close collaboration with our customers, they create exquisite menus that delight passengers and are adapted for preparation in flight kitchens and consumption on board an aircraft.

**TOTAL ASSETS OVER RMB 200 BILLION**

**OPERATES OVER 520 AIRCRAFTS**

**OVER 750 DOMESTIC AND INTERNATIONAL AIR ROUTES THAT CONNECT OVER 200 CITIES**

**OVER 8.7 MILLION CONSECUTIVE SAFE FLIGHT HOURS**

**ANNUAL PASSENGER TRAFFIC: 66.68 MILLION PERSON TIME**

# About HNA

## HNA has built a new industrial model structured around the three pillars of air travel, modern logistics and modern financial services.

**gategroup belongs to the Chinese conglomerate HNA Group. HNA is a Fortune Global 500 company and a leader in aviation, tourism, logistics and financial services. gategroup operates as an autonomous portfolio company within the HNA Group.**

Through the optimal allocation of resources among industries, HNA has built a new industrial model structured around the three pillars of air travel, modern logistics and modern financial services. It includes a new industrial structure featured with aviation, real estate, hotels, commodity retailing, tourism, finance, logistics, shipbuilding and ecological technology etc. and aims for "smooth travel, smooth freighting and promotion of changes in consumption concept among Chinese people".

In July 2015, HNA Group was listed among Fortune 500 for the first time, ranking no. 464 with annual revenue of approximately USD 25.6 billion.

In July 2016, HNA Group was listed among Fortune 500 once again, ranking no. 353 with annual revenue of approximately USD 29.56 billion. The ranking rose by 111 positions compared with the previous year.

### Core Competence

HNA Aviation is devoted to establish a one-stop shop for air transports, ranging from air passenger and cargo transport, aviation maintenance and general aviation. With the target of becoming the global leader in the aviation industry, HNA Aviation strives to achieve its goals by providing quality services, in order to become "the most honest travel agenda and the most reliable aviation business partner".

### Awards and Prizes

In January 2011, Hainan Airlines has been certified as a SKYTRAX Five-Star Airline and its honorary title has continued for six consecutive years.

In 2016, HNA Hainan Airlines is ranked as "World's 5th safest airline" by JACDEC, a German aviation safety data evaluation agency with zero accident rate, it ranks the 5th place around the world and remains top among domestic airlines.

# 2016 Highlights

## January

United Airlines renews its contract for multiple international locations, including Washington Dulles and San Francisco hubs for a total revenue of more than CHF 500 million over contract period.

## February

gategroup completes the acquisition of Inflight Service Group expanding its leadership position in buy on-board services in terms of size, number of customers, business intelligence and on-board technology.

—

gategroup secures a five-year contract with TUI Group via Gate Retail covering management of inflight retail food and beverage and duty free items as well as pre-order sales in the UK and across the Nordics.

—

American Airlines renews business with gategroup at its Los Angeles hub and extends at five other key international gateway locations. gategroup extends business with American Eagle in Dallas Fort Worth.

## March

gategroup acquires 75% of Cambodia Air Catering Services in the Kingdom of Cambodia, one of the fastest growing aviation markets in Asia.

—

gategroup increases the existing EUR 240 million Revolving Credit Facility to EUR 350 million at unchanged terms and conditions with maturity in 2020.

## April


Qatar Airways announces new startups with gategroup in Boston and Atlanta.

## June

gategroup fully consolidates Gate Gourmet & MAASA Mexico which operates facilities in the three major airports Cancun, Mexico City and Monterrey and offers services at other satellite locations.

## May

gategroup becomes the majority shareholder of Campamentos de Obra Moviles S.L., a Spanish company dedicated to remote catering across the globe with solid growth potential.

—

Internationally acclaimed full-service carrier Hong Kong Airlines signs a five-year extension of catering services with gategroup at the airline's main hub in Hong Kong.

—

gategroup takes on the airline catering and provisioning business for Emirates at Tokyo Narita and at Clark International Airport in Manila.

—

Wizz Air extends its contract with gategroup by seven years beyond the original expiration date at the end of 2016.

## August

gategroup acquires a controlling interest in Gate Gourmet Catering Bolivia S.A. which operates at airports in Cochabamba, La Paz and Santa Cruz de la Sierra.

—

gategroup establishes its presence in Italy with central production in Malpensa and an assembly centre in Rome.

## September

easyJet extends its contract with gategroup through 2022, an additional three years beyond the original expiration date.

—

airberlin extends and expands its existing partnership with gategroup for four years until the end of 2020 covering catering and provisioning and the retail of food, beverages and duty free items.

## December

HNA

HNA Group acquires gategroup at a price of CHF 53 per share. HNA is a Fortune Global 500 company with headquarters on the island of Hainan, China, and a leading provider in the fields of aviation, tourism, logistics and financial services.

## January 2017

gategroup acquires 50% minus 1 share and takes on operational control of Servair. The acquisition complements gategroup's global network with a strong presence in France and Africa and makes gategroup the world-class leader in inflight catering.

—

Virgin Atlantic renews a five-year extension of business with gategroup in the UK, two years in the US and up to 2019 for Shanghai.

## February 2017

gategroup successfully raises CHF 350 million through the issuance of a fixed rate senior bond with a final maturity in 2022 to finance the acquisition of Servair.

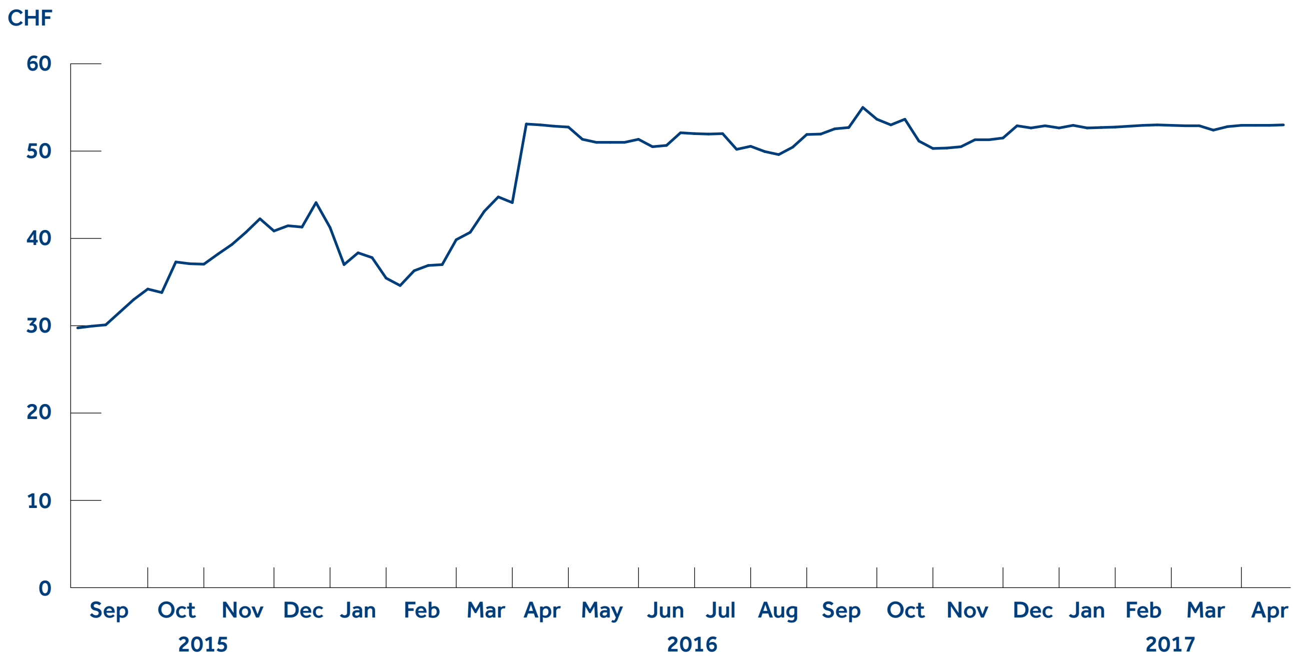
# Facts and Figures

## Financial Overview (in CHF m)

| | 2016 | 2015 | % Change |
|---|---|---|---|
| **Total revenue in CHF** | 3,363.1 | 2,996.4 | 12.2% |
| **EBITDA** | 200.5 | 145.6 | 37.7% |
| **EBITDA margin** | 6.0% | 4.8% | 1.2pp |
| **Operating profit** | 77.6 | 40.0 | 94.0% |
| **Cash generated from operations** | 141.6 | 116.1 | 22.0% |

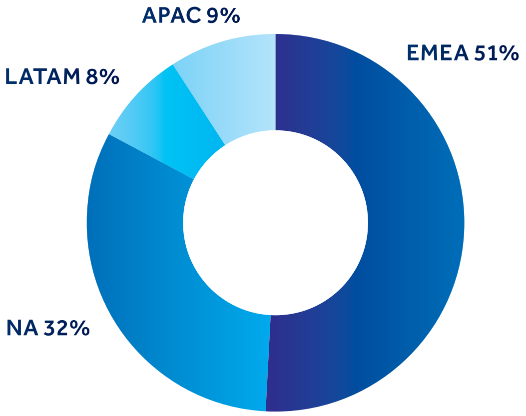
## Share Price Development

### since announcement of Gateway 2020 strategy

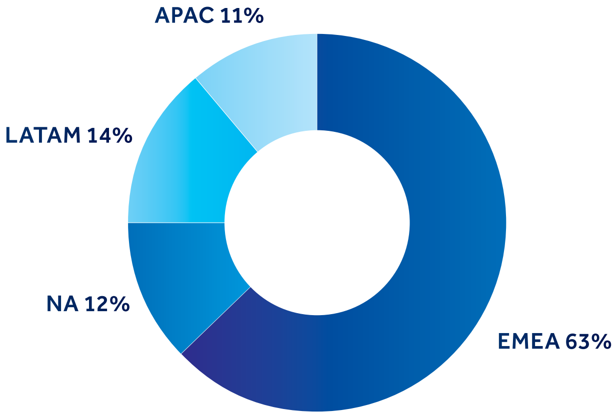


## Regional Overview (2016, Excluding Servair)

### REVENUE BY GEOGRAPHY




### EBITDA BY GEOGRAPHY




## Global Overview (2017, Including Servair)

**6**
CONTINENTS

**43K+**
EMPLOYEES

**60+**
COUNTRIES/TERRITORIES

**500M+**
PASSENGERS SERVED/YEAR

**200+**
OPERATING UNITS

**4.5B+**
REVENUE (CHF)

**300+**
CUSTOMERS

# Corporate Social Responsibility

**Corporate Social Responsibility (CSR) is an important topic for gategroup, its customers and its owner. Our CSR strategy is built around four areas that are relevant to our business activities:**

**WORKPLACE**
Our employees

**ENVIRONMENT**
Sustainable practices and reduced footprint

**COMMUNITY**
Improve our communities

**MARKETPLACE**
Our suppliers and customers

The CSR strategy is being reaffirmed through regional opportunities and pilots. Here are some of the activities through which gategroup makes a difference around the world:

- Cooking with some of the country's top chefs at a charity event to raise funds to support Australia's most disadvantaged and vulnerable people.
- Installing new waste separators to separate food waste from other waste, supporting recycling and reducing landfill.
- Volunteering for a charitable organisation by supporting clients in creatively using basic ingredients to prepare tasty meals for themselves and their families.
- Investing in food waste digesters which allow biological waste to be broken down to an enriched liquid that can be disposed of down the regular drains.
- Employing around 100 people with mental health issues to clean, polish and package cutlery as part of the normal operations but under special supervision and care in Switzerland.
- Sourcing ingredients from local suppliers to support the communities where we operate.
- Holding workshops on the occasion of Women's Day to create awareness and address the effects of unconscious bias.
- Deploying new Credit360 environmental tool for globally tracking unit carbon, waste and water emissions to measure the environmental impact of our global operations.

# Board of Directors

**gategroup's Board of Directors is composed of six members – five non-executive directors and one executive director. The Board members were elected for a term of one year at the Extraordinary General Meeting.**

**Adam Tan, Chairman of the Board and Member of the Compensation Committee**
Adam Tan is Vice Chairman of the Board of Directors and CEO of HNA Group. He is responsible for the Group's finance system, international affairs, and HNA Capital and HNA Logistics management work.

Adam Tan joined HNA Group in 1991 as one of its founders. He became Managing Director of Hainan Airlines in 2001. From 2001 to 2013, he was appointed Director of the HNA Board of Directors, Executive Chairman of HNA Holdings from 2007 to 2011, and Chairman of HNA Capital from 2011 to 2015. He was Vice Chairman of the Board of Directors of HNA, President of HNA Group, Vice Chairman and CEO of HNA Group (International) Company from 2013 to 2015.

Adam Tan holds a M.A. Degree in Economics from the Capital University of Business and Economics, Beijing, and an MBA from the College of Insurance, St. John's University, and studied at Harvard Business School, USA, from 2001 to 2002. He is also a visiting professor of the Capital University of Economics, Beijing.

**Di Xin, Member of the Compensation Committee**
Di Xin is currently Executive Vice Chairman and CEO of HNA Aviation Group, Non-Executive member of the Board of Directors of HNA Group and Chairman of Hainan Airlines. He joined Hainan Airlines Co., Ltd in 1992 and served as General Manager of the Operational Control Department from 2003 to 2005 and as General Manager of the Flight Department from 2005 to 2007 at Hainan Airlines Company, Ltd. From 2007 to 2010 he was Assistant to CEO of HNA Group and was appointed CEO of HNA Easy Holding Company, Ltd. in 2010. From 2010 to 2014 he served as Chairman and CEO of Tianjin Airlines Company, Ltd.

Di Xin holds a Master in Aircraft Dynamic from the Nanjing University of Aeronautics and Astronautics (NUAA), China.

**Frank Nang**
Frank Nang is Chief Innovation Officer of HNA Aviation Group and Chairman of the Board of Directors of HNA Catering Service Company. He joined the HNA Group in 2006 as Technic Engineer of Hainan Airline and was appointed Project Manager of HNA Import and Export Company from 2010 to 2011. From 2011 to 2012, he was Financing Manager of the HNA 4 financial department and served from 2012 to 2014 as Assistant Manager of the HNA financial department and as Deputy Director of HNA's cash flow management unit. From 2014 to 2015 he was elected Vice President of HNA Import and Export Company and served as Deputy Manager of HNA's financial department and as Director of HNA's cash flow management unit. In 2015, he served as President of HNA Import and Export Company, as Executive Director of HNA Aircraft Purchasing Centre, as General Manager of the HNA purchasing department, and as Deputy Manager of HNA's financial department, prior to being nominated as Chief Innovation Officer of HNA Aviation Group.

Frank Nang holds a Bachelor in Electrical Engineering and Automation from the China Civil Aviation Academy.

**Stewart Smith**
Mr Smith is Chairman of Bravia Capital, a Hong Kong based private equity, structured finance and advisory firm which he joined at inception in 2002. Bravia specialises in transportation and logistics businesses and asset management. For many years Bravia has had a close working relationship with HNA Group and since 2009 Bravia has been a co-investor with and adviser to HNA in a number of overseas acquisitions and ventures.

Before joining Bravia Mr Smith followed a career in banking in the UK latterly with the leading Norwegian bank, DNB Bank, primarily in senior general management positions and also specialising in asset based / structured financing and equipment leasing (1984–2001).

Mr Smith is a non-executive Director of a number of other HNA Group companies in transportation and logistics including Sinoceanic Shipping Holdings Limited in Bermuda/Norway (Chairman), Offshore Heavy Transport AS in Norway (Vice Chairman), Tip Trailer Services in the Netherlands, Swissport International Ltd in Switzerland and Azul SA in Brazil.

During his career, Mr Smith has held many other directorships in banking, transportation businesses and leasing companies. Mr Smith holds a BA (Hons) in Accounting and Finance from Manchester University in the UK and completed the Corporate Finance Programme at London Business School. He is also an Associate of the Chartered Institute of Bankers (ACIB).

**Xavier Rossinyol**

Xavier Rossinyol was appointed Chief Executive Officer of gategroup effective April 1, 2015. Mr Rossinyol has more than 20 years of experience in the airline service industry, including airport contract catering, duty-free and duty-paid shops, licensing activities, and food and beverage management experience. He also has a strong track record when it comes to performing in equity markets. Prior to joining gategroup, Mr Rossinyol was at Dufry, a leading global travel retailer operating in 60 countries, where he served as Chief Operating Officer EMEA and Asia from 2012 to 2015, and as Chief Financial Officer from 2004 to mid-2012. During his time at Dufry, Mr Rossinyol was accountable for the company's profitability, including material turn-arounds and business restructuring. He led more than ten post-merger integrations across several continents as well as M&A activities across Europe, the U.S., Latin America and Asia. He also opened close to 15 new markets in Europe, Africa and Asia. From 1995 to 2004, Mr Rossinyol worked for the Spanish based Grupo Áreas (part of the French publicly traded Group Elior, a world-leading company in both contract and concession catering). There he oversaw new business opportunities in Spain and internationally as well as strategic planning, reporting and controlling.

Mr Rossinyol has a BBA and an MBA in International Management and Finance from ESADE (Barcelona, Canada and Hong Kong) and a Master in Business Law from Universidad Pompeu Fabra, Barcelona.

**Frederick W. Reid, Member of the Compensation Committee**

Frederick W. Reid was elected to the Board of Directors in April 2015. Mr Reid is President of zee.aero, a Californian company developing and building new-generation personal aircraft. Previously, Mr Reid served as the President of Flexjet, Inc., from 2008 to 2012, and was the founding Chief Executive Officer of Virgin America, Inc., from 2004 to 2008. Mr Reid was also President and Chief Operating Officer of Delta Air Lines from 2001 to 2004 and, prior to that, was Delta's Chief Marketing Officer from 1998 to 2001 and served as the Chairman of the Board of Directors of Delta Connection Inc. Before joining Delta, Mr Reid served in executive roles at Lufthansa German Airlines, including as President and Chief Operating Officer from 1996 to 1998, as Executive Vice President from 1994 to March 1996 and as Senior Vice President of the Americas from 1991 to 1994. Mr Reid started his career in the aviation industry at Pan American World Airways, where he served in a variety of positions with increasing responsibility that took him around the globe.

Mr Reid is a member of the Board of Advisors for Thayer Ventures. He is a non-executive Director of The Commonwealth Club and is Vice Chairman of the Board of Directors of Sonoma Land Trust. He also has been a member of the Advisory Board for the Taub Institute for Research on Alzheimer's Disease & The Aging Brain since 2000.

Mr Reid holds a BA degree in South Asian Studies from the University of California, Berkeley.

# Financial Report

**Consolidated Financial Statements**

# Consolidated Financial Statements

# Consolidated Income Statement

| in CHF m | Notes | 2016 | 2015 |
|---|---|---|---|
| **Total revenue** | 6 | **3,363.1** | **2,996.4** |
| Materials and service expenses | | (1,407.4) | (1,231.3) |
| Personnel expenses | 7 | (1,242.5) | (1,174.2) |
| Other operating income and expenses, net | 8 | (573.9) | (491.0) |
| Impairment charges, net of reversal | 18, 20 | – | (1.5) |
| Depreciation and amortization | 18, 20 | (68.0) | (58.9) |
| Other gains and (losses), net | 9 | 6.3 | 0.5 |
| **Total operating expenses, net** | | **(3,285.5)** | **(2,956.4)** |
| **Operating profit** | | **77.6** | **40.0** |
| Finance costs, net | 10 | (26.7) | (86.5) |
| Share of result of associates and joint ventures | 11 | 3.0 | 2.0 |
| **Profit/(loss) before tax** | | **53.9** | **(44.5)** |
| Income tax expenses | 12 | (21.3) | (17.6) |
| **Profit/(loss) for the year** | | **32.6** | **(62.1)** |
| thereof attributable to shareholders of the Company | | 30.7 | (63.4) |
| thereof attributable to non-controlling interests | | 1.9 | 1.3 |
| **Earnings per share attributable to shareholders of the Company** | | | |
| Basic earnings per share in CHF | 13 | 1.17 | (2.43) |
| Diluted earnings per share in CHF | 13 | 1.16 | (2.43) |

# Consolidated Statement of Comprehensive Income

| in CHF m | 2016 | 2015 |
|---|---|---|
| **Profit/(loss) for the year** | **32.6** | **(62.1)** |
| **Items that will not be reclassified to profit or loss** | | |
| Actuarial gains/(losses) net, on defined benefit schemes, net of taxes | 7.5 | (2.1) |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Currency translation differences arising during the year | 2.2 | 18.6 |
| **Other comprehensive income** | **9.7** | **16.5** |
| **Total comprehensive income** | **42.3** | **(45.6)** |
| thereof attributable to shareholders of the Company | 41.0 | (46.5) |
| thereof attributable to non-controlling interests | 1.3 | 0.9 |

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

# Consolidated Balance Sheet

| in CHF m | *Notes* | **December 31, 2016** | **December 31, 2015** |
|---|---|---|---|
| Cash and cash equivalents | *14* | 389.4 | 102.6 |
| Trade receivables | *15* | 324.9 | 284.7 |
| Other current receivables and prepayments | *16* | 102.9 | 94.5 |
| Inventories | *17* | 125.0 | 101.9 |
| Current income tax assets | | 17.8 | 10.4 |
| Assets held for sale | *19* | 4.3 | – |
| **Total current assets** | | **964.3** | **594.1** |
| Property, plant and equipment | *18* | 291.6 | 284.4 |
| Intangible assets | *20* | 648.2 | 412.1 |
| Investments in associates and joint ventures | *11* | 15.1 | 15.0 |
| Other non-current receivables | | 39.1 | 34.8 |
| Deferred income tax assets | *21* | 52.4 | 45.9 |
| **Total non-current assets** | | **1,046.4** | **792.2** |
| **Total assets** | | **2,010.7** | **1,386.3** |
| Short-term debt | *23* | 469.1 | 65.3 |
| Trade and other payables | *24* | 245.8 | 217.3 |
| Current income tax liabilities | | 22.4 | 14.7 |
| Short-term provisions | *25* | 48.7 | 36.6 |
| Other current liabilities | *26* | 380.5 | 298.9 |
| **Total current liabilities** | | **1,166.5** | **632.8** |
| Long-term debt | *23* | 272.4 | 277.4 |
| Deferred income tax liabilities | *21* | 17.6 | 13.9 |
| Retirement benefit obligations | *22* | 181.9 | 192.4 |
| Long-term provisions | *25* | 59.5 | 33.0 |
| Other non-current liabilities | | 5.9 | 3.5 |
| **Total non-current liabilities** | | **537.3** | **520.2** |
| **Total liabilities** | | **1,703.8** | **1,153.0** |
| Equity attributable to shareholders of the Company | | 279.6 | 230.3 |
| Non-controlling interests | | 27.3 | 3.0 |
| **Total equity** | | **306.9** | **233.3** |
| **Total liabilities and equity** | | **2,010.7** | **1,386.3** |

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

# Consolidated Statement of Changes in Equity

| in CHF m | Attributable to shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Retained earnings and other reserves | Currency translation | Total | Non-controlling interests | Total equity |
| **At January 1, 2016** | **134.0** | **(19.6)** | **90.4** | **25.5** | **230.3** | **3.0** | **233.3** |
| Profit for the year | – | – | 30.7 | – | 30.7 | 1.9 | 32.6 |
| Other comprehensive income | – | – | 7.5 | 2.8 | 10.3 | (0.6) | 9.7 |
| **Total comprehensive income** | **–** | **–** | **38.2** | **2.8** | **41.0** | **1.3** | **42.3** |
| Equity-settled share-based payments | – | – | 16.1 | – | 16.1 | – | 16.1 |
| Issue of treasury shares to employees | – | 17.0 | (17.0) | – | – | – | – |
| Capital increase in non-controlling interests | – | – | – | – | – | 3.0 | 3.0 |
| Change in non-controlling interests | – | – | – | – | – | 22.2 | 22.2 |
| Dividends paid | – | – | (7.8) | – | (7.8) | – | (7.8) |
| Dividends paid to non-controlling interests | – | – | – | – | – | (2.2) | (2.2) |
| **At December 31, 2016** | **134.0** | **(2.6)** | **119.9** | **28.3** | **279.6** | **27.3** | **306.9** |
| | | | | | | | |
| **At January 1, 2015** | **134.0** | **(20.4)** | **167.6** | **6.5** | **287.7** | **3.0** | **290.7** |
| (Loss)/profit for the year | – | – | (63.4) | – | (63.4) | 1.3 | (62.1) |
| Other comprehensive income | – | – | (2.1) | 19.0 | 16.9 | (0.4) | 16.5 |
| **Total comprehensive income** | **–** | **–** | **(65.5)** | **19.0** | **(46.5)** | **0.9** | **(45.6)** |
| Equity-settled share-based payments | – | – | 0.8 | – | 0.8 | – | 0.8 |
| Issue of treasury shares to employees | – | 0.8 | (0.8) | – | – | – | – |
| Capital increase in non-controlling interests | – | – | – | – | – | 0.5 | 0.5 |
| Dividends paid | – | – | (11.7) | – | (11.7) | – | (11.7) |
| Dividends paid to non-controlling interests | – | – | – | – | – | (1.4) | (1.4) |
| **At December 31, 2015** | **134.0** | **(19.6)** | **90.4** | **25.5** | **230.3** | **3.0** | **233.3** |

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

# Consolidated Cash Flow Statement

| in CHF m | Notes | 2016 | 2015 |
|---|---|---|---|
| **Profit/(loss) before tax** | | **53.9** | **(44.5)** |
| Adjustments for: | | | |
| Finance costs, net | *10* | 26.7 | 86.5 |
| Share-based payments | *7, 28* | 16.1 | 0.8 |
| Share of result of associates and joint ventures | *11* | (3.0) | (2.0) |
| Depreciation and amortization | *18, 20* | 68.0 | 58.9 |
| Impairment charges, net of reversal | *18, 20* | – | 1.5 |
| Other (gains) and losses, net | *9* | (6.3) | (0.5) |
| Net cash flow before working capital and provision changes | | 155.4 | 100.7 |
| Changes in working capital | | 11.9 | 2.8 |
| Changes in provisions and retirement benefit obligations | | (25.7) | 12.6 |
| Cash generated from operations | | 141.6 | 116.1 |
| Interest paid | | (14.9) | (30.2) |
| Early repayment fee | *10* | – | (19.0) |
| Interest received | | 1.9 | 0.9 |
| Income taxes paid, net | | (20.8) | (18.5) |
| **Net cash flow generated from operating activities** | | **107.8** | **49.3** |
| Acquisition of subsidiaries, net of cash acquired | *30* | (85.7) | (1.6) |
| Purchase of property, plant and equipment | *18* | (60.7) | (43.4) |
| Purchase of intangible assets | *20* | (6.1) | (7.6) |
| Disposal of subsidiaries, net of cash disposed | *31* | 0.1 | – |
| Proceeds from sale of assets | | 6.9 | 2.0 |
| Dividends from associates and joint ventures | | 1.0 | 0.5 |
| Capital increase in associates | | (1.4) | (0.2) |
| **Net cash flow used in investing activities** | | **(145.9)** | **(50.3)** |
| Proceeds from debt | | 553.9 | 412.1 |
| Repayments of debt and other financing costs | | (217.8) | (466.3) |
| Dividends paid | *27* | (7.8) | (11.7) |
| Dividends paid to non-controlling interests | | (2.2) | (1.4) |
| Capital increase in non-controlling interests | | – | 0.5 |
| **Net cash flow generated from/(used in) financing activities** | | **326.1** | **(66.8)** |
| **Increase/(decrease) in cash and cash equivalents** | | **288.0** | **(67.8)** |
| **Movement in cash and cash equivalents** | | | |
| At start of the year | | 102.6 | 183.8 |
| Increase/(decrease) in cash and cash equivalents | | 288.0 | (67.8) |
| Effects of exchange rate changes | | (1.2) | (13.4) |
| **At end of the year** | *14* | **389.4** | **102.6** |

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

# Notes to the 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 the United States. The Company has its registered office at Balz-Zimmermannstrasse 7, CH-8302 Kloten, Switzerland, and its shares are listed on the SIX Swiss Exchange.

Following the successful settlement of the public tender offer by HNA Aviation (Hong Kong) Air Catering Holding Co., Ltd., Hong Kong, a subsidiary of HNA Group Co., Ltd., the Group applied to the SIX Swiss Exchange for the delisting of the gategroup shares in accordance with the listing rules. The application was approved by the SIX Swiss Exchange on January 23, 2017.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company (the "Board") on April 15, 2017.

## 2 Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all years presented, unless otherwise stated.

### 2.1 Basis of Preparation

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 "Critical Accounting Estimates and Judgments".

### 2.2 Changes in Accounting Policies

Adoption of new IFRS standards and amendments to standards in 2016 that have no material effect on the consolidated financial statements of the Group:

| Standard | Effective date |
|---|---|
| Annual Improvements to IFRSs 2012–2014 Cycle | January 1, 2016 |
| IAS 1 (amendment) – Disclosure Initiative | January 1, 2016 |

Adoption of new or revised IFRS standards, interpretations and amendments to standards by the Group in 2017 or later:

| Standard/Interpretation | Effective date | Relevance for the Group | Planned adoption |
|---|---|---|---|
| IAS 7 (amendment) – Disclosure Initiative** | January 1, 2017 | The amendments are intended to clarify and improve information provided to users of financial statements about an entity's financing activities. | Financial year 2017 |
| Annual Improvements to IFRSs 2014–2016 Cycle – IFRS 12** | January 1, 2017 | Clarifies the scope of the standard by specifying the disclosure requirements which apply to an entity's investment that is either classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5. | Financial year 2017 |
| Annual Improvements to IFRSs 2014–2016 Cycle – IFRS 1 and IAS 28* | January 1, 2018 | The short-term exemptions within IFRS 1 will be deleted because they have served their intended purpose. IAS 28 clarifies the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity. This distinction is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. | Financial year 2018 |
| IFRS 2 (amendment) – Classification and Measurement of Share-Based Payment Transactions* | January 1, 2018 | The amendment clarifies the accounting for transactions that include a performance obligation, the classification of transactions with net settlement features and the accounting for modifications from cash-settled to equity-settled plans. | Financial year 2018 |
| IFRS 7 (amendment) – Disclosures – Initial application of IFRS 9* | January 1, 2018 | The amendment requires additional disclosures on transition from IAS 39 to IFRS 9. | Financial year 2018 |
| IFRS 9 – Financial Instruments* | January 1, 2018 | IFRS 9 carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It will replace IAS 39. | Financial year 2018 |
| IFRS 15 – Revenue from Contracts with Customers* | January 1, 2018 | IFRS 15 provides a single revenue recognition model based on the transfer of control of goods or services to a customer. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Further, it provides the users of financial statements with more informative, relevant disclosures. | Financial year 2018 |
| IFRIC 22 – Foreign Currency Transactions and Advance Consideration* | January 1, 2018 | IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. | Financial year 2018 |
| IFRS 16 – Leases* | January 1, 2019 | IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. | Financial year 2019 |
| IAS 28 and IFRS 10 (amendment) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Deferred | The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. | Yet to be determined |

* Impact still to be assessed
** None of these new standards or amendments will have a significant impact on the Group's consolidated financial statements

## 2.3 Consolidation Accounting

### Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets paid, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Goodwill is measured as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated income statement.

All material intercompany transactions and balances, and any unrealized gains or losses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Gains and losses on transactions with non-controlling interests are recorded in equity.

### Associates and Joint Ventures

Associates are those entities in which the Group has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Group holds, directly or indirectly, between 20% and 50% of the voting rights of the entity.

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and joint ventures are accounted for using the equity method and are initially recognized at cost. When the Group's share of losses in an associate or joint venture equals or exceeds its interest, no further losses are recognized unless there is a legal or constructive obligation. If the associates or joint ventures subsequently report profits, then they resume recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Accounting policies of associates and joint ventures are changed where necessary to ensure consistency with the policies adopted by the Group.

## 2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Management Board ("EMB"), which has been identified as the Group's Chief Operating Decision Maker.

## 2.5 Foreign Currency Translation

The consolidated financial statements are expressed in Swiss Francs ("CHF"), which is the Group's presentation currency. The functional currency of each of the Group's entities is based on the primary economic environment in which the entity operates.

Transactions in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Any resulting exchange differences are recorded in the local income statements of the Group's entities and included in profit or loss.

Monetary assets and liabilities of the Group's entities which are denominated in foreign currencies are translated using year-end exchange rates. Exchange differences are recorded as an income or expense. Non-monetary assets and liabilities are translated at historical exchange rates.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive income, and presented under currency translation in equity.

When translating foreign-currency financial statements into CHF, year-end exchange rates are applied to assets and liabilities, whilst monthly average rates are applied to income statement accounts. Translation differences arising from this process are recorded in other comprehensive income. The cash flow statement is translated at monthly average rates or actual rates for significant transactions. On disposal of a subsidiary, the related cumulative translation adjustment is transferred from equity and included in the profit or loss from the disposal in the income statement.

The principal exchange rates used were as follows:

| Swiss Francs per | **2016 Closing rate** | **2016 Annual average rate** | **2015 Closing rate** | **2015 Annual average rate** |
|---|---|---|---|---|
| 1 Australian Dollar | 0.74 | 0.73 | 0.73 | 0.72 |
| 1 Euro | 1.07 | 1.09 | 1.09 | 1.07 |
| 1 GB Pound | 1.26 | 1.34 | 1.47 | 1.47 |
| 1 Swedish Krona | 0.11 | 0.12 | 0.12 | 0.11 |
| 1 US Dollar | 1.02 | 0.99 | 1.00 | 0.96 |

### 2.6 Recognition of Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated volume rebates and other similar allowances. Once revenue is recognized, any subsequent uncertainty regarding collectability is recognized as an expense and adjustment to the net amount receivable, rather than as an adjustment to revenue.

The Group recognizes revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity, and when the significant risks and rewards of ownership are transferred to the customer. This is mainly upon delivery of product and customer acceptance, or performance of services.

The Group reports revenue in the categories catering and retail on board, handling, equipment and other.

Revenue from the sale of goods and products (such as on-airport food production, retail on board, production of food contact items, duty free sales, comfort items and other in-flight equipment) is recognized upon delivery of product and customer acceptance. Revenue from services (such as logistic services, laundry, aircraft cleaning, lounge and security services and asset management) is recognized in the accounting period in which the service is rendered.

### 2.7 Fair Value Measurement

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

### 2.8 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in the balance sheet within short-term debt.

### 2.9 Trade and Other Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Trade and other receivables are further classified as either current or non-current depending on whether these are expected to be realized within twelve months of the balance sheet date.

### 2.10 Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and reclassifies them whenever its intention changes. All purchases and sales are recognized on the settlement date.

#### Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are assets held for trading, being acquired for the purpose of generating a profit from short-term fluctuations in price. Financial assets held for trading are measured at their fair value and transaction costs are expensed in the income statement. Fair value changes on a financial asset held for trading are included in profit or loss for the period in which they arise. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months.

#### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities of more than twelve months which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet and are measured at amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method for any difference between the initial amount and the maturity amount, minus any reduction for impairment or uncollectibility. The effective interest method calculates the amortized cost of a financial asset, allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

#### Impairment of Financial Assets

A financial asset is impaired if its carrying amount is greater than the present value of its estimated future cash flows. The Group assesses, at each balance sheet date, whether there is any objective evidence that a financial asset may be impaired. If any such evidence exists, the Group estimates the present value of estimated future cash flows of that asset and recognizes an impairment loss in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the write-down, the write-down of the financial asset is reversed. Any reversal will not result in a carrying amount that exceeds the level amortized cost would have been, had the impairment not been recognized, at the date the write-down of the financial asset is reversed. The amount of the reversal is included in the income statement for the financial year.

### Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

## 2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using the standard cost method, the average cost method, or the first-in first-out method. The cost of inventory comprises the purchase cost of raw materials and traded goods, as well as transport and other direct costs. Inventories primarily consist of food, beverages, food contact items (such as cutlery, cups, glasses and plates), comfort items (such as headsets, blankets and amenity kits) and materials used in the production process (such as various plastics and coatings).

## 2.12 Up-front Contract Payments

From time to time the Group enters into service contracts whereby, in some cases, an up-front contract payment is made to customers as an integral part of a long-term agreement. These up-front payments are recognized in "other prepayments and accrued income" and "other non-current receivables". They are amortized over the life of the related contract. The amortization charge is recorded as a reduction of revenue.

## 2.13 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The carrying amount of any replaced asset is derecognized. All other repairs and maintenance costs are charged to the income statement during the financial year in which they are incurred.

Land is not depreciated. Capitalized leased assets are depreciated over the shorter of the useful life and the lease term. Depreciation on other assets is calculated using the straight-line method to allocate cost less any residual value over their estimated useful lives, as follows:

| | |
|---|---|
| – Buildings | 10–40 years |
| – Catering and other equipment | 3–10 years |
| – Fixtures and fittings | 5–15 years |
| – Vehicles | 3–12 years |

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount.

Gains or losses on the sale of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in the income statement.

## 2.14 Assets Held for Sale

Non-current assets or disposal groups comprising assets and liabilities are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

### 2.15 Leases

Leases of property, plant and equipment, where the Group bears substantially all the risks and rewards associated with ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum future lease payments. Each lease payment is allocated between the liability and finance charges so as to produce a constant periodic rate of interest over the life of the lease. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### 2.16 Intangible Assets

#### Goodwill

Goodwill is measured as the excess of the sum of the fair value of the consideration, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill arising from acquisitions of associates and joint ventures is included in the carrying value of the investment and is tested for impairment as part of the Group's impairment testing. Separately recognized goodwill is tested at least annually for impairment or whenever there are indications of potential impairment, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. On disposal of a cash generating unit ("CGU") or an operation forming part of a CGU, the related goodwill is included in the determination of profit or loss on disposal. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained. The Group identifies CGUs consistently with its segments.

#### Intellectual Property

Intellectual property comprises trademarks acquired in a business combination. The cost of intellectual property represents the fair value at acquisition. The useful lives of these trademarks are assessed to be either finite or indefinite. Trademarks with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Trademarks are considered to have an indefinite life if they arise from contractual or other legal rights that can be renewed without significant cost, are subject to continuous marketing support and if there is no foreseeable limit to their useful economic life. Trademarks with indefinite useful lives are not amortized but are tested for impairment at least annually or whenever there is an indicator of potential impairment. The useful life of a trademark with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, any changes are made on a prospective basis.

#### Customer Relationships

Customer relationship assets as identified in a business combination are recorded at fair value at the acquisition date. This is then amortized on a straight-line basis over the lifetime of the relationship. Customer relationship assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Capitalized Software

Costs that are directly associated with the purchase or internal development of identifiable software products controlled by the Group and that are designed to generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. The costs that are capitalized include purchase consideration, employee and consultant costs and an appropriate portion of relevant overheads. Costs recognized as assets are amortized on a straight-line basis over their estimated useful lives (between two and five years) and are carried at cost less accumulated amortization and impairment losses.

### 2.17 Impairment of Non-financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested at least annually for impairment or whenever there are impairment indicators. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Non-financial assets other than goodwill that previously suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.18 Employee Benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where the Group provides long-term employee benefits, the cost is accrued to match the rendering of the services by the employee concerned.

#### Retirement Benefit Obligations

Group companies operate various pension schemes. The plans are generally funded through payments to independent pension or insurance funds, the level of which is determined by regular actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Employee contributions are recognized as a reduction to service cost in the year of service.

Past service costs are recognized immediately in the income statement, as well as gains or losses on curtailments or settlements of a defined benefit plan as an event occurs. The gain or loss on a curtailment or settlement comprises any resulting change in the present value of the defined benefit obligation and any resulting change in the fair value of the plan assets.

When the fair value of the plan assets exceeds the present value of the defined benefit obligation, the Group's management assesses whether this surplus is fully recoverable through refunds or reductions in future contributions. Any portion of the surplus which is not fully recoverable is not recognized.

Remeasurements of the net defined benefit liability arising from actuarial gains and losses, return on plan assets and any change in the effect of an asset ceiling, are reported through the consolidated statement of comprehensive income in the period in which they arise.

Defined contribution and state administered plans may require employees to make contributions and enable employees to earn matching or other contributions from the Group. The funding of these plans is in accordance with statutory funding and tax requirements. Obligations for contributions to defined contribution and state administered plans are recognized as an expense in the income statement as incurred.

#### Termination Benefits

Termination benefits are recognized on the date on which the Group can no longer rescind the offer of the benefit or when restructuring provisions are recorded.

### Share-based Compensation

The Group provides equity participation plans to key employees in the form of share plans. These plans are accounted for as equity-settled share-based payment transactions.

The fair values of share awards with non-market performance conditions are determined at grant date based on the market price less expected future dividends to which the holder of the award or option is not entitled. The fair values of share awards with performance conditions are determined at grant date by using the Geometric Brownian Motion model.

The cost of equity participation plans are recognized as personnel expense in the income statement with a corresponding increase in equity over the vesting period taking into account the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date for awards with non-market performance conditions the Group revises its estimate of the number of equity instruments expected to vest. An expense is recognized for awards with a market condition irrespective of whether the market condition is expected to be met, provided that all other vesting conditions are satisfied. The Group has available treasury shares to meet its commitments.

## 2.19 Taxation

Income tax expense in the income statement is comprised of current and deferred income taxes. To the extent that transactions are recognized in other comprehensive income, any related tax effects are also recognized in other comprehensive income. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date together with any adjustments to tax payable in respect of previous years.

Deferred income tax is recognized based on the balance sheet liability method, which measures temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At each balance sheet date, the Group assesses the recoverability of its deferred income tax assets.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset only when the Group has a legally enforceable right of offset.

## 2.20 Trade Payables and Other Liabilities

Trade payables and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## 2.21 Debt

Debt is recognized initially at fair value, net of transaction costs incurred and subsequently carried at amortized cost. Any difference between the amount borrowed and the repayment amount is reported in the income statement over the duration of the loan using the effective interest method. It is classified as a current liability unless the Group has an unconditional right to defer settlement for at least twelve months after the balance sheet date.

## 2.22 Provisions

Provisions for legal claims, tax disputes, onerous contracts, property disputes, restructuring costs and other matters are recognized when the Group has a present or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

A contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it and a provision is then recognized at the present value of the obligation. Restructuring provisions principally comprise employee termination benefits, legal, property and other related costs. Provisions are not recognized for future operating losses.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. In the income statement, the expense relating to a provision may be presented net of the amount recognized for a reimbursement.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### 2.23 Share Capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recorded in equity in the period in which they are approved by the Company's shareholders.

Where the Group purchases shares of the Company, the consideration paid is recognized as treasury shares and presented as a deduction from equity unless these shares are cancelled or sold. Any consideration received from the sale of these shares is recognized in equity.

# 3 Financial Risk Management

## 3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Board has put in place appropriate structures to ensure risk governance and monitoring across the Group.

The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group may use derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department which identifies, evaluates and hedges financial risks where appropriate. The principles for overall financial risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, the use of both derivative and non-derivative financial instruments and the investment of excess liquidity exist and are formally documented.

### Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations including third party financing transactions, as well as intercompany transactions.

Whenever possible, foreign exchange risks are reduced by matching income and expenditure in the same currency and negotiating terms with suppliers that include invoicing Group companies in their local reporting currency.

The Group invests in foreign subsidiaries, whose net assets are exposed to currency translation risk. Generally, the intention is that currency exposure of the net assets of subsidiaries is primarily managed through borrowings denominated in the relevant foreign currencies. When appropriate, the Group enters into foreign exchange forward contracts. In 2015, the Group entered into a GBP 5.0m foreign exchange spot contract against the Euro with maturity on January 4, 2016. No material gain or loss arose. In 2016 no such transactions were entered into.

The following sensitivity analysis illustrates the foreign currency risk of the material currency exposures on profit after tax and equity. If there had been a change of 5% in the underlying currency with all other variables held constant, the result from the shift in exchange rates related to financial instruments held in the balance sheet can be summarized as follows:

| in CHF m | Impact on profit after tax | | | | Impact on equity | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | 2015 | | 2016 | | 2015 | |
| Movement against all currencies | 5% | −5% | 5% | −5% | 5% | −5% | 5% | −5% |
| Australian Dollar | 0.4 | (0.4) | 1.1 | (1.1) | 0.6 | (0.6) | 0.6 | (0.6) |
| Danish Kroner | 1.4 | (1.4) | 0.7 | (0.7) | 1.3 | (1.3) | 1.3 | (1.3) |
| Euro | 2.9 | (2.9) | 3.7 | (3.7) | – | – | – | – |
| GB Pound | 0.8 | (0.8) | 0.9 | (0.9) | – | – | – | – |
| Swedish Kronor | 1.0 | (1.0) | 0.2 | (0.2) | – | – | – | – |
| US Dollar | (0.5) | 0.5 | 0.5 | (0.5) | – | – | – | – |

### Cash Flow and Fair Value Interest Rate Risk

The Group's interest rate risk is primarily driven by changes to market interest rates on financial liabilities subject to variable interest rates. Together with the floating interest rates on cash balances, they form the cash flow risk which creates uncertainty over future net interest payments. All significant financial liabilities are recorded at amortized cost and do not expose the Group to a fair value interest rate risk.

The primary objective of the Group's interest rate management is to protect the net interest result.

The Group analyzes its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration the sensitivity of financial assets and liabilities with variable interest rates and the refinancing of positions with a maturity of less than twelve months. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the interest-bearing positions.

The exposure is addressed through the management of the fixed/floating ratio of net financial liabilities. To manage this mix, the Group may enter into interest rate swap agreements. At December 31, 2016 and 2015, no such interest rate derivatives were outstanding.

Based on the simulations performed, at December 31, 2016, if there had been an interest rate increase of 100 basis points/decrease of 20 basis points with all other variables held constant, profit/(loss) after tax for the year would have been CHF 2.3m higher/ CHF 0.5m lower (2015: CHF 1.5m higher / CHF 0.3m lower). At December 31, 2016 and 2015, other components of equity would not have been impacted.

### Credit Risk

Credit risk reflects the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group.

It is the Group's policy that customers who trade on credit terms are subject to credit verification procedures. The assessment of the credit quality of the Group's customers is reflected in the Group's internal rating system which takes into account the financial position, past experience, ownership structure, specific market conditions and other factors. In addition, receivable balances per customer are monitored, at least monthly, on a consolidated basis. The credit exposure by customer is regularly reviewed and approved by management. In cases where management assesses the trend of the exposure to any customer as unsatisfactory or in cases where the credit quality of any customer deteriorates, the Group enforces measures to reduce the exposure and might revise the payment and credit terms. The total outstanding trade balances of the Group's five largest receivable positions at December 31, 2016, constitute 22.0% (2015: 24.3%) of the total gross trade receivable amount and individually they accounted for between 3.8% and 6.2% (2015: 3.7% and 7.6%) of the total gross trade receivables. Due to appropriate provisioning, management does not expect any additional losses from non-performance by customers.

The credit risk arising from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions are limited because the counterparties are banks and financial institutions which, as far as operationally possible, have an investment grade rating assigned by international credit-rating agencies and which are monitored regularly.

### Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate level of committed credit facilities. The Group's central treasury department achieves flexibility in funding by maintaining availability under committed credit lines. The Group monitors its risk to a shortage of funds by reviewing short-term and mid-term cash forecasts during the year.

The following table details the contractual maturity of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities at the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| **2016**<br>in CHF m | **1–3 months** | **3 months–<br>1 year** | **1–5 years** | **More than<br>5 years** | **Total** |
|---|---|---|---|---|---|
| Trade and other payables | (199.3) | (9.4) | – | – | (208.7) |
| Short-term debt | (0.7) | (245.0) | – | – | (245.7) |
| Other current liabilities | (219.8) | (111.7) | – | – | (331.5) |
| Long-term debt | – | – | (582.1) | (1.0) | (583.1) |
| **Balance at December 31** | **(419.8)** | **(366.1)** | **(582.1)** | **(1.0)** | **(1,369.0)** |

| **2015**<br>in CHF m | | | | | |
|---|---|---|---|---|---|
| Trade and other payables | (181.9) | (4.6) | – | – | (186.5) |
| Short-term debt | (1.2) | (3.7) | – | – | (4.9) |
| Other current liabilities | (174.6) | (84.6) | – | – | (259.2) |
| Long-term debt | – | – | (375.8) | (1.7) | (377.5) |
| Unpaid purchase price consideration | (154.3) | – | – | – | (154.3) |
| **Balance at December 31** | **(512.0)** | **(92.9)** | **(375.8)** | **(1.7)** | **(982.4)** |

At the end of the reporting period, the Group had drawn CHF 223.6m (2015: CHF 61.1m) of the Revolving Credit Facility ("RCF"). The RCF may be drawn at any time to meet short-term financing needs. It is subject to a bi-annual Compliance Certificate review.

### 3.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard its status as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain a capital structure focused on reducing the cost of capital. In order to maintain or adjust the capital structure, the Group may distribute dividends, issue new shares or adjust the level of debt.

The Group's existing committed credit facilities are available to the Company and certain of its subsidiaries (Note 23). The RCF and the Term Loan contain certain covenants with respect to the net leverage and interest coverage ratio.

### 3.3 Fair Value Estimation

In 2016 and 2015 no significant financial instruments at fair value were held by the Group. Where fair values are disclosed in the notes to the consolidated financial statements, the fair value hierarchy as outlined in the accounting policies are provided. No transfers from one level of the fair value hierarchy to another occurred.

Management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

## 4 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under foreseeable circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related final outcome. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described in the following table.

| | |
|---|---|
| Note 12/21 | Provisions for income taxes require significant judgment as these are based on transactions and calculations for which the ultimate tax determination is uncertain. Deferred tax assets are based on anticipated results for the relevant taxable entity over a period of several years into the future. |
| Note 15 | Allowance for doubtful accounts requires assessment on the recoverability of accounts receivable which involves estimation as to the financial condition of customers and their ability to subsequently make payments. |
| Note 20 | The goodwill impairment testing is based on value in use calculations requiring cash flow projections and an appropriate discount rate. The intellectual property impairment testing is based on value in use calculations which requires the estimation of future sales and an appropriate discount rate. |
| Note 22 | Defined benefit plan obligations require estimation of discount rates, inflation and life expectancy. |
| Note 25 | Legal and tax provisions may be recorded for matters over which there is uncertainty, therefore requiring a significant degree of assumption and estimation when determining the probable future outflow of resources. |
| Note 30 | Assessment of business combinations. |

## 5 Segment Information

The Group is organized and managed primarily on the basis of four regional segments: EMEA (Europe, Middle East, Africa and the Commonwealth of Independent States), North America, Latin America and Asia Pacific.

### 5.1 Reportable Segment Information

| **2016**<br>in CHF m | **EMEA** | **North America** | **Latin America** | **Asia Pacific** | **Eliminations** | **Total reportable segments** |
|---|---|---|---|---|---|---|
| Catering and retail on board | 1,047.9 | 553.9 | 186.7 | 208.3 | – | 1,996.8 |
| Handling | 284.7 | 403.1 | 47.1 | 70.7 | – | 805.6 |
| Equipment | 259.1 | 7.5 | – | 0.6 | – | 267.2 |
| Other | 120.2 | 122.1 | 19.0 | 32.2 | – | 293.5 |
| Intersegment | 6.5 | 5.2 | – | 0.6 | (12.3) | – |
| **Total revenue** | **1,718.4** | **1,091.8** | **252.8** | **312.4** | **(12.3)** | **3,363.1** |
| | | | | | | |
| **EBITDA** | **126.9** | **23.7** | **28.7** | **21.2** | **–** | **200.5** |
| Additions to non-current assets[1] | 29.9 | 24.1 | 7.4 | 5.4 | – | 66.8 |

| **2015**<br>in CHF m | | | | | | |
|---|---|---|---|---|---|---|
| Catering and retail on board | 779.2 | 530.6 | 160.2 | 192.4 | – | 1,662.4 |
| Handling | 300.1 | 392.5 | 39.3 | 64.9 | – | 796.8 |
| Equipment | 251.9 | 7.7 | – | 0.4 | – | 260.0 |
| Other | 109.5 | 109.7 | 19.6 | 38.4 | – | 277.2 |
| Intersegment | 6.5 | 4.9 | – | 0.5 | (11.9) | – |
| **Total revenue** | **1,447.2** | **1,045.4** | **219.1** | **296.6** | **(11.9)** | **2,996.4** |
| | | | | | | |
| **EBITDA** | **81.3** | **28.1** | **21.0** | **15.2** | **–** | **145.6** |
| Additions to non-current assets[1] | 18.6 | 22.0 | 8.6 | 2.1 | – | 51.3 |

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

From December 2016, the Group's internal reporting to the EMB has reflected EBITDA being before the charging of transaction-related costs. This change is reflected in the reportable segment information above, with the prior-year reported EBITDA being adjusted to be consistent with the new definition.

EBITDA is defined as earnings before interest, tax, depreciation, amortization and management fees. EBITDA excludes impairment charges or reversals, operating taxes (non-income taxes), restructuring costs, other gains and (losses), net, transaction-related costs and share-based payments.

The EMB assesses the performance of operating segments based on EBITDA. The reconciliation to operating profit as reported in the consolidated income statement is presented below.

## 5.2 Reconciliation

**Reconciliation of EBITDA to operating profit**

| in CHF m | 2016 | 2015 |
|---|---|---|
| EBITDA | 200.5 | 145.6 |
| Share-based payments (Notes 7, 28) | (16.1) | (0.8) |
| Restructuring costs (Notes 7, 8) | (1.8) | (33.6) |
| Transaction-related costs | (35.3) | (3.2) |
| Operating taxes (non-income taxes) | (8.4) | (9.2) |
| Depreciation (Note 18) | (51.9) | (49.5) |
| Amortization (Note 20) | (16.1) | (9.4) |
| Impairment charges, net of reversal (Notes 18, 20) | – | (1.5) |
| Other gains and (losses), net (Note 9) | 6.3 | 0.5 |
| Management fees, net | 0.4 | 1.1 |
| **Operating profit** | **77.6** | **40.0** |

## 5.3 Entity-wide Disclosures

### Geographic Information

**Revenue by country**

| in CHF m | 2016 | 2015 |
|---|---|---|
| United States | 962.2 | 910.5 |
| Switzerland[I] | 461.1 | 420.5 |
| United Kingdom | 346.8 | 345.1 |
| Other countries | 1,593.0 | 1,320.3 |
| **Total[II]** | **3,363.1** | **2,996.4** |

[I] Country of domicile of the Company
[II] Relates to revenue from external customers

No other country represented more than 10% of revenue from external customers in 2016 or 2015.

**Non-current assets by country**

| in CHF m | 2016 | 2015 |
|---|---|---|
| United States | 202.2 | 218.6 |
| Sweden | 184.2 | 1.0 |
| Switzerland[I] | 151.8 | 124.4 |
| Other countries | 401.6 | 352.5 |
| **Total non-current assets[II]** | **939.8** | **696.5** |

[I] Country of domicile of the Company
[II] Relates to property, plant and equipment and intangible assets

No other country represented more than 10% of non-current assets as per December 31, 2016 or 2015.

### Major Customers

Two major customers accounted for 14% and 11% of 2016's total revenue (2015: 13% and 12% respectively). These revenues are attributable across all reportable segments.

## 6 Revenue

| in CHF m | 2016 | 2015 |
|---|---|---|
| Catering and retail on board | 1,996.8 | 1,662.4 |
| Handling | 805.6 | 796.8 |
| Equipment | 267.2 | 260.0 |
| Other | 293.5 | 277.2 |
| **Total** | **3,363.1** | **2,996.4** |

Catering and retail on board revenue includes revenue from food, beverage and retail on board sales and logistics services. Handling revenue includes revenue from equipment packing, bar-packing and transportation. Equipment revenue includes revenue from the sale of food contact items (such as cutlery, cups, glasses and plates), and comfort items (such as headsets, blankets and amenity kits). Other revenue includes revenue for other services, such as laundry, aircraft cleaning, lounge and security services and asset management.

## 7 Personnel Expenses

| in CHF m | 2016 | 2015 |
|---|---|---|
| Wages and salaries | 1,014.9 | 948.0 |
| Social security costs | 60.3 | 55.9 |
| Pension costs (Note 22) | 25.2 | 29.5 |
| Share-based payments (Note 28) | 16.1 | 0.8 |
| Restructuring costs | 0.2 | 21.5 |
| Other personnel costs and benefits | 125.8 | 118.5 |
| **Total** | **1,242.5** | **1,174.2** |

## 8 Other Operating Income and Expenses, Net

| in CHF m | 2016 | 2015 |
|---|---|---|
| Rental, utility and other property costs | 172.5 | 167.8 |
| Operating fees and deductions | 110.8 | 53.9 |
| Maintenance and lease of equipment costs | 65.6 | 65.3 |
| Audit, consulting and legal fees | 55.9 | 41.0 |
| Communication costs | 53.5 | 45.1 |
| Administrative and operative costs | 31.2 | 33.1 |
| Transport and travel costs | 22.7 | 21.4 |
| Restructuring costs | 1.6 | 12.1 |
| Other operating costs | 66.5 | 60.3 |
| Other operating income | (6.4) | (9.0) |
| **Total** | **573.9** | **491.0** |

## 9 Other Gains and Losses, Net

| in CHF m | 2016 | 2015 |
|---|---|---|
| Gain on sale of assets, net | 2.0 | 0.5 |
| Gain on sale of investments in associates and joint ventures (Note 30) | 4.4 | – |
| Loss from disposal of subsidiaries (Note 31) | (0.1) | – |
| **Total** | **6.3** | **0.5** |

Net gains on sale of assets arose from the sale of property, plant and equipment, intangible assets and other assets.

## 10 Finance Costs, Net

| in CHF m | 2016 | 2015 |
|---|---|---|
| Interest income | 1.9 | 1.0 |
| Other finance income | – | 0.2 |
| **Total financial income** | **1.9** | **1.2** |
| Interest expense | (19.2) | (33.7) |
| Early repayment fee | – | (19.0) |
| Other finance costs | (7.6) | (5.3) |
| **Total financial expenses** | **(26.8)** | **(58.0)** |
| **Net interest on defined benefit schemes (Note 22)** | **(6.4)** | **(5.9)** |
| **Foreign exchange gains/(losses), net** | **4.6** | **(23.8)** |
| **Total** | **(26.7)** | **(86.5)** |

The net foreign exchange loss of CHF 23.8m as of December 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.

In conjunction with the 2015 repayment of the senior unsecured notes of EUR 350.0m, an early repayment fee of CHF 19.0m and CHF 7.7m of capitalized transaction costs were written off. The latter are reported in interest expense.

## 11 Investments in Associates and Joint Ventures

The Group has interests in a number of individually immaterial associates and joint ventures.

| **2016**<br>in CHF m | Associates | Joint ventures | Total |
|---|---|---|---|
| **Aggregated carrying amount** | **15.1** | **–** | **15.1** |
| Share of result of associates and joint ventures | 2.3 | 0.7 | 3.0 |
| Share of other comprehensive income | (0.3) | (0.2) | (0.5) |
| **Share of total comprehensive income** | **2.0** | **0.5** | **2.5** |
| **2015**<br>in CHF m | | | |
| **Aggregated carrying amount** | **12.1** | **2.9** | **15.0** |
| Share of result of associates and joint ventures | 1.0 | 1.0 | 2.0 |
| Share of other comprehensive income | (0.3) | (0.3) | (0.6) |
| **Share of total comprehensive income** | **0.7** | **0.7** | **1.4** |

## 12 Income Tax Expenses

| in CHF m | 2016 | 2015 |
|---|---|---|
| Current income tax charge | 26.9 | 15.8 |
| Deferred tax (income)/charge (Note 21) | (5.6) | 1.8 |
| **Total** | **21.3** | **17.6** |

**Reconciliation of tax expense**

| in CHF m | 2016 | 2015 |
|---|---|---|
| Profit/(loss) before tax | 53.9 | (44.5) |
| **Tax at Swiss tax rate** | **11.0** | **(9.4)** |

**+ / – effects of**

| | | |
|---|---|---|
| Foreign tax rates differing from Swiss tax rate | 9.1 | 6.3 |
| Income not subject to tax | (0.4) | (3.6) |
| Expenses not deductible for tax purposes | 5.7 | 4.7 |
| Prior-year unrecognized tax losses, tax credits or deductible temporary differences | (34.6) | (4.3) |
| Deferred tax assets not recognized in the current year | 14.1 | 24.4 |
| Adjustments for the current tax of prior years | 5.0 | (0.1) |
| Others | 11.4 | (0.4) |
| **Total tax expense** | **21.3** | **17.6** |
| Weighted average effective tax rate | 39.5% | (39.6%) |

The above table shows the expected tax expense at the Swiss tax rate of 20.4% (2015: 21.2%) applied to the Group profit/(loss) before tax and the reconciliation to the actual income tax expense.

Deferred tax assets not recognized in the current year consist of tax losses, tax credits or deductible temporary differences arising in the current year. These have not been recognized in a number of locations.

Due to developments towards the end of 2016, in particular the change of control arising from HNA's acquisition of the Group, a view has had to be taken regarding the existence and usage of certain net operating losses.

## 13 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 year. Treasury shares are not considered as outstanding shares.

| | 2016 | 2015 |
|---|---|---|
| Profit/(loss) for the year attributable to shareholders of the Company (in CHF m) | 30.7 | (63.4) |
| Weighted average number of shares outstanding | 26,346,073 | 26,097,185 |
| Basic earnings per share (in CHF) | 1.17 | (2.43) |

### Diluted Earnings per Share

Diluted earnings per share is calculated by dividing profit or loss attributable to shareholders of the Company by the weighted average number of shares adjusted for all potentially dilutive shares.

| | 2016 | 2015 |
|---|---|---|
| Profit/(loss) for the year attributable to shareholders of the Company (in CHF m) | 30.7 | (63.4) |
| Weighted average number of shares outstanding | 26,346,073 | 26,097,185 |
| Adjustment for share-based payment arrangements, where dilutive | 202,199 | – |
| Adjusted weighted average number of shares outstanding | 26,548,272 | 26,097,185 |
| Diluted earnings per share (in CHF) | 1.16 | (2.43) |

## 14 Cash and Cash Equivalents

| in CHF m | 2016 | 2015 |
|---|---|---|
| Cash and bank balances | 386.8 | 98.3 |
| Short-term bank deposits | 2.6 | 4.3 |
| **Balance at December 31** | **389.4** | **102.6** |

The total of cash and cash equivalents includes amounts of CHF 16.8m (2015: CHF 12.6m) which are not freely transferable outside the relevant country of operation.

## 15 Trade Receivables

| in CHF m | 2016 | 2015 |
|---|---|---|
| Trade receivables | 342.9 | 306.2 |
| Trade receivables due from related parties (Note 32) | 3.3 | 1.1 |
| | **346.2** | **307.3** |
| Provision for impairment of receivables | (21.3) | (22.6) |
| **Balance at December 31** | **324.9** | **284.7** |

The individually impaired receivables mainly related to customers who were experiencing difficult financial circumstances and the majority of these amounts were more than two months overdue. It was assessed that a portion of these receivables is expected to be recovered. The maximum credit risk to which the Group was theoretically exposed at December 31, 2016 and 2015, was represented by the carrying amounts of receivables in the balance sheet.

The aging-analysis of the trade receivables is as follows:

| in CHF m | 2016 | 2015 |
|---|---|---|
| Not overdue | 243.0 | 215.9 |
| Less than 1 month overdue | 53.7 | 44.5 |
| 1 to 2 months overdue | 17.0 | 9.2 |
| Over 2 months overdue | 32.5 | 37.7 |
| **Balance at December 31** | **346.2** | **307.3** |

Movements on the provision for impairment of trade receivables are as follows:

| in CHF m | 2016 | 2015 |
|---|---|---|
| **Balance at January 1** | **(22.6)** | **(20.0)** |
| Provision for receivables impairment | (2.4) | (8.5) |
| Receivables written off during the year as uncollectible | 3.3 | 3.1 |
| Unused amounts reversed | 1.7 | 0.9 |
| Acquisition of subsidiaries | (1.0) | – |
| Exchange differences | (0.3) | 1.9 |
| **Balance at December 31** | **(21.3)** | **(22.6)** |

Amounts provided against are generally written off when there is no expectation of further recovery. The Group does not hold any significant collaterals as security.

## 16 Other Current Receivables and Prepayments

| in CHF m | 2016 | 2015 |
|---|---|---|
| Other receivables | 11.4 | 10.5 |
| Other receivables due from related parties (Note 32) | 0.5 | 2.8 |
| Prepaid taxes other than income tax | 34.7 | 34.1 |
| Other prepayments and accrued income | 56.3 | 47.1 |
| **Balance at December 31** | **102.9** | **94.5** |

## 17 Inventories

| in CHF m | 2016 | 2015 |
|---|---|---|
| Raw materials | 60.8 | 38.8 |
| Catering supplies | 37.3 | 31.0 |
| Work in progress | 4.0 | 3.0 |
| Finished goods | 29.6 | 32.1 |
| Provision for obsolescence | (6.7) | (3.0) |
| **Balance at December 31** | **125.0** | **101.9** |

## 18 Property, Plant and Equipment

| **2016**<br>in CHF m | **Land and buildings** | **Fixtures and fittings in rented buildings** | **Assets under construction** | **Catering and other equipment** | **Vehicles** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at January 1, 2016** | **154.8** | **197.5** | **10.4** | **193.5** | **192.4** | **748.6** |
| Additions | 3.9 | 5.9 | 17.8 | 18.3 | 14.8 | 60.7 |
| Reclassification | (12.3) | 1.7 | (9.6) | 1.1 | 2.5 | (16.6) |
| Acquisition of subsidiaries (Note 30) | 3.5 | 0.1 | 0.1 | 4.4 | 1.5 | 9.6 |
| Disposals | (22.1) | (1.4) | – | (9.0) | (1.2) | (33.7) |
| Exchange differences | (0.1) | 0.5 | 0.7 | (1.7) | 2.9 | 2.3 |
| **Balance at December 31, 2016** | **127.7** | **204.3** | **19.4** | **206.6** | **212.9** | **770.9** |
| **Accumulated depreciation** | | | | | | |
| **Balance at January 1, 2016** | **(80.0)** | **(137.9)** | **–** | **(136.8)** | **(109.5)** | **(464.2)** |
| Depreciation charge for the year | (8.2) | (10.0) | – | (15.8) | (17.9) | (51.9) |
| Reclassification | 9.2 | 0.2 | – | 2.3 | – | 11.7 |
| Disposals | 14.1 | 1.2 | – | 8.9 | 1.1 | 25.3 |
| Exchange differences | 0.1 | – | – | 1.1 | (1.4) | (0.2) |
| **Balance at December 31, 2016** | **(64.8)** | **(146.5)** | **–** | **(140.3)** | **(127.7)** | **(479.3)** |
| **Net book value** | | | | | | |
| Balance at January 1, 2016 | 74.8 | 59.6 | 10.4 | 56.7 | 82.9 | 284.4 |
| **Balance at December 31, 2016** | **62.9** | **57.8** | **19.4** | **66.3** | **85.2** | **291.6** |

| **2015**<br>in CHF m | | | | | | |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at January 1, 2015** | **184.3** | **195.1** | **11.1** | **195.2** | **181.7** | **767.4** |
| Additions | 0.9 | 3.2 | 11.7 | 12.8 | 15.1 | 43.7 |
| Reclassification | (0.4) | 2.9 | (11.4) | 2.4 | 5.5 | (1.0) |
| Acquisition of subsidiaries | – | – | – | 0.1 | – | 0.1 |
| Disposals | (13.2) | (0.5) | – | (4.7) | (5.9) | (24.3) |
| Exchange differences | (16.8) | (3.2) | (1.0) | (12.3) | (4.0) | (37.3) |
| **Balance at December 31, 2015** | **154.8** | **197.5** | **10.4** | **193.5** | **192.4** | **748.6** |
| **Accumulated depreciation and impairments** | | | | | | |
| **Balance at January 1, 2015** | **(89.1)** | **(131.5)** | **–** | **(135.1)** | **(101.9)** | **(457.6)** |
| Depreciation charge for the year | (9.8) | (9.7) | – | (14.1) | (15.9) | (49.5) |
| Impairment charges | (3.4) | (1.9) | – | (0.1) | – | (5.4) |
| Reversal of impairment charges | 0.6 | 3.3 | – | 0.1 | 0.5 | 4.5 |
| Disposals | 13.2 | 0.4 | – | 4.6 | 5.7 | 23.9 |
| Exchange differences | 8.5 | 1.5 | – | 7.8 | 2.1 | 19.9 |
| **Balance at December 31, 2015** | **(80.0)** | **(137.9)** | **–** | **(136.8)** | **(109.5)** | **(464.2)** |
| **Net book value** | | | | | | |
| Balance at January 1, 2015 | 95.2 | 63.6 | 11.1 | 60.1 | 79.8 | 309.8 |
| **Balance at December 31, 2015** | **74.8** | **59.6** | **10.4** | **56.7** | **82.9** | **284.4** |

The carrying amount of land recorded under land and buildings at December 31, 2016 is CHF 13.4m (2015: CHF 21.4m). Within property, plant and equipment, assets pledged for mortgages amount to CHF 5.3m (2015: CHF 5.7m).

In 2015 the impairments and impairment reversals were recorded in both the North America and Asia Pacific regions, reflecting business and customer developments.

The CHF 16.6m reclassification of cost and CHF 11.7m reclassification of accumulated depreciation during 2016 relate to assets under construction transferred to intangible assets and to land transferred to assets held for sale. The CHF 1.0m reclassification of cost during 2015 related to land and buildings transferred to assets held for sale prior to disposal during the year.

Assets recorded under finance leases consist of:

| in CHF m | Land and buildings | Catering and other equipment | Vehicles | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at December 31, 2016 | 7.9 | 1.6 | 4.3 | 13.8 |
| Balance at December 31, 2015 | 8.2 | 1.6 | 4.0 | 13.8 |
| **Accumulated depreciation** | | | | |
| Balance at December 31, 2016 | (6.2) | (1.6) | (2.5) | (10.3) |
| Balance at December 31, 2015 | (6.6) | (1.6) | (1.8) | (10.0) |
| **Net book value** | | | | |
| Balance at December 31, 2016 | 1.7 | – | 1.8 | 3.5 |
| Balance at December 31, 2015 | 1.6 | – | 2.2 | 3.8 |

Depreciation expense included in the consolidated income statement for property, plant and equipment held under finance leases was CHF 0.8m (2015: CHF 0.7m). Obligations under finance leases are disclosed in Note 23.

## 19 Assets Held for Sale

| in CHF m | 2016 | 2015 |
|---|---|---|
| Assets held for sale | 4.3 | – |
| **Balance at December 31** | **4.3** | **–** |

The amount shown as of December 2016 principally represents the projected sale value of a property.

## 20 Intangible Assets

| 2016<br>in CHF m | Goodwill | Intellectual property | Customer relationships | Capitalized software | Other | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at January 1, 2016** | **504.1** | **143.9** | **71.5** | **74.4** | **10.3** | **804.2** |
| Additions | – | – | – | 6.0 | 0.1 | 6.1 |
| Acquisition of subsidiaries (Note 30) | 190.7 | – | 66.2 | 1.6 | – | 258.5 |
| Disposal of subsidiaries (Note 31) | (0.3) | – | – | – | – | (0.3) |
| Disposals | – | – | (20.4) | (0.6) | – | (21.0) |
| Reclassification | – | – | – | 1.0 | – | 1.0 |
| Exchange differences | (12.5) | 0.9 | (3.6) | 0.5 | – | (14.7) |
| **Balance at December 31, 2016** | **682.0** | **144.8** | **113.7** | **82.9** | **10.4** | **1,033.8** |
| **Accumulated amortization** | | | | | | |
| **Balance at January 1, 2016** | **(220.5)** | **(41.2)** | **(62.4)** | **(58.7)** | **(9.3)** | **(392.1)** |
| Amortization charge for the year | – | – | (11.0) | (4.8) | (0.3) | (16.1) |
| Disposals | – | – | 20.4 | 0.6 | – | 21.0 |
| Exchange differences | 1.7 | (0.6) | 0.9 | (0.4) | – | 1.6 |
| **Balance at December 31, 2016** | **(218.8)** | **(41.8)** | **(52.1)** | **(63.3)** | **(9.6)** | **(385.6)** |
| **Net book value** | | | | | | |
| Balance at January 1, 2016 | 283.6 | 102.7 | 9.1 | 15.7 | 1.0 | 412.1 |
| **Balance at December 31, 2016** | **463.2** | **103.0** | **61.6** | **19.6** | **0.8** | **648.2** |

| 2015<br>in CHF m | | | | | | |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at January 1, 2015** | **523.9** | **143.8** | **77.3** | **67.3** | **11.0** | **823.3** |
| Additions | – | – | – | 7.6 | – | 7.6 |
| Acquisition of subsidiaries | 0.2 | – | – | – | – | 0.2 |
| Disposals | (2.7) | – | – | (0.1) | – | (2.8) |
| Exchange differences | (17.3) | 0.1 | (5.8) | (0.4) | (0.7) | (24.1) |
| **Balance at December 31, 2015** | **504.1** | **143.9** | **71.5** | **74.4** | **10.3** | **804.2** |
| **Accumulated amortization and impairments** | | | | | | |
| **Balance at January 1, 2015** | **(224.6)** | **(41.2)** | **(62.8)** | **(54.2)** | **(9.4)** | **(392.2)** |
| Amortization charge for the year | – | – | (4.4) | (4.7) | (0.3) | (9.4) |
| Impairment charges | – | – | – | (0.5) | (0.1) | (0.6) |
| Disposals | 2.7 | – | – | 0.1 | – | 2.8 |
| Exchange differences | 1.4 | – | 4.8 | 0.6 | 0.5 | 7.3 |
| **Balance at December 31, 2015** | **(220.5)** | **(41.2)** | **(62.4)** | **(58.7)** | **(9.3)** | **(392.1)** |
| **Net book value** | | | | | | |
| Balance at January 1, 2015 | 299.3 | 102.6 | 14.5 | 13.1 | 1.6 | 431.1 |
| **Balance at December 31, 2015** | **283.6** | **102.7** | **9.1** | **15.7** | **1.0** | **412.1** |

Within capitalized software is internally developed software at cost of CHF 45.2m (2015: CHF 37.9m). The 2016 additions to internally developed software amounted to CHF 5.9m (2015: CHF 6.8m). As of December 31, 2016, this internally developed software was recorded at a net book value of CHF 17.1m (2015: CHF 12.1m).

The CHF 1.0m reclassification of costs during 2016 relates to assets under construction transferred to intangible assets.

In 2015 the impairment charges relate to business and customer developments in EMEA and North America.

Indefinite life intangibles are allocated to the Group's cash generating units ("CGUs") as follows:

| 2016<br>in CHF m | Goodwill | Intellectual property |
|---|---|---|
| EMEA | 292.7 | 61.0 |
| North America | 84.6 | 27.7 |
| Latin America | 31.8 | 6.4 |
| Asia Pacific | 54.1 | 7.9 |
| **Balance at December 31** | **463.2** | **103.0** |
| **2015**<br>in CHF m | | |
| EMEA | 147.8 | 58.5 |
| North America | 83.0 | 29.6 |
| Latin America | 4.4 | 6.2 |
| Asia Pacific | 48.4 | 8.4 |
| **Balance at December 31** | **283.6** | **102.7** |

### Impairment Tests for Goodwill and Intellectual Property

For the purpose of impairment testing, goodwill and intellectual property are allocated to the CGUs EMEA, North America, Latin America and Asia Pacific, these being expected to benefit from the synergies of the relevant business combinations. The CGUs reflect the Group's reportable segments, being the level at which management monitors goodwill and intellectual property.

The recoverable amounts of goodwill and intellectual property are based on value in use calculations. The fair value of the CGUs was calculated using the discounted cash flow method. These calculations use the cash flow projections based on the financial budget, approved by the Board, included as the first year of a three-year business plan together with a discount rate, which represents the weighted average cost of capital ("WACC").

The key assumptions are as follows:

| 2016 | Revenue growth rate | Discount rate Post-tax | Discount rate Pre-tax |
|---|---|---|---|
| EMEA | 2.8% – 4.8% | 6.9% | 8.6% |
| North America | 0.9% – 1.4% | 7.4% | 12.1% |
| Latin America | 8.0% – 14.1% | 15.3% | 20.4% |
| Asia Pacific | 4.2% – 6.1% | 8.1% | 11.3% |
| **2015** | | | |
| EMEA | 4.6% – 6.9% | 7.8% | 9.8% |
| North America | 4.6% – 7.8% | 7.9% | 12.9% |
| Latin America | 7.8% – 12.0% | 14.3% | 19.0% |
| Asia Pacific | 17.9% – 23.2% | 8.4% | 11.7% |

The terminal value beyond the business plan period was calculated by extrapolating the year three cash flows at constant exchange rates using an eternal growth rate of 1.7% for EMEA, 2.4% for North and Latin America and 2.5% for Asia Pacific (2015: 2.0% for Asia Pacific and 1.5% for the remaining CGUs). This does not exceed the long-term average growth rate for the respective markets in which the CGUs operate. Revenue growth rates are based on industry research with respect to volume growth, adjusted for impacts from inflation and market-related price changes expected by management. Management determined projected margins based on past performance and its expectations of market developments. The discount rates reflect specific risk and market characteristics relating to the relevant CGUs.

As in the prior year, the impairment test did not lead to any impairment of goodwill or intellectual property. The recoverable amounts exceed the carrying values. The key sensitivities in the impairment test are the discount rate, revenue growth as well as the terminal growth rate. Therefore the Group has carried out a sensitivity analysis, considering various scenarios. Taking reasonable possible changes in key assumptions into account, no impairment losses were indicated.

## 21 Deferred Income Tax

| in CHF m | 2016 | 2015 |
|---|---|---|
| Deferred income tax assets | 52.4 | 45.9 |
| Deferred income tax liabilities | (17.6) | (13.9) |
| **Balance at December 31** | **34.8** | **32.0** |

**Movements in deferred taxes**

| in CHF m | Property, plant and equipment | Intangible assets | Other assets | Retirement benefit obligations, other liabilities, provisions and accruals | Tax loss carryforwards | Total |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2016** | **(4.7)** | **(15.9)** | **1.2** | **46.3** | **5.1** | **32.0** |
| Deferred tax credit/(charge) in the income statement (Note 12) | (4.6) | (2.8) | (1.4) | 1.0 | 13.4 | 5.6 |
| Acquisition of subsidiaries (Note 30) | 0.9 | (13.3) | 0.8 | 3.4 | – | (8.2) |
| Disposal of subsidiaries (Note 31) | – | – | – | (0.2) | – | (0.2) |
| Deferred tax credit in other comprehensive income | – | – | – | 5.1 | – | 5.1 |
| Exchange differences | 0.2 | (0.6) | (0.3) | 1.0 | 0.2 | 0.5 |
| **Balance at December 31, 2016** | **(8.2)** | **(32.6)** | **0.3** | **56.6** | **18.7** | **34.8** |
| | | | | | | |
| **Balance at January 1, 2015** | **(8.1)** | **(15.4)** | **0.1** | **39.4** | **17.5** | **33.5** |
| Deferred tax credit/(charge) in the income statement (Note 12) | 2.7 | (1.1) | 0.8 | 9.3 | (13.5) | (1.8) |
| Deferred tax credit in other comprehensive income | – | – | – | 0.7 | – | 0.7 |
| Exchange differences | 0.7 | 0.6 | 0.3 | (3.1) | 1.1 | (0.4) |
| **Balance at December 31, 2015** | **(4.7)** | **(15.9)** | **1.2** | **46.3** | **5.1** | **32.0** |

A deferred tax credit of CHF 5.1m (2015: a credit of CHF 0.7m) in the statement of other comprehensive income relates to actuarial gains and losses on defined benefit schemes.

**Composition of deferred tax assets and liabilities**

| in CHF m | Assets December 31 | | Liabilities December 31 | | Net December 31 | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Temporary differences** | | | | | | |
| Property, plant and equipment | 0.2 | 4.7 | (8.4) | (9.4) | (8.2) | (4.7) |
| Intangible assets | 0.2 | – | (32.8) | (15.9) | (32.6) | (15.9) |
| Other assets | 2.9 | 2.0 | (2.6) | (0.8) | 0.3 | 1.2 |
| Retirement benefit obligations, other liabilities, provisions and accruals | 57.0 | 47.3 | (0.4) | (1.0) | 56.6 | 46.3 |
| Tax losses | 18.7 | 5.1 | – | – | 18.7 | 5.1 |
| | **79.0** | **59.1** | **(44.2)** | **(27.1)** | **34.8** | **32.0** |
| | | | | | | |
| Offset of deferred tax assets and liabilities | (26.6) | (13.2) | 26.6 | 13.2 | – | – |
| **Deferred tax assets/(liabilities)** | **52.4** | **45.9** | **(17.6)** | **(13.9)** | **34.8** | **32.0** |

### Tax Loss carryforwards

Tax loss carryforwards which are not recognized are summarized by year of expiry as follows:

| in CHF m | **2016** | **2015** |
|---|---|---|
| 2016 | – | 4.7 |
| 2017 | 0.9 | – |
| 2018 | – | 10.4 |
| 2019 | – | 28.8 |
| 2020 | 0.1 | 8.3 |
| 2021 | 6.1 | 17.8 |
| 2022 | 40.4 | 18.6 |
| 2023 | 1.1 | 13.1 |
| After 2023 | 29.3 | 46.2 |
| No expiry | 452.7 | 506.3 |
| **Total** | **530.6** | **654.2** |

The countries with significant unrecognized tax loss carryforwards include Luxembourg (CHF 331.8m at a tax rate of 29.2%), Switzerland (CHF 22.2m at a tax rate of 6.0% and CHF 21.7m at a tax rate of 20.4%), Norway (CHF 34.4m at a tax rate of 24.0%), Denmark (CHF 28.3m at a tax rate of 22.0%) and the US (CHF 24.2m at a tax rate of 39.2%).

## 22 Retirement Benefit Obligations

The Group provides retirement benefits through a variety of arrangements comprised principally of stand-alone defined benefit and defined contribution plans and state administered plans that cover a substantial portion of employees in accordance with local regulations and practices. The most significant plans in terms of the benefits accrued to date by participants are cash balance and final salary plans, and around 90% of the present value of obligations accrued to date come from six defined benefit plans in Switzerland, the UK and the US.

### Switzerland

The Group operates two company-sponsored pension plans, a main plan for all employees and a supplementary plan for employees with salaries exceeding a certain limit. Both plans provide contribution-based cash balance retirement and risk benefits to employees, meeting its obligations under Switzerland's mandatory company-provided pension requirements. Both pension plans are established within foundations that are legal entities separate from the Group. The Board of Trustees of each foundation is composed equally of employee and employer representatives, who are empowered to decide on such fundamental aspects as the level and structure of the benefits and the fund's investment strategy.

There are a number of guarantees provided within the pension plans which expose them to risks of underfunding and may require the Group to help provide refinancing. The main risks that they are exposed to include:

- Investment risk: There is a guaranteed return on account balances of at least 0% per annum on the total account balance, as well as the rate set by the government on the mandatory minimum benefits.
- Asset volatility: The pension plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term but give exposure to volatility and risk in the short term. The Boards of Trustees are responsible for the investment strategy and a reasonable proportion of equity investment is justified, given the time horizon of the pension plans and to provide an adequate long-term return on members' account balances.
- Changes in bond yields: A decrease in corporate bond yields will increase pension plan liabilities, although this will be partially offset by an increase in the value of the bond holdings and an expectation of lower interest-crediting rates on the cash balance accounts.
- Pensioner longevity and investment risk: The pension plans offer the choice between a mix of a lifelong pension and a cash balance lump sum upon retirement. The pension plans have defined rates for converting the lump sum into a pension. There is the risk that members live longer than implied by these conversion rates and that the pension assets do not achieve the investment return implied by these conversion rates. There is also a risk that the actual rates of lump sum election differ from the current expectation.

Generally, there is no opportunity for the Group to recover a surplus from the pension plans because under Swiss pension law any surplus that develops technically belongs to a pension plan and therefore the members. A reduction in future contributions is possible only at the discretion of the Board of Trustees of each pension plan and therefore there is a minimum funding requirement for the Group equal to the employer contributions set out in the pension plan rules. As the contributions are set out in the plan rules, the funding arrangements have limited impact on the future cash flow requirements of the Group (except in the case of underfunding).

The funds are invested in a diverse portfolio of asset classes including equities, bonds, property and private equity but do not currently use any more explicit asset-liability matching strategy instruments such as annuity purchase products or longevity swaps.

The following are the principal changes made to the Swiss retirement benefit arrangements in the periods covered by these consolidated financial statements:

- In 2016 an amendment to the Swiss Main Pension Plan was adopted. This amendment was based on a decision taken by the Board of Trustees, that starting from January 1, 2017, spouse benefits will be reduced from 85% to 60% in case of death of an old-age or fully-disabled pensioner. This change is classified as a past service cost event and entails a gain of CHF 10.1m, being immediately recognized in "Personnel expenses" in the period ended December 31, 2016.
- In 2015 the lump sum election assumptions as well as the assumed turnover rates were updated for both pension plans. These changes led to a gain of CHF 12.0m, comprising CHF 6.1m due to change of turnover rates and CHF 5.9m due to the change of the lump sum election assumption. Both gains were accounted for as demographic assumption changes in other comprehensive income.

### UK

All of the UK plans are final salary, which provide benefits to members in the form of a guaranteed level of pension payable for life and are currently closed to future accrual of benefits. Future benefit accruals are provided through defined contribution plans. The pensions in the defined benefit plans receive inflation-related increases in deferment and once in payment. The benefit payments are from trustee-administered funds. Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the Group and the trustees, and the latter's composition. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the Group and the Board of Trustees. The Board of Trustees must be composed of representatives of the Group and plan participants in accordance with the plan's regulations and UK pension law.

Through the UK defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility: The plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term, but give exposure to volatility and risk in the short term. Given that the plans are closed, as they mature the Group intends to reduce the level of investment risk by investing more in assets that better match the changing profile of the liabilities. The plans have already begun this process by having a significant portion of assets invested in a liability driven investment vehicle. However, due to the plan run-off liabilities remaining long term at this stage and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the long-term strategy to manage the plans efficiently.
- Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings and liability-driven investments.
- Inflation risk: The majority of the plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plans against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.
- Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. Furthermore, inflationary increases result in higher sensitivity to changes in life expectancy.

The use of any surplus in the pension plans is governed by the plan rules and may not be in the control of the Group, leading in some cases to restrictions on the level of balance sheet asset that may be reported.

### US

The Group operates defined benefit pension plans in the US to provide benefits to members in the form of a guaranteed level of pension payable for life and all plans are currently closed to new entrants and future accrual of benefits. Future pension benefit accruals are provided in defined contribution plans. Pensions from the defined benefit plans generally do not receive inflationary increases once in payment. The majority of benefit payments are from a trustee administered fund; however, there is also a small unfunded non-qualified plan where the Group meets the benefit payment obligation as it becomes due. Plan assets held in trusts are governed by Internal Revenue Service ("IRS") regulations. Responsibility for governance of the plans, including investment decisions and contribution schedules, is also governed by IRS regulations and lies with the Group.

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility: The funded plan holds a significant proportion of equities, which are expected to outperform the returns from corporate bonds in the long term but give exposure to volatility and risk in the short term. As the plan matures and the funded status improves, through cash contributions and anticipated excess equity returns, the Group intends to reduce the level of investment risk by investing more in fixed income assets that better match the liabilities. However, currently the Group believes that its financial strength and the term of the liabilities mean that a level of continuing equity investment is an appropriate element of the long-term strategy to manage the plan efficiently.
- Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the funded plan's bond holdings.
- Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

For the funded plan as of December 31, 2016 and 2015, the target asset allocation was 34% corporate bonds, 61% equities and 5% real estate.

The funded defined benefit pension plan is governed by special minimum required funding rules as set forth in IRS regulations for certain airlines and caterers of airlines who sponsor a tax-qualified defined benefit pension plan ("Airline Relief"). Further details about these funding rules are as follows:

- Under Airline Relief, a fixed 8.85% rate is used to discount funding liabilities whereas the funding rate required to be used for most other defined benefit plan sponsors is linked to high grade corporate bond yields. Thus, the higher 8.85% funding rate has significant consequences. It results in decreased minimum funding requirements in the near term, but also sets a higher earnings target for plan investment returns.
- As such, plan underfunding will grow if investment performance falls below the fixed 8.85% Airline Relief rate. In addition, Airline Relief requires "compressed" amortization of the 8.85% funding shortfall as 2023 nears and full amortization of this shortfall by 2023. In 2023, the funding shortfall will be re-determined by replacing the 8.85% funding rate with a corporate bond yield funding rate. This new shortfall will be amortized with a seven year rolling amortization schedule.
- As a result of the above, based on current conditions, plan minimum required contributions are expected to increase significantly by 2023. Voluntary funding in excess of the current minimum required level is being assessed as a potential strategy to mitigate this future funding volatility.

### Other Plans

In 2016 the following plan updates were implemented:

- Due to legislative changes in Belgium, modifications in the guaranteed legal minimum return came into effect. These alterations have resulted in a new plan being included in the consolidated financial statements in 2016, with a net liability of CHF 0.1m at December 31, 2016.
- Following the initial accounting of GG Mexico in the consolidated financial statements of gategroup, two plans have been included. The combined liabilities of CHF 0.8m are disclosed as "Acquisition of subsidiaries".

The Group recognized total retirement benefit costs related to all retirement plans as follows:

| in CHF m | 2016 | 2015 |
|---|---|---|
| Defined contribution plans | 23.2 | 21.0 |
| Defined benefit plans: | | |
| Current service cost (net of employee contributions) | 12.2 | 13.2 |
| Curtailment and negative past service cost | (10.2) | (4.7) |
| **Personnel expenses – pension costs (Note 7)** | **25.2** | **29.5** |
| Net interest on defined benefit schemes (Note 10) | 6.4 | 5.9 |
| **Net pension expense** | **31.6** | **35.4** |

The remeasurement components recognized in the statement of other comprehensive income for the Group's defined benefit plans comprise the following:

| in CHF m | 2016 | 2015 |
|---|---|---|
| **Actuarial (gains)/losses** | | |
| Based on adjustment of demographic assumptions | (4.5) | (17.1) |
| Based on adjustment of financial assumptions | 62.9 | 3.7 |
| Due to liability experience adjustment | (7.6) | 2.1 |
| Due to return on pension assets (excluding amounts in net interest on defined benefit schemes) | (53.9) | 15.4 |
| Due to change in effect of the asset ceiling (excluding amounts in net interest on defined benefit schemes) | 0.7 | (1.3) |
| **Total remeasurements recognized in the statement of other comprehensive income** | **(2.4)** | **2.8** |

Remeasurement losses based on financial assumptions are primarily driven by decreases in discount rates, mainly in the UK plans. Actuarial gains due to return on pension assets principally reflect higher than expected asset returns in all plans and all asset classes, primarily in the UK and Switzerland.

The following tables show the change in present value of defined benefit obligations, the change in plan assets and the funded status recognized in the consolidated financial statements for the Group's defined benefit plans:

| in CHF m | 2016 | 2015 |
|---|---|---|
| Present value of funded obligations | (736.1) | (710.7) |
| Fair value of plan assets | 566.7 | 529.7 |
| **Funded status** | **(169.4)** | **(181.0)** |
| Present value of unfunded obligations | (8.1) | (7.3) |
| Irrecoverable surplus (effect of asset ceiling) | (4.4) | (4.1) |
| **Defined benefit liability at December 31** | **(181.9)** | **(192.4)** |

The movements in the net defined benefit pension liability recognized within the consolidated balance sheet are as follows:

| in CHF m | 2016 | 2015 |
|---|---|---|
| **Balance at January 1** | **(192.4)** | **(193.2)** |
| Acquisition of subsidiaries | (0.8) | – |
| Cost recognized in income statement | (8.4) | (14.4) |
| Remeasurement gains/(losses) recognized in other comprehensive income | 2.4 | (2.8) |
| Actual employer contributions | 19.4 | 17.0 |
| Change in scope | (0.1) | (0.8) |
| Exchange differences | (2.0) | 1.8 |
| **Balance at December 31** | **(181.9)** | **(192.4)** |

The change in the present value of defined benefit obligations is as follows:

| in CHF m | 2016 | 2015 |
|---|---|---|
| **Balance at January 1** | **718.0** | **741.7** |
| Acquisition of subsidiaries | 0.8 | – |
| Current service cost | 12.2 | 13.2 |
| Interest cost on the defined benefit obligations | 18.7 | 19.2 |
| Actual benefit payments | (28.2) | (30.7) |
| Actual employee contributions | 4.1 | 4.7 |
| Curtailment and negative past service cost | (10.2) | (4.7) |
| Actuarial (gains) – demographic assumptions | (4.5) | (17.1) |
| Actuarial losses – financial assumptions | 62.9 | 3.7 |
| Actuarial (gains)/losses – liability experience | (7.6) | 2.1 |
| Change in scope | 1.4 | 0.8 |
| Exchange differences | (23.4) | (14.9) |
| **Balance at December 31** | **744.2** | **718.0** |

The following table shows the change in the fair value of plan assets:

| in CHF m | 2016 | 2015 |
|---|---|---|
| **Balance at January 1** | **529.7** | **554.0** |
| Interest income on plan assets | 12.4 | 13.5 |
| Actual employer contributions | 19.4 | 17.0 |
| Actual employee contributions | 4.1 | 4.7 |
| Actual benefit payments | (28.2) | (30.7) |
| Actual return on assets (excluding interest income on plan assets) | 53.9 | (15.4) |
| Change in scope | 1.3 | – |
| Exchange differences | (25.9) | (13.4) |
| **Balance at December 31** | **566.7** | **529.7** |

Benefits paid under the pension plans include CHF 0.8m paid from employer assets in 2016 (2015: CHF 1.0m). The Group expects to contribute CHF 21.9m to its defined benefit pension plans in 2017.

The following table shows the change in the irrecoverable surplus:

| in CHF m | 2016 | 2015 |
|---|---|---|
| **Irrecoverable surplus at January 1** | **4.1** | **5.5** |
| Interest cost on irrecoverable surplus | 0.1 | 0.2 |
| Change in irrecoverable surplus in excess of interest (asset ceiling) | 0.7 | (1.3) |
| Exchange differences | (0.5) | (0.3) |
| **Irrecoverable surplus at December 31** | **4.4** | **4.1** |

Where applicable, the economic benefit available (used in the irrecoverable surplus calculation) as at December 31 is based on the present value of potential reductions in future contributions.

The principal actuarial assumptions used for the defined benefit obligations at December 31 and the following year's pension expense are as follows:

| **2016** | **Switzerland** | **UK** | **US** | **All plans** |
|---|---|---|---|---|
| Discount rate (weighted average) | 0.6% | 2.6% | 4.0% | 2.3% |
| Rate of compensation increase (weighted average) | 2.0% | n/a | n/a | 2.2% |
| Inflation rate (weighted average) | 1.0% | 3.4% | n/a | 2.0% |
| | | | | |
| **2015** | | | | |
| Discount rate (weighted average) | 0.8% | 3.7% | 4.3% | 2.7% |
| Rate of compensation increase (weighted average) | 2.3% | n/a | n/a | 2.4% |
| Inflation rate (weighted average) | 1.3% | 3.1% | n/a | 2.0% |

Mortality rates have been set in accordance with current best practices in the respective countries. Future longevity improvements have been considered and included where appropriate. The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

| Years | 2016 | 2015 |
|---|---|---|
| Male | 21.8 | 21.7 |
| Female | 24.0 | 24.0 |

The average life expectancy in years of a pensioner retiring at age 65, 15 years after the balance sheet date is as follows:

| Years | 2016 | 2015 |
|---|---|---|
| Male | 23.1 | 23.0 |
| Female | 25.3 | 25.3 |

The major categories of plan assets are as follows:

| in CHF m | 2016 | 2015 |
|---|---|---|
| **Securities with quoted market price in an active market** | | |
| Equities | 237.6 | 207.7 |
| Bonds: | | |
| Government – index-linked | 42.1 | 38.1 |
| Corporate | 79.8 | 77.0 |
| Real estate | 6.1 | 5.7 |
| Cash and cash equivalents | 25.6 | 28.0 |
| Other marketable securities | 48.2 | 53.4 |
| **Total quoted securities** | **439.4** | **409.9** |
| **Other securities** | | |
| Equities | 1.0 | 1.4 |
| Bonds: | | |
| Asset-backed securities | 3.0 | 3.3 |
| Insurance contracts | 56.6 | 51.6 |
| Real estate | 64.2 | 60.6 |
| Other | 2.5 | 2.9 |
| **Total other securities** | **127.3** | **119.8** |
| **Total** | **566.7** | **529.7** |

Pension plan assets do not contain shares of the Company other than those included in investment manager products that include a benchmark allocation to Swiss equities.

As described earlier, the present value of defined benefit obligations accrued to date in Switzerland, the UK and the US represent around 90% of the total for the Group. A breakdown of the pension-related balance sheet amounts at December 31, 2016 and 2015, is shown below.

| **2016**<br>in CHF m | Switzerland | UK | US | Other | Total |
|---|---|---|---|---|---|
| Present value of funded obligations | (259.1) | (182.2) | (224.3) | (70.5) | (736.1) |
| Fair value of plan assets | 234.2 | 177.1 | 98.8 | 56.6 | 566.7 |
| **Funded status** | **(24.9)** | **(5.1)** | **(125.5)** | **(13.9)** | **(169.4)** |
| Present value of unfunded obligations | (0.3) | – | (4.1) | (3.7) | (8.1) |
| Irrecoverable surplus (effect of asset ceiling) | – | (4.4) | – | – | (4.4) |
| **Net defined benefit liability at December 31** | **(25.2)** | **(9.5)** | **(129.6)** | **(17.6)** | **(181.9)** |
| **2015**<br>in CHF m | | | | | |
| Present value of funded obligations | (260.4) | (166.3) | (219.1) | (64.9) | (710.7) |
| Fair value of plan assets | 217.3 | 165.4 | 95.4 | 51.6 | 529.7 |
| **Funded status** | **(43.1)** | **(0.9)** | **(123.7)** | **(13.3)** | **(181.0)** |
| Present value of unfunded obligations | (0.8) | – | (4.0) | (2.5) | (7.3) |
| Irrecoverable surplus (effect of asset ceiling) | – | (4.1) | – | – | (4.1) |
| **Net defined benefit liability at December 31** | **(43.9)** | **(5.0)** | **(127.7)** | **(15.8)** | **(192.4)** |

The present value of defined benefit obligations by category of members at December 31, 2016 and 2015, is shown below.

| in CHF m | 2016 | 2015 |
|---|---|---|
| Active | (241.7) | (239.8) |
| Vested | (220.4) | (200.0) |
| Retired | (282.1) | (278.2) |
| **Balance at December 31** | **(744.2)** | **(718.0)** |

| | | |
|---|---|---|
| Present value of funded obligations at December 31 | (736.1) | (710.7) |
| Present value of unfunded obligations at December 31 | (8.1) | (7.3) |

A feature all plans have in common is that the discount rate has a significant impact on the present value of obligations. The other assumptions have varying impacts on the different plans in the respective geographic regions. In the breakdown presented below, the varying impact on the balance sheet from changes in the key assumptions is shown for the various countries.

| **2016**<br>in CHF m | Switzerland | UK | US | Other | Total |
|---|---|---|---|---|---|
| Discount rate +0.5% p.a. | (20.0) | (18.3) | (13.2) | (7.2) | (58.7) |
| Discount rate –0.5% p.a. | 22.8 | 21.3 | 14.6 | 8.1 | 66.8 |
| Rate of compensation +0.5% p.a. | 3.8 | – | – | 2.3 | 6.1 |
| Rate of compensation –0.5% p.a. | (3.5) | – | – | (2.2) | (5.7) |
| Interest credits on retirement assets +0.5% p.a. | 4.0 | – | – | – | 4.0 |
| Interest credits on retirement assets –0.5% p.a. | (3.7) | – | – | – | (3.7) |
| Pension indexation +0.5% p.a. | 14.3 | 6.4 | – | 6.3 | 27.0 |
| Pension indexation –0.5% p.a. (minimum 0.0%) | – | (8.3) | – | (3.9) | (12.2) |
| Life expectancy at age 65 + 1 year | 7.7 | 6.9 | 6.2 | 0.4 | 21.2 |
| **2015**<br>in CHF m | | | | | |
| Discount rate +0.5% p.a. | (20.5) | (15.5) | (13.4) | (6.6) | (56.0) |
| Discount rate –0.5% p.a. | 23.5 | 17.9 | 14.9 | 7.5 | 63.8 |
| Rate of compensation +0.5% p.a. | 3.7 | – | – | 2.0 | 5.7 |
| Rate of compensation –0.5% p.a. | (3.4) | – | – | (1.9) | (5.3) |
| Interest credits on retirement assets +0.5% p.a. | 4.1 | – | – | – | 4.1 |
| Interest credits on retirement assets –0.5% p.a. | (3.8) | – | – | – | (3.8) |
| Pension indexation +0.5% p.a. | 14.7 | 10.2 | – | 6.1 | 31.0 |
| Pension indexation –0.5% p.a. (minimum 0.0%) | – | (9.2) | – | (3.9) | (13.1) |
| Life expectancy at age 65 + 1 year | 7.3 | 4.8 | 5.7 | 0.2 | 18.0 |

The duration of the defined benefit obligations at December 31, 2016 and 2015, are:

| **2016**<br>Years | Switzerland | UK | US | Other | Average |
|---|---|---|---|---|---|
| Weighted duration of the defined benefit obligations | 16.1 | 21.8 | 12.4 | 21.0 | 16.9 |
| **2015**<br>Years | | | | | |
| Weighted duration of the defined benefit obligations | 16.6 | 20.3 | 13.9 | 21.0 | 17.0 |

## 23 Short-term and Long-term Debt

The carrying amounts of short-term and long-term debt are as follows:

| in CHF m | 2016 | 2015 |
|---|---|---|
| **Current** | | |
| Short-term loan | 241.3 | – |
| Revolving credit facility | 223.6 | 61.1 |
| Mortgages | 0.7 | 0.5 |
| Finance lease liabilities | 1.3 | 1.5 |
| Other loans payable | 2.2 | 2.2 |
| **Total current** | **469.1** | **65.3** |
| | | |
| **Non-current** | | |
| Long-term loan | 263.8 | 267.0 |
| Mortgages | 4.6 | 5.2 |
| Finance lease liabilities | 3.8 | 5.2 |
| Other long-term loans | 0.2 | – |
| **Total non-current** | **272.4** | **277.4** |
| | | |
| **Total short-term and long-term debt** | **741.5** | **342.7** |

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| in CHF m | 2016 | 2015 |
|---|---|---|
| Euro | 590.4 | 315.8 |
| GB Pound | – | 17.7 |
| Swedish Kroner | 143.2 | – |
| Other currencies | 7.9 | 9.2 |
| **Balance at December 31** | **741.5** | **342.7** |

### Senior Notes, Term Loan and Credit Facilities

*Refinancing:* 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 increased by EUR 110.0m to EUR 350.0m. As of December 31, 2016, the Group utilized RCF drawings of CHF 223.6m, being EUR 75.0m and SEK 1,280.0m (2015: CHF 61.1m).

In addition to the existing five-year EUR 250.0m Term Loan, the Group has entered into a new Single Currency Bridge Facility ("Bridge") of EUR 275.0m, of which CHF 241.3m (EUR 225.0m) have been borrowed as of December 31, 2016.

*Term Loan, RCF and Bridge:* The borrowings under these credit facilities all rank pari passu. The Bridge is only guaranteed by the Company, whereas Term Loan and RCF are guaranteed by the Company and certain of its subsidiaries. The credit facilities bear interest at floating rate (EURIBOR or LIBOR equivalents) plus a spread. Whilst the spread of the Bridge was at 1.5% as of December 31, 2016 and will increase until termination up to a maximum of 3.0%, spreads of the Term Loan and RCF are determined from a margin grid depending on the leverage ratio. In 2016 the interest rate ranged between 1.95% and 2.90%. The financial covenants for the Term Loan and the RCF, being net leverage ratio and net interest coverage ratio, have to be complied with on a semi-annual basis. The Company was in compliance with its covenants as at December 31, 2016 and 2015.

### Guarantees

As of December 31, 2016, the Group has guarantees outstanding in favour of associates amounting to CHF 4.4m (2015: CHF 3.7m).

The finance lease liabilities are as follows:

| in CHF m | 2016 | 2015 |
|---|---|---|
| Gross finance lease liabilities – minimum lease payments: | | |
| Not later than 1 year | 1.5 | 1.8 |
| Later than 1 year but not later than 5 years | 4.1 | 5.0 |
| Later than 5 years | 0.2 | 0.9 |
| **Total minimum lease payments** | **5.8** | **7.7** |
| Future finance charges on finance lease liabilities | (0.7) | (1.0) |
| **Present value of finance lease liabilities at December 31** | **5.1** | **6.7** |

## 24 Trade and Other Payables

| in CHF m | 2016 | 2015 |
|---|---|---|
| Trade payables | 173.6 | 162.7 |
| Other amounts due to third parties | 36.3 | 26.1 |
| Other current payables due to related parties (Note 32) | – | 0.3 |
| Sales taxes due | 35.9 | 28.2 |
| **Balance at December 31** | **245.8** | **217.3** |

## 25 Short-term and Long-term Provisions

| in CHF m | Employee Benefits (Note 25.1) | Restructuring (Note 25.2) | Legal and Tax (Note 25.3) | Onerous Contracts (Note 25.4) | Property and Other (Note 25.5) | Total |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2016** | **8.7** | **30.5** | **17.0** | **0.9** | **12.5** | **69.6** |
| **Charged/(credited) to the income statement** | | | | | | |
| Additional provisions | 4.3 | 9.2 | 24.3 | – | 0.8 | 38.6 |
| Unused amounts reversed | (1.4) | (7.3) | (6.0) | (9.1) | (0.1) | (23.9) |
| Unwind of discount | – | – | 0.2 | 0.9 | 0.7 | 1.8 |
| Acquisition of subsidiaries (Note 30) | 1.4 | – | 31.4 | 11.4 | 3.0 | 47.2 |
| Disposal of subsidiaries (Note 31) | – | – | – | (0.7) | – | (0.7) |
| Utilized during the year | (1.8) | (16.2) | (2.9) | (0.2) | (2.8) | (23.9) |
| Exchange differences | – | (0.5) | 0.3 | (0.1) | (0.2) | (0.5) |
| **Balance at December 31, 2016** | **11.2** | **15.7** | **64.3** | **3.1** | **13.9** | **108.2** |
| **Analysis of total provisions** | | | | | | |
| Non-current | 9.8 | 3.3 | 30.3 | 3.0 | 13.1 | 59.5 |
| Current | 1.4 | 12.4 | 34.0 | 0.1 | 0.8 | 48.7 |

### 25.1 Employee Benefits: Other Post-employment Benefits and Other Long-term Employee Benefits

In addition to the retirement benefits as described in Note 22, the Group provides other benefits to employees in certain countries. These include long-term service leave or payments in lieu and post-employment benefits. The expected costs of the long-term benefits are accrued over the period of employment, using a methodology similar to that for defined benefit plans.

### 25.2 Restructuring

The restructuring charges during the year and the provisions remaining at the end of the year relate principally to the business in EMEA and North America. Following business developments there have been various country specific initiatives during the year.

### 25.3 Legal and Tax

The Group has recorded provisions for a number of legal and tax issues. In the ordinary course of business, the Group continues to be involved in a number of legal actions and claims, including non-income tax-related issues in Europe and various employment-related matters in North America. The timing of settlement and/or the amount of cash outflows is uncertain.

### 25.4 Onerous Contracts

The Group has recorded provisions for ongoing activities where the unavoidable costs of meeting obligations under customer supply or lease contracts exceed the economic benefits expected to be received.

### 25.5 Property and Other

Provisions have been recorded principally for property-related issues and a range of other, individually immaterial, items.

## 26 Other Current Liabilities

| in CHF m | 2016 | 2015 |
|---|---|---|
| Accrued payroll and related costs | 107.2 | 90.2 |
| Deferred revenue | 9.5 | 5.7 |
| Accrued rent and other property costs | 17.2 | 17.2 |
| Accrued insurance costs | 19.0 | 11.7 |
| Uninvoiced deliveries of inventory | 54.0 | 48.4 |
| Accrued volume rebates | 82.1 | 52.6 |
| Other accrued expenses | 91.5 | 73.1 |
| **Balance at December 31** | **380.5** | **298.9** |

## 27 Equity

### 27.1 Issued Share Capital

As at December 31, 2016, the share capital of the Company is CHF 133,931,680 (2015: CHF 133,931,680) and is divided into 26,786,336 (2015: 26,786,336) fully paid-in registered shares with a nominal value of CHF 5.00 each. Each share has the right to one vote.

### 27.2 Conditional Share Capital

As at December 31, 2016 and 2015, the Company has conditional share capital which allows an increase in the aggregate maximum amount of CHF 11,745,885 or 2,349,177 shares. The conditional share capital includes an amount of up to CHF 1,906,775 or 381,355 shares which are reserved for employee equity participation plans and an amount of up to CHF 9,839,110 or 1,967,822 shares which are reserved for convertible debentures, debentures with option rights or other financing instruments.

### 27.3 Authorized Share Capital

As at December 31, 2016 and 2015, the Company has authorized share capital of CHF 13,277,065, authorizing the Board to issue up to 2,655,413 fully paid-in registered shares with a nominal value of CHF 5.00 per share by no later than April 14, 2018.

### 27.4 Treasury Shares

At December 31, 2016, there were 209,778 (2015: 668,190) treasury shares held by the Group.

### 27.5 Dividend

On April 20, 2016, the Company paid a dividend of CHF 0.30 per share to its shareholders. The total amount of the dividend paid was CHF 7,835,444 (2015: CHF 11,730,060). No dividends were distributed on the 668,190 treasury shares held by the Company and its subsidiaries.

## 28 Share-based Payments

The following table shows the share-based payment expense recognized in the consolidated income statement due to the Group's equity incentive plans:

| in CHF m | 2016 | 2015 |
|---|---|---|
| Executive long-term incentive plan | 16.1 | 0.8 |
| **Total share-based payment expense (Note 7)** | **16.1** | **0.8** |

### 28.1 Executive Long-term Incentive Plan

Under this plan key employees have been granted conditional Performance Shares in the Company. The plan is accounted for as equity-settled share-based compensation.

#### 2012, 2013 and 2014 Grants

The fair value of the share grants was determined at grant date, based on the market price of the share less the estimated present value of dividend payments up to the vesting date. Grants were to vest subject to the satisfaction of revenue growth and return on invested capital ("ROIC") performance targets and an ongoing employment relationship on the vesting date. The award structure and applicable performance targets are summarized as:

- Revenue growth, accounting for up to 50% of the total award, being determined on the compound annual growth rate achieved. A minimum threshold of 1%, 2% for the 2012 and 2013 grants, per annum revenue growth needed to be achieved for which 12.5% of the total award would vest, rising to a maximum of 50% of the total award where revenue growth of 5% or more per annum had been achieved; and
- The achieved ROIC, which accounted for the other 50% of the total potential award, was then applied as a multiplier to the award determined based on revenue performance. Below a minimum threshold, being an 8.5% for 2014 and 9% for 2012 and 2013, no award would vest. At an 8.5% achievement for 2014, 9% for 2012 and 2013, a multiplier of 1.0 was applied with this rising to a maximum of 2.0 for an ROIC performance of 12.5%, in which case up to 100% of the total award would vest.

The announcement of HNA Group Co., Ltd. declaring the public tender offer for all publicly held shares of gategroup Holding AG successful ("the announcement") published by the Company on July 7, 2016, triggered the change-of-control clause contained in the plans and all outstanding performance shares vested immediately, pro-rated for the period from the award date to the change-of-control date.

The table below shows the number of shares that have vested under the 2012, 2013 and 2014 grants and movements in the number of performance shares during 2016 and 2015:

| Vesting date (May 20, in each year) | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Fair value at grant date (in CHF) | 20.66 | 20.05 | 17.68 | 22.10 |
| Number of performance shares: | | | | |
| **Outstanding at January 1, 2015** | **81,000** | **81,000** | **88,000** | **188,000** |
| Vested | (51,347) | – | – | – |
| Forfeited | (29,653) | (40,000) | (40,000) | (86,500) |
| **Outstanding at December 31, 2015** | **–** | **41,000** | **48,000** | **101,500** |
| **Outstanding at January 1, 2016** | | **41,000** | **48,000** | **101,500** |
| Vested | | (33,724) | (32,823) | (27,070) |
| Expired | | (7,276) | (15,177) | (74,430) |
| **Outstanding at December 31, 2016** | | **–** | **–** | **–** |

### 2015 Grant to Key Employees

The fair value of the share grants was determined at grant date, based on the market price of the share less the estimated present value of dividend payments up to the vesting date. The grants were to vest subject to the satisfaction of an earnings per share ("EPS") target and an ongoing employment relationship on the vesting date. The performance target was compound EPS growth for the period 2015–2018 against the actual 2014 baseline. At the minimum threshold of 5% p.a., 25% of the total award would vest, rising on a straight line basis to the maximum of 100% vesting when 15% p.a. EPS growth was achieved or exceeded.

The announcement published by the Company on July 7, 2016, triggered the change-of-control clause contained in the plan and all outstanding performance shares vested immediately.

The table below shows the number of shares that vested under the 2015 grant:

| Vesting date (1 May) | **2019** |
|---|---|
| Fair value at grant date (in CHF) | 37.65 |
| Number of performance shares: | |
| **Outstanding at January 1, 2015** | **–** |
| Granted | 222,500 |
| **Outstanding at December 31, 2015** | **222,500** |
| **Outstanding at January 1, 2016** | **222,500** |
| Vested | (222,500) |
| **Outstanding at December 31, 2016** | **–** |

### 2016 Grant to Key Employees

The fair value of the share grants was determined at grant date, based on the market price of the share less the estimated present value of dividend payments up to the vesting date. The grants were to vest subject to the satisfaction of an earnings per share target and an ongoing employment relationship on the vesting date. The performance target was an average EPS for the period 2016–2018. At the minimum threshold of an EPS of CHF 1.00 in average over 2016 to 2018, 0% of the total award would vest, rising on a straight line basis to the maximum of 200% vesting when an average EPS of CHF 3.72 was achieved.

The announcement published by the Company on July 7, 2016, triggered the change-of-control clause contained in the plan and all outstanding performance shares vested immediately.

The table below shows the number of shares vested under the 2016 grant:

| Vesting date (22 April) | **2019** |
|---|---|
| Fair value at grant date (in CHF) | 51.87 |
| Number of performance shares: | |
| **Outstanding at January 1, 2016** | **–** |
| Granted | 102,500 |
| Vested | (102,500) |
| **Outstanding at December 31, 2016** | **–** |

### 2015 Grant to Chief Executive Officer

The Company granted 40,000 share awards to the Chief Executive Officer ("CEO"). The grant was to vest on May 1, 2019, subject to the satisfaction of a Total Shareholder Return ("TSR") target and an ongoing employment relationship on the vesting date.

The performance target was compound TSR growth comparing 2018 to the three-month average share price of CHF 24.00 before the announcement of the CEO appointment. At the minimum threshold of 5% p.a., 25% of the total award would vest, rising on a straight line basis to the maximum of 100% vesting when 15% p.a. TSR growth had been achieved or exceeded.

The fair value of CHF 28.07 for the share award was determined using a Geometric Brownian Motion simulation. The main parameters used in the model were the measurement period, from May 1, 2015, to December 31, 2018, a (0.76%) risk-free rate of return and an expected volatility of 31.7%. The expected volatility was based on the historically annualized volatility of the Company's share price over the last three years and the risk-free rate was calculated based on a three-year average for Swiss government bonds.

The announcement published by the Company on July 7, 2016, triggered the change-of-control clause contained in the plan and all outstanding awards vested immediately.

### 28.2 Equity Incentive Plan 2007

In 2007 and 2008, members of the Board, key employees and consultants of the Group were granted membership interests and/or options to purchase membership interests in Gate Gourmet Group Holding LLC ("Holding LLC"), the previous holding company, under the Equity Incentive Plan 2007. As part of the legal reorganization in April 2009, grants of membership interests and options to buy membership interests were replaced by grants of options to buy shares in the Company. There were no modifications to the terms and conditions on which the equity instruments were originally granted. The plan is accounted for as equity-settled share-based payment compensation.

#### Options

When granted, the options vested in instalments over a three year period. The main assumptions used were as follows:

| | |
|---|---|
| Grant date | December 2007 |
| Expiration date | December 2017 |
| Volume-weighted average share price at grant date (in CHF) | 51.83 |
| Exercise price (in CHF) | 69.04 |
| Volatility (%) | 27.87 |
| Expected dividend yield (%) | 2.71 |
| Risk-free interest rate (%) | 3.12 |

The expected volatility was based on the historical volatility of a peer group. All vested and exercisable options were waived on change of control.

The number of options were as follows:

| | 2016<br>Number of options | 2015<br>Number of options |
|---|---|---|
| **Outstanding at January 1** | **1,821** | **1,821** |
| Forfeited | (1,821) | – |
| **Outstanding at December 31** | **–** | **1,821** |
| of which vested and exercisable | – | 1,821 |

## 29 Commitments and Contingent Liabilities

### 29.1 Capital Commitments

At December 31, 2016, capital expenditure for property, plant and equipment contracted for at the balance sheet date but not recognized in the consolidated financial statements amounted to CHF 14.8m (2015: CHF 6.6m).

### 29.2 Operating Lease Payments

Obligations under operating leases consist primarily of long-term rental agreements of catering facilities and equipment which are, in general, renewable. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| in CHF m | 2016 | 2015 |
|---|---|---|
| Not later than 1 year | 54.1 | 52.9 |
| Later than 1 year but not later than 5 years | 164.5 | 159.4 |
| Later than 5 years | 120.3 | 119.4 |
| **Balance at December 31** | **338.9** | **331.7** |

The principal operating lease commitments are in the UK, US, Colombia, Denmark and Switzerland.

At December 31, 2016, the minimum future lease payments expected to be received amount to CHF 4.6m (2015: CHF 6.5m). The lease expenditure charged to the consolidated income statement during the year is included in Note 8.

### 29.3 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 other than those provided for in Note 25.

## 30 Business Combinations

### 30.1 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.
- increased its interest in Gate Gourmet & MAASA Mexico, S.A.P.I. de C.V. and Prestadora de Servicios Gate Gourmet & MAASA Mexico, S.A.P.I. de C.V. ("GG Mexico") by 1% to 51% on June 13, 2016. GG Mexico's lines of business include manufacturing prepared foods and miscellaneous food specialties for Latin America, mainly in the airline catering sector.
- purchased 51% of Gate Gourmet Catering Bolivia S.A. ("GG Bolivia") on August 2, 2016. The main activities of the business are cargo, aircraft cleaning, courier services and multiple airport services within the field of commercial aviation. The Group is confident that the addition of GG Bolivia will create beneficial opportunities through an increase in its presence in Latin America.
- 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 Asia Pacific region.
- purchased 60% of Campamentos de Obra Moviles S.L. ("COMO") on May 3, 2016. The corporate purpose of COMO is to provide services, such as catering and auxiliary services, in camps and remote areas in Spain, Middle East and Latin America. With the acquisition of COMO, the Group is strengthening its presence and activities in these regions.
- acquired 51% of Air Food S.r.l. ("AVIO") during the third quarter of 2016. AVIO's range of services includes the production of savory and sweet bakery products for rail and airport catering companies. With the addition of AVIO, the Group establishes its presence in Italy and continues to improve its synergies across Europe.

Goodwill related to the acquisitions 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 initial accounting for all business combinations has, except for IFS, only been provisionally determined at the end of the reporting period. The necessary market valuations, other calculations and final determination of the respective considerations paid or payable have not been finalized and are therefore based on best estimates. The principal amounts that are provisional are receivables, payables, intangible assets, goodwill and 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.

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

| in CHF m | IFS | Provisional GG Mexico | Provisional GG Bolivia | Provisional Other | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | 7.3 | 1.2 | 0.6 | 3.5 | 12.6 |
| Trade receivables | 5.1 | 6.9 | – | 4.7 | 16.7 |
| Other current receivables and prepayments | 6.9 | 3.5 | – | 1.9 | 12.3 |
| Inventories | 15.9 | 0.9 | – | 0.3 | 17.1 |
| Current income tax assets | 0.9 | – | – | – | 0.9 |
| Property, plant and equipment | 0.9 | 3.2 | 4.5 | 1.0 | 9.6 |
| Intangible assets | 59.0 | 4.3 | – | 4.5 | 67.8 |
| Deferred income tax assets | 0.9 | 0.6 | – | 0.3 | 1.8 |
| Short-term debt | (77.3) | – | – | (0.9) | (78.2) |
| Trade and other payables | (18.3) | (8.9) | – | (7.3) | (34.5) |
| Current income tax liabilities | – | – | – | (0.7) | (0.7) |
| Other current liabilities | (13.4) | (2.1) | – | (1.9) | (17.4) |
| Long-term debt | – | – | – | (0.4) | (0.4) |
| Deferred income tax liabilities | (8.9) | (1.0) | – | (0.1) | (10.0) |
| Provisions and retirement benefit obligations | (43.8) | (1.2) | – | (2.2) | (47.2) |
| Other non-current liabilities | – | – | – | (1.0) | (1.0) |
| **Fair value of net (liabilities)/assets acquired** | **(64.8)** | **7.4** | **5.1** | **1.7** | **(50.6)** |
| Goodwill on acquisition | 141.7 | 14.4 | 13.4 | 21.2 | 190.7 |
| Contingent consideration | – | – | (2.6) | (6.3) | (8.9) |
| Non-controlling interests | – | (8.7) | (9.1) | (4.4) | (22.2) |
| Fair value of previously held interest | – | (8.8) | – | (2.5) | (11.3) |
| **Total cash consideration transferred** | **76.9** | **4.3** | **6.8** | **9.7** | **97.7** |
| Less: cash and cash equivalents | (7.3) | (1.2) | (0.6) | (3.5) | (12.6) |
| **Cash outflow on acquisition** | **69.6** | **3.1** | **6.2** | **6.2** | **85.1** |

### IFS

Receivables acquired are stated at fair value. It is expected that all receivables can be collected. The inclusion of IFS in the consolidated financial statements from the beginning of the financial year to the initial consolidation on February 1, 2016, would have generated approximately additional revenues of CHF 17.1m and a net loss of CHF 0.7m. From initial recognition to December 31, 2016, IFS contributed revenues of CHF 211.4m and a net profit of CHF 7.7m.

Acquisition-related costs amount to CHF 1.2m 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.

### GG Mexico

As control has been obtained, the investment previously accounted for using the equity method was fully consolidated from the acquisition date. The remeasurement to fair value of the previously held interest resulted in a gain of CHF 4.4m. This gain was recognized in “Other gains and (losses), net” in the consolidated income statement. Receivables acquired are stated at fair value. It is expected that all receivables can be collected. The non-controlling interest recognized at the acquisition date was measured at fair value and amounted to CHF 8.7m.

The inclusion of GG Mexico in the consolidated financial statements from the beginning of the financial year to the initial consolidation on June 13, 2016, would have generated approximately additional revenues of CHF 20.9m and a net profit of CHF 1.5m. From initial recognition to December 31, 2016, GG Mexico contributed revenues of CHF 20.6m and a net profit of CHF 2.0m.

Acquisition-related costs amount to CHF 0.3m 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.

### GG BOLIVIA

Receivables acquired are stated at fair value. It is expected that all receivables can be collected. The Group has agreed to pay an additional contingent consideration of CHF 2.6m to a former shareholder of GG Bolivia after the first anniversary of the closing date, if certain conditions are satisfied. The non-controlling interest recognized at the acquisition date was measured at fair value and amounted to CHF 9.1m.

The inclusion of GG Bolivia in the consolidated financial statements from the beginning of the financial year to the initial consolidation on August 2, 2016, would have generated approximately additional revenues of CHF 3.8m and a net profit of CHF 1.0m. From initial recognition to December 31, 2016, GG Bolivia contributed revenues of CHF 2.9m and a net profit of CHF 0.4m.

Acquisition-related costs amount to CHF 0.1m 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.

### CACS

Receivables acquired are stated at fair value. It is expected that all receivables can be collected. The Group has agreed to pay an additional contingent consideration of CHF 0.1m to a former shareholder of CACS on the third anniversary of the closing date, subject to the satisfaction of specific conditions. The non-controlling interest recognized at the acquisition date was measured at fair value and amounted to CHF 2.0m.

The inclusion of CACS in the consolidated financial statements from the beginning of the financial year to the initial consolidation on March 17, 2016, would have generated approximately additional revenues of CHF 1.5m and a net profit of CHF 0.4m. From initial recognition to December 31, 2016, CACS contributed revenues of CHF 5.7m and a net profit of CHF 0.8m.

Acquisition-related costs amount to CHF 0.1m 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.

### COMO

Receivables acquired are stated at fair value. It is expected that all receivables can be collected. The Group has provided for additional contingent considerations of CHF 1.9m payable to a former shareholder of COMO by latest July 31, 2017, if certain conditions are satisfied. The non-controlling interest recognized at the acquisition date was measured at fair value and amounted to CHF 2.4m.

The inclusion of COMO in the consolidated financial statements from the beginning of the financial year to the initial consolidation on May 3, 2016, would have generated approximately additional revenues of CHF 0.6m and a net loss of CHF 0.4m. From initial recognition to December 31, 2016, COMO contributed revenues of CHF 1.3m and a net loss of CHF 1.7m.

Acquisition-related costs amount to CHF 0.1m 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.

### AVIO

On August 2, 2016, the Group acquired 30% of AVIO's shares through a non-cash contribution. Subsequently on September 20, 2016, the Group purchased an additional 21% of the share capital, from which point AVIO was consolidated. The acquisition arrangements include symmetric put and call options over the remaining 49% of the share capital. A financial liability (contingent consideration) of CHF 4.3m has been recognized for the net present value of expected payments relating to the option arrangements. Receivables acquired are stated at fair value. It is expected that all receivables can be collected.

The inclusion of AVIO in the consolidated financial statements from the beginning of the financial year to the initial consolidation on September 20, 2016, would have generated approximately additional revenues of CHF 8.7m and a net profit of CHF 0.3m. From initial recognition to December 31, 2016, AVIO contributed revenues of CHF 4.2m and a net loss of CHF 0.7m.

Acquisition-related costs amount to CHF 0.1m 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.

#### HELIOS

A deferred consideration of CHF 0.6m was paid in May 2016 in relation to the acquisition of Helios in 2012.

### 30.2 Business Combinations 2015

The Group did not make any significant acquisitions during 2015.

## 31 Disposal Group

### 31.1 Disposals 2016

In October 2016, the Group disposed of its 100% shareholding in IFS Estonia to Lagardère Travel Retail SAS. The consideration amounted to CHF 1.3m, whereas the net assets disposed of were CHF 1.4m, including cash and cash equivalents of CHF 1.2m. The net loss of CHF 0.1m has been recognized in the income statement and is included in "Other gains and losses, net".

| in CHF m | **IFS Estonia** |
|---|---|
| Cash and cash equivalents | 1.2 |
| Trade receivables | 0.3 |
| Inventories | 0.5 |
| Intangible assets | 0.3 |
| Deferred tax assets | 0.2 |
| Other current liabilities | (0.4) |
| Long-term provisions | (0.7) |
| **Net assets disposed** | **1.4** |
| | |
| Consideration received | 1.3 |
| Net assets disposed | (1.4) |
| **Loss from disposal of subsidiaries (Note 9)** | **(0.1)** |
| | |
| **Cashflow:** | |
| Consideration received in cash and cash equivalents | 1.3 |
| Cash and cash equivalents disposed | (1.2) |
| **Net cash inflow from disposal of subsidiaries** | **0.1** |

### 31.2 Disposals 2015

The Group did not make any significant disposals during 2015.

## 32 Related Party Transactions

### 32.1 Key Management Personnel

The key management personnel are defined as the Board and the EMB.

Key management compensation, applying IFRS 2 rules for the accounting of share-based payments, consisted of:

| in CHF m | 2016 | 2015 |
|---|---|---|
| Short-term benefits | 8.2 | 8.3 |
| Share-based payments | 7.2 | 0.8 |
| **Total key management compensation** | **15.4** | **9.1** |

In addition to the above, CHF 7.8 m have been accrued in 2016 relating to retention awards for members of the EMB, in connection with the acquisition of the Group by HNA.

### 32.2 Associated Companies and Joint Ventures

| in CHF m | 2016 | 2015 |
|---|---|---|
| Sale of goods and services: | | |
| Sale of goods[(I), (II)] | 0.9 | 1.2 |
| Management services provided to associates[(III)] | 0.9 | 0.6 |
| Management services provided to joint ventures[(III)] | 0.3 | 0.7 |
| **Total** | **2.1** | **2.5** |

(I) The sales to associates and joint ventures are made on terms equivalent to those that prevail in arm's length transactions
(II) The majority of these sales of goods relate to transactions with the Group's associates
(III) The Group performed certain administrative services for these entities. The respective charges reflect an appropriate allocation of costs incurred

As at December 31, 2016, trade and other receivables amounted to CHF 1.7m (2015: CHF 3.9m) (Notes 15 and 16), none (2015: CHF 1.7m) from joint ventures and CHF 1.7m (2015: CHF 2.2m) from associates. Other current payables in 2015 amounted to CHF 0.3m (Note 24), mainly related to transactions with joint ventures (2016: nil).

### 32.3 Parent

On December 22, 2016, the Group was acquired by HNA Group Co. Ltd. ("HNA") through its subsidiary HNA Aviation (Hong Kong) Air Catering Holding Co. Ltd., Hong Kong ("HNA Aviation"). As at December 31, 2016, HNA Aviation held a 98.02% interest in the Group. There are no contractual agreements, commitments, financing requirements or guarantees between the Group and its parent companies which require disclosure. For the period from acquisition date to the balance sheet date no material sale or purchase of goods between the company and HNA Aviation and its parent companies have been identified (2015: nil). As at December 31, 2016, no trade and other receivables from or trade and other payables to the parent companies have been identified (2015: nil).

### 32.4 Other Related Parties

| in CHF m | 2016 | 2015 |
|---|---|---|
| Sale of goods and services: | | |
| Sale of goods[(I)] | 0.5 | – |
| **Total** | **0.5** | **–** |

(I) The sales to other related parties are made on terms equivalent to those that prevail in arm's length transactions

The Group provides catering services to HNA subsidiaries in the airline sector. In general, the Group does not receive any services or goods from HNA or its subsidiaries.

As at December 31, 2016, trade and other receivables to other related parties amounted to CHF 2.1m (2015: nil) (Note 15). No material trade payables have been identified as at the balance sheet date (2015: nil). No guarantees have been received and no expense has been recognized in the current or prior years for bad debt.

## 33 Group Companies

The principal subsidiaries of the Company as of December 31, 2016, are the following:

| Country | Company | % capital shareholding[1] | Currency | Share capital |
|---|---|---|---|---|
| Argentina | Gate Gourmet Argentina S.r.L., Buenos Aires | 100 | ARS | 5,750,000 |
| Australia | Gate Gourmet Cairns Pty Ltd, Mascot, NSW | 100 | AUD | 3,104,002 |
| | Gate Gourmet (Holdings) Pty Ltd, Mascot, NSW | 100 | AUD | 39,299,111 |
| | Gate Gourmet Rail Pty Ltd, Mascot, NSW | 100 | AUD | 2 |
| | Gate Gourmet Services Pty Ltd, Mascot, NSW | 100 | AUD | 44,330,100 |
| | Pourshins Australia Pty Ltd, Alexandria, NSW | 100 | AUD | 2 |
| Belgium | deSter BVBA, Hoogstraten | 100 | EUR | 22,600,000 |
| Bolivia | Como Bolivia S.r.L., Oruro | 99 | BOB | 20,000 |
| | Gate Gourmet Catering Bolivia S.A., Cochabamba | 51 | BOB | 22,000 |
| Brazil | Gate Gourmet Ltda, São Paulo | 100 | BRL | 87,331,839 |
| Cambodia | Cambodia Air Catering Services Ltd, Phnom Penh | 75 | USD | 500,000 |
| Canada | Gate Gourmet Canada Inc., Toronto | 100 | CAD | 17,500,000 |
| | Pourshins Canada Inc., Toronto | 100 | CAD | 300,000 |
| Chile | Gate Gourmet Catering Chile Ltda, Santiago | 100 | CLP | 1,968,062,000 |
| China | Gate Gourmet Hong Kong Ltd, Hong Kong | 100 | HKD | 281,657,350 |
| | gategroup Trading Hong Kong Ltd, Hong Kong | 100 | USD | 162 |
| Colombia | Gate Gourmet Colombia Ltda, Bogotá | 75 | COP | 831,229,870 |
| Denmark | Gate Gourmet Denmark ApS, Tårnby | 100 | DKK | 301,200 |
| | Gate Gourmet Northern Europe ApS, Tårnby | 100 | DKK | 52,351,000 |
| Ecuador | Gate Gourmet del Ecuador Cia Ltda, Quito | 60 | USD | 2,278,400 |
| France | Gate Gourmet Aéroport de Bâle-Mulhouse SAS, St-Louis | 100 | EUR | 337,000 |
| Germany | Gate Gourmet GmbH Deutschland, Neu-Isenburg | 100 | EUR | 7,670,000 |
| | Gate Gourmet GmbH Holding Deutschland, Neu-Isenburg | 100 | EUR | 51,129 |
| | Gate Gourmet GmbH Mitte, Neu-Isenburg | 100 | EUR | 25,000 |
| | Gate Gourmet GmbH West, Düsseldorf | 100 | EUR | 1,534,000 |
| | Gate Gourmet Service GmbH, Neu-Isenburg | 100 | EUR | 25,000 |
| | Performa Deutschland GmbH, Neu-Isenburg | 100 | EUR | 25,000 |
| India | Gate Gourmet India Private Ltd, Mumbai | 100 | INR | 329,402,000 |
| | Skygourmet Catering Private Ltd, Mumbai | 100 | INR | 14,655,311 |
| Ireland | Gate Gourmet Ireland Ltd, Dublin | 100 | EUR | 4,500,000 |
| Italy | Air Food S.r.L., Milan | 51 | EUR | 40,000 |
| | Gate Gourmet Italia S.r.L., Milan | 51 | EUR | 4,795,937 |
| Japan | Gate Gourmet Japan YK, Chiba-ken | 100 | JPY | 80,000,000 |
| Kazakhstan | Gate Gourmet Central Asia LLP, Astana | 51 | KZT | 271,975,720 |
| Luxembourg | Gate Gourmet Holding I S.à r.l., Luxembourg | 100 | EUR | 42,782,100 |
| | Gate Gourmet Luxembourg IV S.à r.l., Luxembourg | 100 | EUR | 2,708,000 |
| | gategroup Finance (Luxembourg) S.A., Luxembourg | 100 | EUR | 31,000 |
| | gategroup Financial Services S.à r.l., Luxembourg | 100 | EUR | 40,562,600 |
| Mexico | Gate Gourmet & MAASA Mexico S.A.P.I. de C.V., Mexico City | 51 | MXN | 12,166,000 |
| | Gate Retail Onboard Mexico S.A.P.I. de C.V., Mexico City | 100 | MXN | 6,100,000 |
| | Prestadora de Servicios Gate Gourmet & MAASA Mexico S.A.P.I. de C.V., Mexico City | 51 | MXN | 50,000 |
| Netherlands | deSter Holding B.V., Amsterdam | 100 | EUR | 3,359,990 |
| | Gate Gourmet Amsterdam B.V., Schiphol | 100 | EUR | 2,291,590 |
| | Helios Market, Product & Production Development B.V., Amsterdam | 100 | EUR | 1,117,294 |
| New Zealand | Gate Gourmet New Zealand Ltd, Auckland | 100 | NZD | 4,000,100 |
| Norway | Gate Gourmet Norway AS, Oslo | 100 | NOK | 9,002,811 |
| Pakistan | Gate Gourmet Pakistan (Private) Ltd, Karachi | 100 | PKR | 9,007,610 |
| Peru | Gate Gourmet Peru S.r.L., Lima | 100 | PEN | 1,599,558 |
| Singapore | Gate Gourmet Singapore Pte Ltd, Singapore | 100 | SGD | 8,702,977 |
| | gategroup Investments Singapore Pte Ltd, Singapore | 100 | USD | 144,778,348 |

| Country | Company | % capital shareholding[1] | Currency | Share capital |
|---|---|---|---|---|
| Spain | Gate Gourmet España S.L., Madrid | 100 | EUR | 3,005,061 |
| | Gate Gourmet Holding España S.L., Madrid | 100 | EUR | 798,260 |
| Sweden | Gate Gourmet Sweden AB, Stockholm | 100 | SEK | 100,000 |
| | Inflight Service Europe AB, Stockholm | 100 | SEK | 1,000,000 |
| | Inflight Service Global AB, Stockholm | 100 | SEK | 100,000 |
| Switzerland | Gate Gourmet Switzerland GmbH, Kloten | 100 | CHF | 2,000,000 |
| | gategroup Financial Services S.à r.l., Luxembourg, Swiss Branch, Kloten | 100 | EUR | 1 |
| Thailand | deSter Co. Ltd, Prachinburi | 100 | THB | 135,000,000 |
| UAE | deSter General Trading FZE, Dubai | 100 | USD | 272,241 |
| United Kingdom | Fernley (Heathrow) Ltd, Middlesex | 100 | GBP | 85,100 |
| | Gate Gourmet Holdings UK Ltd, Middlesex | 100 | GBP | 96,230,003 |
| | Gate Gourmet London Ltd, Middlesex | 100 | GBP | 20,000,002 |
| | Pourshins Ltd, Middlesex | 100 | GBP | 854,350 |
| | Supplair UK Ltd, Middlesex | 100 | GBP | 3 |
| USA | deSter Corporation, Atlanta, GA | 100 | USD | 2,000 |
| | e-gatematrix llc, Wilmington, DE | 100 | USD | 8,030,366 |
| | Gate Aviation Services Inc., Wilmington, DE | 100 | USD | 10 |
| | Gate Gourmet Inc., Wilmington, DE | 100 | USD | 1,000 |
| | Gate Safe Inc., Wilmington, DE | 100 | USD | 10 |
| | Gate Serve llc, Wilmington, DE | 100 | USD | 1 |
| | gategroup U.S. Finance Inc., Wilmington, DE | 100 | USD | 1,000 |
| | gategroup U.S. Holding Inc., Wilmington, DE | 100 | USD | 1 |
| | Pourshins Inc., Chicago, IL | 100 | USD | 1,000 |

[1] Rounded to the nearest whole number

## 34 Post Balance Sheet Events

### Servair

On December 29, 2016, the Group announced the finalization of an agreement with Air France to acquire 50% minus 1 share of Compagnie d'Exploitation des Services Auxiliaires Aériens ("Servair") for an enterprise value of EUR 237.5m (on a 50% basis). The Group acquired control over Servair as of January 1, 2017. The transaction was financed from the Group's existing resources.

The addition of Servair to the Group will create an unprecedented offering in the inflight catering business, serving more than 300 airline customers in more than 200 facilities with 39,000 employees. Servair complements the Group's global network with a strong presence in France and Africa.

According to Servair's Annual Report 2015, the business reported a total revenue of CHF 857.1m in the year and as at December 31, 2015, the carrying values of assets amounted to CHF 479.0m and liabilities were CHF 271.0m. As the Group has only received access to detailed financial information after acquiring control, the fair values of assets and liabilities acquired have not yet been determined. The Company is in the process of preparing the initial accounting for the business combination.

### Bond issue

During February 2017 the Group raised CHF 350.0m through the issuance of a fixed rate five-year senior bond ("Bond") with a final maturity on February 28, 2022. The Bond, with a coupon of 3% p.a., has been issued by gategroup Finance (Luxembourg) S.A. and is guaranteed by its parent company, gategroup Holding AG. Settlement date of the Bond was February 28, 2017. The Group has applied to list the Bond on the SIX Swiss Exchange.

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To the General Meeting of
gategroup Holding AG, Kloten

## Statutory auditor's report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of gategroup Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2016, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 34 to 83) give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**Revenue recognition and recoverability of trade receivables**

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| **Risk** | Trade receivables represent 16% of the Group's total assets and 106% of the Group's total equity as at December 31, 2016. The Company applied estimates and judgments in regards to the recognition of volume rebates and other similar allowances. Furthermore the Company applied judgment to its ability to collect outstanding receivables. Due to the significance of the carrying values for revenues and trade receivables and the judgment involved, this matter was considered significant to our audit. |
| **Our audit response** | We assessed the Company's internal controls over its significant revenue and trade receivables processes. Our substantive audit procedures included disaggregated margin analysis, a review of the contractual language on a sample basis, a review of credit notes and potential reversals and an analysis of trade receivables based on an aging analysis. Furthermore, we performed inquiries of key personnel regarding potential price adjustments (e.g. discounts) and their awareness of revenue adjustments that could affect current year revenue, and revenue cut-off. |

**Valuation of goodwill and indefinite-lived intellectual property**

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| **Risk** | Goodwill and intellectual property represent 28% of the gategroup's total assets and 184% of the Group's total equity as at December 31, 2016. As stated in Note 2.16 to the consolidated financial statements, the carrying value of goodwill and indefinite-lived intellectual property is tested annually for impairment. The Company performed its annual impairment test of goodwill and indefinite-lived intellectual property and determined that there was no impairment. Key assumptions concerning the impairment test are disclosed in Note 20 to the consolidated financial statements. In determining the fair value of CGU's, the Company must apply judgment in estimating – amongst other factors – cashflow projections based on the financial budget, approved by the Board, included as the first year of a three-year business plan, as well as the discount rate. Due to the significance of the carrying values for goodwill and indefinite-lived intellectual property and the judgment involved in performing the impairment tests, this matter was considered significant to our audit. |
| **Our audit response** | We assessed the Company's internal controls over its annual impairment tests and key assumptions applied. We evaluated Management's interpretation of CGU's. We involved valuation specialists to assist in examining the Company's valuation model and analyzing the underlying key assumptions, including long-term growth and discount rates. We assessed future revenues and margins and the historical accuracy of the Company's financial budget and considered its ability to produce accurate long-term forecasts. We evaluated the |

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| | sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth. |

**Acquisition accounting**

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| **Risk** | Significant judgment is involved when applying the acquisition method of accounting for newly acquired subsidiaries. This included judgment to identify assets acquired, separately from goodwill. In determining the fair value of assets acquired the Company applied judgment in estimating – amongst other factors – future revenues and margins, long-term growth and discount rates. Given the significance of acquisitions in the current year, we considered this area to be important for our audit. |
| **Our audit response** | We assessed the acquisition accounting memorandums prepared by the Company as well as relevant key information to gain an understanding of the transactions. We involved valuation specialists to assist in examining the Company's valuation model and analyzing the underlying key assumptions, including long-term growth and discount rates. We assessed future revenues and margins and the historical accuracy of the Company's financial budget and considered its ability to produce accurate long-term forecasts. |

The consolidated financial statements of gategroup Holding AG for the year ended December 31, 2015 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on March 9, 2016.

**Other information in the annual report**

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report, and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibility of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**
In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

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|---|---|
| Christian Schibler | Christian Krämer |
| Licensed audit expert | Licensed audit expert |
| (Auditor in charge) | |

**Enclosure**
- Consolidated financial statements (pages 34 to 83)

# Imprint

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