

JANUARY – SEPTEMBER 2015

Interim Consolidated Financial Statements



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Serving people on the move

Consolidated Income Statement

in CHF m	January - September		July - September	
	2015	2014	2015	2014
Total revenue	2,233.7	2,252.6	818.6	828.9
Materials and service expenses	(912.7)	(941.0)	(338.4)	(350.0)
Personnel expenses	(895.9)	(863.5)	(295.1)	(298.4)
Other operating income and expenses, net	(364.3)	(335.5)	(119.0)	(117.5)
Impairment charges	(2.5)	-	-	-
Depreciation and amortization	(43.9)	(42.8)	(14.8)	(14.1)
Other (losses) and gains, net	(0.2)	6.5	(0.1)	6.5
Total operating expenses, net	(2,219.5)	(2,176.3)	(767.4)	(773.5)
Operating profit	14.2	76.3	51.2	55.4
Finance costs, net	(61.5)	(32.0)	(12.3)	(11.4)
Share of result of associates and joint ventures	2.4	1.6	0.6	0.3
(Loss)/profit before tax	(44.9)	45.9	39.5	44.3
Income tax expense	(10.2)	(15.3)	(7.1)	(7.2)
(Loss)/profit for the period	(55.1)	30.6	32.4	37.1
thereof attributable to shareholders of the Company	(56.3)	29.3	32.0	36.6
thereof attributable to non-controlling interests	1.2	1.3	0.4	0.5
Earnings per share attributable to shareholders of the Company				
Basic earnings per share in CHF	(2.16)	1.12	1.23	1.40
Diluted earnings per share in CHF	(2.16)	1.12	1.23	1.40

Consolidated Statement of Comprehensive Income

in CHF m	January - September		July - September	
	2015	2014	2015	2014
(Loss)/profit for the period	(55.1)	30.6	32.4	37.1
Items that will not be reclassified to profit or loss				
Actuarial losses net, on defined benefit schemes, net of taxes	(21.0)	(35.7)	(19.1)	(10.4)
Items that may be reclassified subsequently to profit or loss				
Currency translation differences arising during the period	12.1	25.6	(6.7)	22.0
Reclassification adjustment relating to disposal of subsidiaries	-	(2.5)	-	(2.5)
Reclassification relating to change in non-controlling interests	-	(0.6)	-	(0.6)
Other comprehensive income	(8.9)	(13.2)	(25.8)	8.5
Total comprehensive income	(64.0)	17.4	6.6	45.6
thereof attributable to shareholders of the Company	(64.9)	16.0	6.3	45.0
thereof attributable to non-controlling interests	0.9	1.4	0.3	0.6

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

Consolidated Balance Sheet

in CHF m	September 30, 2015	December 31, 2014	September 30, 2014
Cash and cash equivalents	115.6	183.8	144.3
Trade receivables	311.0	291.7	323.9
Other current receivables and prepayments	102.8	105.3	114.8
Inventories	96.0	97.5	90.4
Current income tax assets	12.1	11.5	13.0
Assets held for sale	0.5	–	–
Total current assets	638.0	689.8	686.4
Property, plant and equipment	279.2	309.8	305.6
Intangible assets	408.3	431.1	426.9
Investments in associates and joint ventures	15.2	14.1	13.6
Other non-current receivables	35.3	43.0	41.9
Deferred income tax assets	47.4	47.0	56.9
Retirement benefit assets	–	3.6	–
Total non-current assets	785.4	848.6	844.9
Total assets	1,423.4	1,538.4	1,531.3
Short-term debt	84.9	3.1	3.8
Trade and other payables	232.0	252.1	248.0
Current income tax liabilities	19.1	21.7	26.1
Provisions	47.0	23.5	26.4
Other current liabilities	290.4	277.5	283.7
Total current liabilities	673.4	577.9	588.0
Long-term debt	276.0	423.8	424.2
Deferred income tax liabilities	12.4	13.5	20.9
Retirement benefit obligations	212.7	196.8	165.8
Provisions	31.0	29.7	29.3
Other non-current liabilities	3.3	6.0	5.9
Total non-current liabilities	535.4	669.8	646.1
Total liabilities	1,208.8	1,247.7	1,234.1
Equity attributable to shareholders of the Company	212.0	287.7	293.8
Non-controlling interests	2.6	3.0	3.4
Total equity	214.6	290.7	297.2
Total liabilities and equity	1,423.4	1,538.4	1,531.3

The accompanying notes form an integral part of these Interim 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, 2014	134.0	(20.4)	197.0	(25.4)	285.2	9.2	294.4
Profit for the period	–	–	29.3	–	29.3	1.3	30.6
Other comprehensive income	–	–	(35.7)	22.4	(13.3)	0.1	(13.2)
Total comprehensive income	–	–	(6.4)	22.4	16.0	1.4	17.4
Equity-settled share-based payments	–	–	0.4	–	0.4	–	0.4
Change in non-controlling interests	–	–	–	–	–	(5.8)	(5.8)
Dividends paid	–	–	(7.8)	–	(7.8)	–	(7.8)
Dividends paid to non-controlling interests	–	–	–	–	–	(1.4)	(1.4)
At September 30, 2014	134.0	(20.4)	183.2	(3.0)	293.8	3.4	297.2
At January 1, 2015	134.0	(20.4)	167.6	6.5	287.7	3.0	290.7
(Loss)/profit for the period	–	–	(56.3)	–	(56.3)	1.2	(55.1)
Other comprehensive income	–	–	(21.0)	12.4	(8.6)	(0.3)	(8.9)
Total comprehensive income	–	–	(77.3)	12.4	(64.9)	0.9	(64.0)
Equity-settled share-based payments	–	–	0.9	–	0.9	–	0.9
Issue of treasury shares to employees	–	0.8	(0.8)	–	–	–	–
Dividends paid	–	–	(11.7)	–	(11.7)	–	(11.7)
Dividends paid to non-controlling interests	–	–	–	–	–	(1.3)	(1.3)
At September 30, 2015	134.0	(19.6)	78.7	18.9	212.0	2.6	214.6

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

Consolidated Cash Flow Statement

in CHF m	January - September 2015	January - September 2014
(Loss)/profit before tax	(44.9)	45.9
Adjustments for:		
Finance costs, net	61.5	32.0
Share-based payments	0.9	0.4
Share of result of associates and joint ventures	(2.4)	(1.6)
Depreciation and amortization	43.9	42.8
Impairment charges	2.5	–
Other losses and (gains), net	0.2	(6.5)
Net cash flow before working capital and provision changes	61.7	113.0
Changes in working capital	(21.7)	(27.7)
Changes in provisions and retirement benefit obligations	26.8	(13.9)
Cash generated from operations	66.8	71.4
Interest paid	(30.4)	(30.0)
Interest received	0.5	0.5
Income taxes paid, net	(12.6)	(11.5)
Net cash flow generated from operating activities	24.3	30.4
Acquisition of subsidiaries, net of cash acquired	(1.5)	(2.7)
Purchase of property, plant and equipment	(29.4)	(35.2)
Purchase of intangible assets	(5.9)	(7.9)
Disposal of subsidiaries, net of cash disposed	–	(7.2)
Proceeds from sale of assets	0.6	0.1
Dividends from associates and joint ventures	0.4	1.7
Net cash flow used in investing activities	(35.8)	(51.2)
Proceeds from debt	119.0	4.8
Repayments of debt and other financing costs	(150.9)	(5.5)
Dividends paid	(11.7)	(7.8)
Dividends paid to non-controlling interests	(1.3)	(1.4)
Net cash flow used in financing activities	(44.9)	(9.9)
Decrease in cash and cash equivalents	(56.4)	(30.7)
Movement in cash and cash equivalents		
At start of the year	183.8	174.2
Decrease in cash and cash equivalents	(56.4)	(30.7)
Effects of exchange rate changes	(11.8)	0.8
At end of the period	115.6	144.3

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

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

These interim consolidated financial statements were authorized for issue by the Board of Directors of the Company (the "Board") on November 11, 2015.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These interim consolidated financial statements for the nine month period ended September 30, 2015, have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the interim consolidated financial statements are consistent with those used in the 2014 annual consolidated financial statements, except where noted in the following paragraph:

Income tax expense is recognized based upon the best estimate of the average annual income tax rate expected for the full year.

The interim consolidated financial statements contain assumptions and estimates that affect the figures stated in this interim report. The definitive results may differ from these estimates.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2015, but did not have a material impact on the interim consolidated financial statements:

Standard	Effective date	Relevance for the Group
Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycles	July 1, 2014	Several standards have been modified on various points.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning January 1, 2015, and have not been early adopted:

Standard	Effective date
Annual Improvements to IFRSs 2012–2014 Cycle**	January 1, 2016
IAS 1 (amendment) - Disclosure Initiative**	January 1, 2016
IAS 28 (amendment) - Sale or contribution of Assets between an Investor and its Associate or Joint Venture**	January 1, 2016
IFRS 10 (amendment) - Sale or contribution of Assets between an Investor and its Associate or Joint Venture**	January 1, 2016
IFRS 7 (amendment) - Disclosures - Initial application of IFRS 9*	January 1, 2018
IFRS 9 - Financial Instruments*	January 1, 2018
IFRS 15 - Revenue from Contracts with Customers*	January 1, 2018

* Impact still to be assessed

** Will not have a significant impact on the Group's consolidated financial statements

3 SEGMENT INFORMATION

3.1 REPORTABLE SEGMENT INFORMATION

The Group realigned its business with effect from June 22, 2015, now reporting the four regional segments EMEA (Europe, Middle East, Africa and the Commonwealth of Independent States), North America, Latin America and Asia Pacific. The prior year segment reporting presented below has been restated to be in accordance with the new structure.

January - September, 2015	EMEA	North America	Latin America	Asia Pacific	Eliminations	Total reportable segments
in CHF m						
Catering and retail on board	582.9	391.7	119.6	142.6	–	1,236.8
Handling	228.7	293.2	29.3	46.6	–	597.8
Equipment	184.4	6.0	–	0.3	–	190.7
Other	82.0	81.8	14.7	29.9	–	208.4
Intersegment	4.8	3.7	–	0.4	(8.9)	–
Total revenue	1,082.8	776.4	163.6	219.8	(8.9)	2,233.7
Segment EBITDA	60.3	13.5	15.3	9.3	–	98.4
Total segment assets	680.8	439.0	110.5	193.1	–	1,423.4
Additions to non-current assets ⁰⁾	13.2	16.9	3.6	1.6	–	35.3
January - September, 2014						
in CHF m						
Catering and retail on board	638.1	359.4	112.2	148.5	–	1,258.2
Handling	236.2	265.5	26.4	51.1	–	579.2
Equipment	195.8	3.6	–	0.5	–	199.9
Other	82.4	74.1	16.5	42.3	–	215.3
Intersegment	5.2	3.1	–	–	(8.3)	–
Total revenue	1,157.7	705.7	155.1	242.4	(8.3)	2,252.6
Segment EBITDA	75.2	28.2	16.4	8.8	–	128.6
Total segment assets	765.3	437.0	109.0	220.0	–	1,531.3
Additions to non-current assets ⁰⁾	13.0	21.7	4.4	4.0	–	43.1

⁰⁾ Relate to property, plant and equipment and intangible assets

Included in the 2015 result of North America is a CHF 10.8m expense related to the labor agreement with the US workforce.

3.2 RECONCILIATION

Reconciliation of Segment EBITDA to operating profit

in CHF m	January - September	
	2015	2014
Segment EBITDA – reportable segments	98.4	128.6
Share-based payments	(0.9)	(0.4)
Restructuring costs	(32.1)	(10.2)
Operating taxes (non-income taxes)	(5.3)	(5.9)
Depreciation	(36.9)	(32.8)
Amortization	(7.0)	(10.0)
Impairment charges	(2.5)	–
Other (losses) and gains, net	(0.2)	6.5
Management fees, net	0.7	0.5
Operating profit	14.2	76.3

4 FINANCE COSTS, NET

in CHF m	January - September		July - September	
	2015	2014	2015	2014
Financial income	0.5	0.9	0.2	0.2
Financial expenses	(32.6)	(30.5)	(7.5)	(10.1)
Net interest on defined benefit schemes	(4.3)	(3.9)	(1.4)	(1.3)
Foreign exchange (losses)/gains, net	(25.1)	1.5	(3.6)	(0.2)
Finance costs, net	(61.5)	(32.0)	(12.3)	(11.4)

The net foreign exchange loss of CHF 25.1m as of September 30, 2015, is primarily due to the Swiss National Bank's removal, on January 15, 2015, of the currency ceiling against the Euro which resulted in a significant strengthening of the Swiss Franc against most major currencies in which the Group operates.

5 SEASONALITY

Historically, the Group's revenue has exhibited some seasonality with the strongest performance being in the third quarter. Cash flow generation has traditionally been strongest in the second half of the year.

6 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 period. Treasury shares are not considered as outstanding shares.

	January - September		July - September	
	2015	2014	2015	2014
(Loss)/profit for the period attributable to shareholders of the Company (in CHF m)	(56.3)	29.3	32.0	36.6
Weighted average number of shares outstanding	26,090,121	26,066,799	26,118,146	26,066,799
Basic earnings per share (in CHF)	(2.16)	1.12	1.23	1.40

Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share in all periods.

7 SHORT-TERM AND LONG-TERM DEBT

On March 26, 2015, the Group entered into a five-year EUR 240.0m unsecured multicurrency revolving credit facility ("RCF"), replacing the EUR 100.0m RCF which had been due to mature in June 2016. Between April 20, 2015, and April 27, 2015, the Group utilized EUR 110.0m of the RCF, of which EUR 10.0m were repaid on July 22, 2015 and EUR 25.0m on September 28, 2015.

On April 30, 2015, the Group redeemed EUR 100.0m of its 6.75% coupon bearing EUR 350.0m senior unsecured notes. In conjunction with this EUR 100.0m repayment, an early repayment fee of 5.063% was paid and previously capitalized transaction costs of EUR 2.2m were expensed.

On October 20, 2015, the Group announced that during November 2015 it would redeem the remaining EUR 250.0m 6.75% coupon bearing senior unsecured notes with a new five-year EUR 250.0m unsecured Term Loan B. In conjunction with this EUR 250.0m repayment, an early repayment fee of 5.063% will be paid and previously capitalized transaction costs, as at September 30, 2015, of EUR 4.7m expensed.

8 RETIREMENT BENEFIT OBLIGATION

An actuarial loss, net of taxes, of CHF 21.0m (2014 loss: CHF 35.7m) was recognized through comprehensive income in the nine month period ended September 30, 2015. The 2015 actuarial loss arises principally from a decrease in discount rate in Switzerland, partially off-set by discount rate increases in the United States. The 2014 loss arose principally due to decreases in discount rates for all major plans.

9 EQUITY

Dividend

On April 23, 2015, the Company paid a dividend of CHF 0.45 per share to its shareholders. The total amount of the dividend paid was CHF 11,730,060 (2014: CHF 7,820,040). No dividends were distributed on the 719,537 treasury shares held by the Company and its subsidiaries.

10 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.

11 DISPOSAL GROUP

Disposals 2015

The Group did not make any disposals during the nine month period ended September 30, 2015.

Disposals 2014

The Group completed the disposal of Shanghai Pudong International Airport Gate Gourmet Air Catering Co. Ltd., on July 2, 2014. China Aviation Investment Co. Ltd., an affiliate of the Air China Group acquired a 51% interest, thereby reducing gategroup's participation to 29% with Shanghai Airport Group Co. Ltd. retaining its existing 20% shareholding.

At disposal the business had CHF 15.3m of assets, of which CHF 7.2m was cash, and liabilities of CHF 6.1m. The retained 29% interest is reflected as an associate, with a fair value of CHF 3.7m as of July 2, 2014. The gain on the transaction amounted to CHF 6.6m whereof the total consideration of CHF 6.5m was considered a current receivable as of September 30, 2014.

12 EVENTS OCCURRING AFTER THE END OF THE INTERIM REPORTING PERIOD

There are no events occurring after the end of the reporting period that warrant disclosure.



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