ANNUAL REPORT 2017

JOURNEY TO THE NEW GATEGROUP

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JOURNEY TO THE NEW GATEGROUP

gategroup

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Message from the Chairman

Dear stakeholders of gategroup,

2017 was an extraordinarily successful year for gategroup. The group was able to achieve a number of important strategic milestones as set out in the Gateway 2020 strategy, most notably the successful integration of the French airline catering company Servair.

This success is impressively reflected in the figures: within just two years, gategroup has almost doubled the number of countries and territories in which it operates, to a notable 60 today. Compared to 2015, sales have increased by more than 50% to CHF 4.6 billion, EBITDA doubled to CHF 300 million and net profit increased to CHF 85 million. Today, gategroup is not only the world's largest airline caterer in terms of revenues, but also a very sound, driven and growing company.

The journey continues. We operate in a highly dynamic industry, one that is experiencing a steady increase in passenger numbers. Airlines with new business models create new opportunities for agile, cost-efficient companies offering innovative, high-quality products and services. With the Gateway 2020 strategy, gategroup is well positioned to harness these synergies for further growth. None of this would be possible without the tremendous support of management and employees. I would like to thank them most sincerely for their hard work and great commitment. The way we do business is as important as the results we achieve, and I would also commend the group for their commitment to corporate social responsibility and helping people around the world. And finally, I would like to convey a sincere thank you to our customers, shareholders, suppliers and partners for their trust and loyalty to gategroup. HNA remains committed to gategroup in the long term and supports the further implementation of its strategy. With the Board of Directors, I look forward to continuing our journey together.

Sincerely,

Adam Tan
Chairman

Adam Tan

CEO report

A transformational year, creating the foundation for future growth

The end of the 2017 business year marked the halfway point in our Gateway 2020 strategy announced two-and-a-half years ago. In 2015 we set out ambitious but realistic plans to transform gategroup through a combination of commercial innovation and operational excellence. We also looked to improve cost efficiency and financial discipline. This new direction has proven correct, with 2017 marking another year of growth in revenues, profit and margins.

Xavier Rossinyol

Delivering ahead of plan: passion for innovation, obsession for operational excellence

We are the global food and hospitality leader focused on enhanced travel experiences and specialized in airline catering, food and beverage, retail on board and catering equipment. The key is our passion for innovation and obsession for operational excellence, which has made gategroup the largest and fastest growing network in the airline industry. In 2017 gategroup reaffirmed its global market leadership in airline catering and retail on board services. In two years we almost doubled the number of geographies in which we are active from over 30 to now 60 countries / territories, and increased our number of operating units from 165 to more than 200.

We acquired and fully integrated Servair, making gategroup the undisputed global leader in France as well as in the fast-growing African market. We relentlessly continued our expansion into emerging markets and Asia Pacific (APAC), announcing a strategic joint venture with Asiana Airlines of the Republic of Korea in January 2018 – a step change towards our growing presence in this region. In 2017 we also diversified our international client base, serving more than 300 customers and 700 million passengers. This represents a 50 percent increase of the customer base compared to 2015. As a result, 2017 revenues at actual exchange rates rose by 35% to CHF 4.6 billion. EBITDA grew even faster, reaching CHF 300 million, an increase of 50% against the previous year. Net profit of the company climbed to CHF 85.2

million, and operating cash flow[1] increased by 48% to CHF 210 million in 2017. These robust 2017 financial results stand on solid ground.

Servair: Stronger together

On 1 January 2017 we acquired a controlling interest in Servair and forged the largest catering network in the aviation industry. The successful integration of Servair into gategroup has resulted in the creation of the new Southern Europe & Africa (SEA) region, which comprises Servair's business in France, French territories, Italy, and Africa. The combination of the strengths of each player has resulted in an enhanced commercial offering, geographical footprint and product and service innovation. Additionally, Air France has become a key customer for the entire group. Servair also reinforces gategroup's focus on the core with an enrichment of our culinary offering through their distinguished Studio Culinaire, chaired by the world-renowned chef Joël Robuchon.

Strong industry growth amid increased competition and need for differentiation

2017 was a year of growth but also of change for the airline industry. In the short- and medium-haul segment two low cost carriers (LCCs) rank now among the top 10 of the world's largest airlines by passengers[2]. In long-haul, the opening of new routes by LCCs led to the launch of new low-cost airlines by traditional airlines. In this context, ancillary revenues have become an important stream of income not only for LCCs but also for full-service carriers. The latter are also now pursuing new hybrid models under which they operate their own low-cost brands or offer food and beverages for sale. Some LCCs are moving into premium services and have started introducing premium class seats or even lounges.

Airlines also recognize that their food and beverage offering is a differentiator that commands strong culinary expertise to meet ever-changing consumer demands. More and more consumers actively seek out local products and healthier options with a growing interest in organic, natural, vegan, non-GMO, gluten-free, bolder, spicier and ethnic flavors. Concurrently, consumers still look to food and drink as an indulgence and are not ready to compromise on taste. Furthermore, the hectic nature of modern lifestyles leads to a rising demand for convenient, on-the-go products with snacks often taking the place of meals. These trends have one thing in common: they require flexibility as well as a high degree of innovation. As the leading airline caterer, we address this by driving strong commercial innovations and developing enhanced culinary offerings.

1 Before capital expenditure

2 The Economist, https://www.economist.com/blogs/gulliver/2015/06/worlds-largest-airlines

The passion and focus of the team of people at gategroup is at the core of what we do and the results we achieve.

Trusted relationship with HNA

Our global market leadership is built on a trusted, professional relationship between management, the Board of Directors and the shareholder. Although gategroup is independently managed and financed, it is a very important company within HNA's Travel and Tourism division. HNA leadership fully endorses our Gateway 2020 strategy and our leadership team, while it offers new opportunities to develop in the Asia Pacific region, leveraging its strong footprint in the airline and hospitality industries.

Milestone

On 1 January 2017, we acquired a controlling interest in Servair, forming the largest catering network in the aviation industry.

Stronger in the future: customer focus allows growth and margin expansion

Over the past two-and-a-half years we have made clear progress on our five-year, Gateway 2020 strategy. Most importantly, we have done it together as one gategroup, as one team. Nothing we achieved in 2017 would have been possible without the entrepreneurial spirit and the dedication of our employees. The tremendous team of people at gategroup has my full appreciation for their commitment and hard work to bring our strategy to fruition.

Equally important as past performance is the solid foundation we have created which allows us to address new challenges ahead of us, without losing sight of finalizing initiatives that are currently underway. We have become a more diversified, agile and stronger company: we have completed contracts in new geographies, continuously enhanced our innovation, further driven standardization and cost efficiency, and remained focused on flawless execution.

Everything we do aims to strengthen the relationships with our customers and to add value for them and their passengers. This will allow us to ensure our own growth, increase our margins and broaden our business base.

Who we are

The food and hospitality global leader.

gategroup is the global leader in airline catering, retail on board and hospitality products and services. We provide passengers with superior culinary and retail experiences, leveraging our innovation and advanced technology solutions.
We deliver operational excellence through the most extensive catering network in the aviation industry, serving ca. 700 million passengers annually from over 200 operating units in 60 countries / territories across six continents.

Gategourmet

Gate Gourmet provides airline catering, provisioning, logistics and last mile services on five continents. Gate Gourmet offers a wide range of culinary solutions across all airline carriers and classes. We pride ourselves on our culinary innovation, operational excellence and personalized customer service.

SERVAIR

Servair became a member of gategroup in 2017. It provides inflight services including catering as well as airport and complementary services with the ambition to turn the quality of its service and innovation into performance levers for its airline customers. Servair is highly recognized for its culinary innovation and has a strong presence in France and Africa.

gateretail

gateretail provides flexible and innovative product and service solutions tailored to a customer's specific requirements. gateretail offers a comprehensive spectrum of modular retail services, specialized technology products and advisory management services that enable airlines to outsource part or all their onboard retail operations and logistics.

deSter

deSter designs and manufactures food packaging, serving both food service and airline customers worldwide. Through understanding our customers' unique style and specific needs, we create innovative tailor-made solutions.

gategourmet
a gategroup member
164

Facts and figures

CA. 43K
EMPLOYEES

CA. 700M
PASSENGERS SERVED / YEAR

300+
CUSTOMERS

COUNTRIES / TERRITORIES
60

CONTINENTS
6

200+
OPERATING UNITS

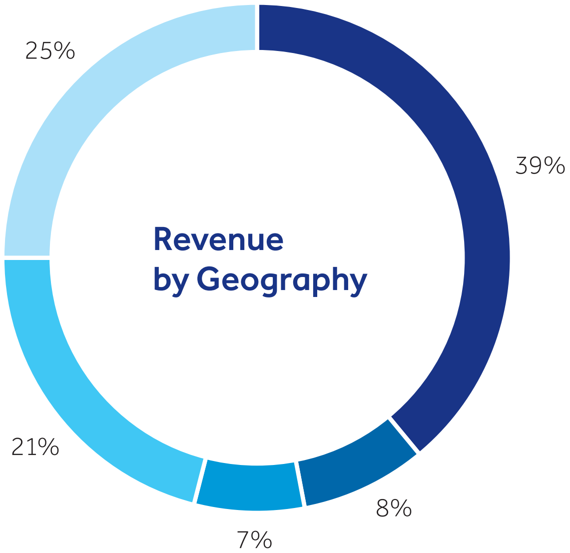
4.6B
REVENUE

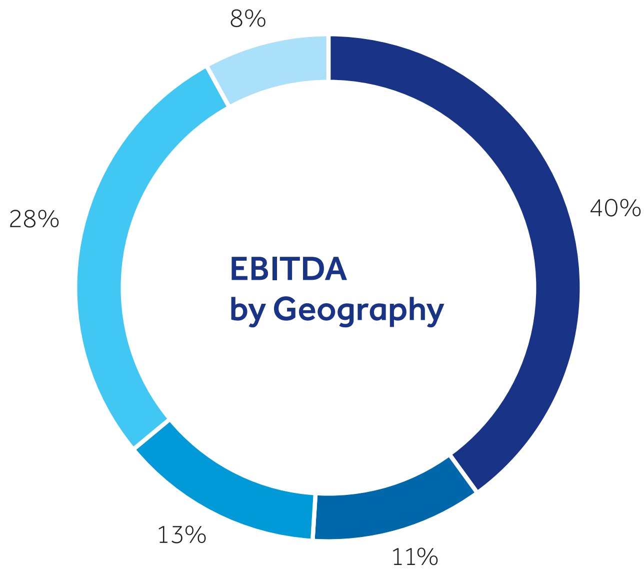
Key financial figures

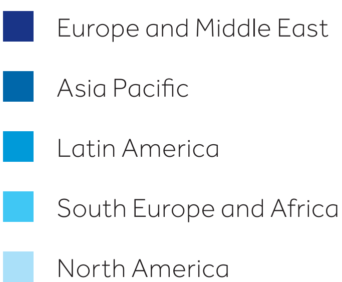
Financial Overview (in CHF m)

	2017	2016	% change
Revenue	4,554	3,363	35.4%
EBITDA	300.4	200.5	49.8%
EBITDA margin	6.6%	6.0%	0.6pp
Operating Profit	167.1	77.6	115.3%
Cash generated from Operations	210.2	141.6	48.4%

Regional Overview







2017 highlights

January

Thomas Cook / Condor business win in Scandinavia and Germany

—

gategroup acquires 50% (less one share) and assumes operational control of Servair from Air France

February

gategroup successfully completes CHF 350 million bond issuance

—

Quality and Safety Alliance presents Servair's Lagos unit with award for Inflight Services

March

Virgin Atlantic and gategroup renew major contracts

April

gategroup shares delisted from SIX Swiss Exchange

May

Gate Safe divestment completed

—

Duty-free shop Inflight Service Poland divestment completed

July

Delta Air Lines presents Gate Gourmet London Heathrow North with "Global Caterer of the Year" Award

—

gategroup obtains a five-year contract from LATAM Airlines for its retail on board business in Brazil

September

deSter wins bronze award together with SAS / Designit at the Pentawards 2017

October

gateretail's MiniBarBox named "Best Inflight Product of the Year" at Frontier Awards 2017

Gate Gourmet Oceania and partner EcoSlice win New South Wales Green Globe Innovation Award with green dry ice innovation

—

Gate Gourmet inaugurates new 17'000 m², state of the art unit in São Paulo

November

Absolutely ONE launched on LATAM Airlines' long haul international flights to and from Chile

January 2018

gategroup and Norwegian sign Global Partnership Agreement for supply of in-flight catering and retail on board services

—

gategroup enters new 30-year joint venture with Asiana Airlines at Incheon airport, Republic of Korea

Update on Gateway 2020 strategy

gategroup's former strategy was to individually address specific airline and passenger needs through independently managed companies. We observed that this approach resulted in multiple touchpoints with customers, reduced commercial synergies and lack of efficiencies.

In September 2015, gategroup announced the Gateway 2020 strategy aimed at fully leveraging the group's internal capabilities for the benefit of our customers and shareholders through an increased focus on commercial innovation and operational excellence. This resulted in a more focused business platform for sustained growth, margin expansion and enhanced cash flow generation.

The Gateway 2020 strategy is founded upon four pillars:

- Focus on the Core
- Commercial Innovation
- Geographic Expansion
- Standardization and Efficiency

Focus on the Core

Our core business focuses on providing innovative and technologically-advanced solutions for culinary, retail on board and equipment that increase passenger satisfaction. Through an improved tender process and greater financial discipline, we have strengthened relationships with key customers across the network, resulting in contract renewal rates over 90% both in 2016 and 2017. Furthermore, we significantly enlarged and diversified our customer base, reducing concentration risk as a result. In parallel, non-core assets such as Gate Safe were exited.

Commercial Innovation: offering customers culinary excellence, creating new retail and technology solutions

As the leading airline caterer, we aim to provide our customers innovative culinary offerings, make use of the latest technologies and create new retail solutions. In 2015 we introduced four new Centers of Excellence (CoE) – Innovation, Culinary, Retail and Technology – which centralized previously dispersed resources and further strengthened gategroup's offering.

Our Innovation CoE is specialized on the design and implementation of state-of-the-art, passenger-centric concepts in close collaboration with our customers. Teams from our Culinary CoE test and apply the latest gourmet knowledge and techniques to design a complete catering service, leveraging Servair's exclusive Studio Culinaire concept as a "laboratory of culinary innovation." Our Technology CoE uses integrated systems to gather and analyze passenger data, streamline processes and evolve retail on board offerings. Our Retail CoE focuses on increasing customer ancillary revenues through a differentiated offering based on product selections and new marketing concepts. Thanks to important contract extensions and new business wins with hybrid and low-cost carriers, our retail on board revenue has more than doubled in just two years and now serves more than 250 million passengers per year.

Geographic Expansion, with a focus on emerging markets

Successful geographic expansion, particularly in emerging markets, is the third pillar of our strategy. In addition to organic growth, we also actively pursue acquisition and joint venture opportunities as growth levers. In 2015 gategroup was present in just over 30 geographies; today that number has reached 60 countries / territories. Through the acquisition of the French caterer Servair in January 2017, gategroup became the new market leader in France and Africa. In the Asia Pacific region, the group expanded through the acquisition of Cambodia Air Catering Services in 2016 and most recently through a 30-year joint venture with Asiana Airlines. Meanwhile, gategroup continued its track record of double-digit growth in Latin America. Going forward, gategroup has a healthy, emerging market-focused M&A pipeline.

Standardization and Efficiency

Since 2015 we have greatly simplified our organizational model, launched indirect cost reduction and standardization initiatives. We also deployed a new regional organization and a leaner management team was put in place. Our brands were streamlined, support functions were consolidated, organizational layers eliminated and operational leverage improved. In combination, these measures resulted in a cost reduction of CHF 20 million annually, supported by a zero-based budgeting process to reduce our indirect spend, resulting in run-rate savings of CHF 65 million in 2017. In 2016 we also initiated a global procurement and supply chain optimization and a standard operating model, which we are rolling out on a global basis.

Gateway 2020 and beyond

gategroup has made significant progress on its Gateway 2020 journey, exceeding the ambitious objectives we set for ourselves in 2015. We have become a stronger group, passionate about commercial innovation and obsessed on operational excellence for the benefit of our customers. We have accomplished a great deal, but we are only at the mid-point of our journey. We look forward to continuing this journey with our customers, employees and shareholders in 2018 and beyond.

The four pillars of Gateway 2020

Focus on the Core
Commercial Innovation
Geographic Expansion
Standardization and Efficiency

Focus on Innovation

Redefining the in-flight dining experience

Making the customer experience the best it can be.

The traditional "silo" approach, where each step of the airline passenger journey is executed independently no longer applies, as we understand that every step interrelates. Today, airlines seek to optimize the end-to-end passenger journey.

We have developed an approach to innovation which applies a holistic approach to the entire customer journey and are fully engaged from idea generation through to commercial delivery. Our innovation process starts with the airline customer: we listen to what they would like their passengers to experience on board. Leveraging our experience of serving 700 million passengers each year, we work alongside our airline customers to develop state-of-the-art concepts, prototype solutions and obtain required approvals. Once obtained, we run trials on board and systematically train crews at 40,000 feet until the offering is fully ready to fly.

One highlight of our innovation efforts in 2017 is MiniBarBox, a luxurious inflight drinks selection that consists of a range of cocktails and a selection of wine tasting with indulgent snacks. The MiniBarBox cocktails contain two premium (mix) beverages (i.e. gin and tonic or rum and branded soda water) and sweet pairings, such as crystallized ginger sweets or a Cuban fruit mix. The MiniBarBox wine tasting pairs expertly selected wines with chocolate and fruity truffles. The MiniBarBox seeks to serve the needs of passengers with a hectic lifestyle that crave premium, top-quality products wherever they are.

The successful launch of MiniBarBox is just one milestone on gategroup's mission to bring back the magic of flying. Our Innovation Center of Excellence is dedicated to pushing the envelope of in-flight catering services to elevate the passenger experience by prompting value-adding products that expand the traveler's imagination.


TONIC
WATER

Focus on Retail

Bringing the airline retail offering to new heights

Leading the transformation of the airline retail industry.

As the largest retailer in the skies, we have only just started to tap into the market's potential. Airlines acknowledge the need and potential of retail business, but also the difficulties unleashing it. Our approach is founded upon four pillars:

Business Insights: We work with our airline customers to understand passenger needs by gathering sales and product data through our devices. Through complex algorithms we can predict future consumer needs and develop tailor-made retail concepts, bundles and promotions that maximize the spend per passenger.

House of Brands: Our retail offering combines the best products and brands. We develop unique bundles that enhance the perception and profitability of each retail program. Our category management team works closely with supply chain partners to optimize the portfolio to the season, passenger demographics, market trends and promotions.

5-star Hospitality: Managing and training crews is one of the most complex tasks for any airline. Any change in protocols or new task requires a deep knowledge of protocols and effective training. We have developed training programs based on this understanding and a digital platform that allows on-the-job crew training that minimizes on-ground training days. It also offers tracking and recognition of high-performing crew members and peer performance benchmarking.

Retail Technology: We are developing technologies to move transactions from the aisle to the passenger device, improving experiences and increasing the number of transactions. This will reduce the number of carts circulating through the aisle and minimize credit card fraud.

Ancillary services provide great opportunities to expand airlines' revenues through services that improve the total traveling experience. Together with our airline customers, suppliers and technology partners, gateretail is leading the transformation of the airline retail industry.


Journey to the new
gategroup

Focus on Culinary

Airline culinary *œuvre d'art*

gategroup and Servair – when leading innovation meets culinary excellence.

gategroup's culinary excellence team supports airline customers in the development of their menus that incorporate global trends, local preferences and ensure consistent and outstanding day-to-day culinary delivery. Our culinary excellence offering relies on the continuous research and innovation of a global team of 400 top-rated chefs deployed locally where we operate and the recruiting and training of our current and future chefs.

The integration of Servair in January 2017 further reinforced gategroup's culinary capabilities, most notably through the addition of its renowned Studio Culinaire. This "think tank" for research and innovation trends led by Joël Robuchon, who has received the most Michelin stars of any chef in the world, serves to explore exceptional products, test the latest equipment and processes and to identify up-and-coming young talent. The culinary team meets regularly to discuss projects and conducts workshops with world-famous, Michelin-starred chefs. Studio Culinaire facilitates the exchange of culinary craftsmanship and ideas while strengthening ties with the gastronomical community.

High quality equipment and facilities are an essential ingredient for culinary excellence and we continuously invest to provide state-of-the art culinary infrastructures to our customers. In October 2017, a new kitchen was installed in our Atlanta facility and we officially started operation of our newly built, state-of-the art facility in São Paulo's Guarulhos airport.

By offering global career perspectives and comprehensive culinary responsibility, gategroup is able to attract and develop next-generation talent by distinguished chefs with years of fine dining experience. gategroup holds strategic partnerships with some of the most renowned culinary schools in the world to incorporate young talent and develop training programs for our chefs to prepare for the future.

Journey to the new gategroup

Focus on Technology

Implementing global standards

Making technology commercially relevant is one of gategroup's strengths.

Airline catering is an immensely complex undertaking. Thousands of stock keeping units for food, retail and equipment must be sourced, millions of meals prepared and trolleys loaded on time onto the right aircraft. All this despite changing weather conditions, loads and flight schedules. Resource planning and efficient management of our 43,000 employee strong global workforce requires advanced technology solutions.

Aligned with our Gateway 2020 goal of standardization and efficiency, we saw tremendous opportunity to integrate, simplify and standardize our systems. Our Technology Center of Excellence has focused on streamlining our technology platform and has since introduced global standards that reflect modern, best practice tools. In 2017, we initiated the implementation of a common, global supply chain and procurement platform, and introduced a new consolidated financial reporting and analysis toolkit. We also introduced a Human Resources Information System to manage all human resources-related activities globally.

In line with this objective, gategroup expanded adoption of its global standard operational platforms in more than 15 units. Multiple new apps were introduced to front line workers in the units which provide real-time guidance on operational needs, and we began implementing a solution to improve inventory visibility and control of retail stocks in the Last Mile Providers. Technology is a key part of gategroup's competitive offering towards our customers. Hence, we developed customer-facing applications to connect with airline systems to keep track of our operations and airline itinerary changes such as delays, cancellations or changes to the number of passengers in business class. We also developed tracking tools with both motion and temperature sensors for our galley carts and introduced digital platforms for crews and catering drivers to sign-off on cart delivery and inventory check on board.

Journey to the new gategroup

Servair acquisition

The addition of Servair complements gategroup's network, accelerates delivery of our strategy and introduces a new global top customer.

On 1 January 2017, gategroup acquired 50% minus 1 share of Servair and assumed operational control of the company. Founded in 1971 as a subsidiary of Air France, Servair operates at 30 airports in 23 countries, counting 10,500 employees and serving approximately 560,000 meals every day. With its strong presence in France and Africa, Servair complements gategroup's global network in markets where gategroup was not previously present.

The addition of Servair creates a strong platform to expand gategroup's business in Africa and the Asia Pacific region, accelerating the geographic expansion into emerging markets under the Gateway 2020 strategy. Servair also contributes substantially to gategroup's focus on the core with strong commercial innovation and an enrichment of the culinary offering through the renowned culinary excellence center Studio Culinaire.

Thanks to Servair's strong ties with Air France, the French national carrier has become one of gategroup's top customers with long-term contracts across the


ACNA
AIRFRANCE KLM
AIR FRANCE

The addition of Servair builds a strong platform to expand gategroup's business in Africa and the Asia Pacific region.

network. gategroup transferred selected business in Italy and France to the new region while Servair's regional business in the Latin America and Asia Pacific regions was incorporated into gategroup's existing regions.

Largest network
30 airports in 23 countries have been added to gategroup's network through the integration of Servair.

By retaining the existing management team, Servair's extensive knowledge of conducting business in Africa and other emerging markets has been secured. Employees from both sides have transitioned into key roles in the new organization, fostering the transfer of know-how and living a culture of mobility, mutual respect and understanding.

gategroup and Servair representatives from different functions and geographies frequently meet to identify best practice, launch joint projects to improve operational excellence and to optimize hub operations and logistics. Financial reporting has been integrated and budget targets have been achieved throughout 2017. Further efficiencies are also being made in areas such as IT, procurement and commercial activities.


SERVAIR
Bocuse d'Or
EUROPE
2016
SIRHA SPIRIT

Executive Management Board

Xavier Rossinyol
Chief Executive Officer

Xavier Rossinyol joined gategroup as CEO in April 2015 and is a member of the Executive Management Board. Mr. Rossinyol has more than 20 years of experience in the airline, catering and retail sector, ranging from travel retail to concession, contract and in-flight catering. He also has a long track record in publicly traded companies.

Prior to joining gategroup, Mr. Rossinyol held numerous leadership positions at Dufry, a leading global travel retailer operating in 60 countries, including three years as Chief Operating Officer EMEA and Asia and eight years as Chief Financial Officer for the group. During his time at Dufry, the company experienced significant improvements in growth and profitability, including M&A, material turnarounds and business restructuring. He led more than ten post-merger integrations across several continents as well as numerous M&A activities across Europe, the United States, Latin America, and Asia. He was also responsible for facilitating entrance into nearly 15 new markets in Europe, Africa and Asia. From 1995 to 2004, Mr. Rossinyol worked for the Spanish-based Grupo Áreas, a subsidiary of Paris-based Group Elior, a world leader in contract and concession catering. There, he was responsible for overseeing new business opportunities in Spain and abroad, as well as for strategic planning, reporting, and controlling. Mr. Rossinyol holds a BBA and MBA in International Management and Finance from ESADE (Barcelona, Canada and Hong Kong), and a Master in Business Law from Universidad Pompeu Fabra, Barcelona.

Christoph Schmitz
Chief Financial Officer

Christoph Schmitz joined gategroup as Chief Financial Officer in January 2015 and is a member of the Executive Management Board. Mr. Schmitz brings over 20 years' experience as a CFO at multinational companies.

Prior to joining gategroup he was CFO at Wild Flavors, an international supplier of ingredients to the food and beverage industry, where he successfully implemented a private equity-supported buy and build strategy. Mr. Schmitz also held the role of CFO at Pfleiderer for the North American region based in Montreal, Canada and at Pergo in Zug, Switzerland. Similarly, he was CFO at Walter Construction Group in Australia, Metallgesellschaft and Mannnesmann in Germany and was the Managing Director and CFO of Indomag Steel Technology based in New Delhi, India. Mr. Schmitz holds an MBA from the Rotman School of Management at the University of Toronto and an M.Sc. in Business Management.

Herman Anbeek
President Americas, Europe and Middle East

Herman Anbeek was appointed President Americas, Europe & Middle East in June 2015 and is a Member of the Executive Management Board. Mr. Anbeek previously served as Group Senior Vice President and President Emerging Markets in March 2012 and was promoted to President, Airline Solutions in September 2014. Before this, Mr. Anbeek held the position of Chief Commercial Officer from June 2007.

In addition to experience in consulting and the retail sector, Mr. Anbeek has profound knowledge of the aviation and airline catering industries. Before joining gategroup, he held several roles at LSG Sky Chefs and KLM in the Netherlands and the Caribbean. Mr. Anbeek holds a Master of Science in Business Engineering from the University of Technology, Enschede, The Netherlands.

Jann Fisch
President Asia Pacific

Jann Fisch was appointed President Asia Pacific on June 22, 2015 and is a Member of the Executive Management Board. Mr. Fisch previously served as Chief Corporate Development Officer from September 1, 2014. Mr. Fisch joined the Group in June 2013 as Group Senior Vice President and President Europe and Africa. Mr. Fisch has more than two decades of experience in leading large, complex operational units in the catering and airline industries, including experience in operational turnarounds and launching innovative service offerings. He previously served as Chief Executive Officer of the Nuance Group, Australia and New Zealand, a role he held since 2007. From 2002 to 2007 he worked at Pick Pay and Compass Group as Chief Executive Officer for Switzerland. From 1993 to 2001, Mr. Fisch held various positions at Swissair Group and at subsidiaries Gate Gourmet and Swisscargo AG. Mr. Fisch holds a Master in Engineering from the Swiss Federal Institute of Technology (ETH) Zurich.

Michel Emeyriat
President South Europe and Africa

Michel Emeyriat was appointed Chairman and Managing Director of Servair in January 2013. Following the acquisition of Servair by gategroup on January 1, 2017, Mr. Emeyriat was appointed President South Europe and Africa and is a Member of the Executive Management Board.

Mr. Emeyriat has more than 25 years of experience in the airline industry and is a recognized expert in the management of airport operations, especially in the complex mechanics of hubs and a formidable connoisseur of airport networking. Mr. Emeyriat is a Civil Mine Engineering graduate of Ecole des Mines and a graduate of Ecole Supérieure des Sciences Economiques et Commerciales business school.

Federico Germani
Chief Commercial Officer

Federico Germani joined gategroup as Chief Commercial Officer in October 2017. Mr. Germani is a seasoned aviation industry expert with more than 14 years of experience in the LATAM Group where he held the position of Corporate Senior Vice President for Services and Innovation, and several corporate global leadership roles first based in the U.S. and later in Brazil. Before joining LATAM Group, Mr. Germani held leadership roles at McKinsey, Goldman Sachs and IBM. Mr. Germani holds an MBA in marketing and finance from the Kellogg School of Management and an M.Sc. in Industrial Engineering from Instituto Tecnologico of Buenos Aires.

Board of Directors

In 2017, gategroup's Board of Directors was comprised of the following members.

Adam Tan
Chairman of the Board

Adam Tan is Vice Chairman of the Board of Directors and CEO of HNA Group.

As a co-founder of HNA Group, he has held executive positions in each of the company's core businesses. Prior to becoming CEO in 2016, Mr. Tan served as President of HNA Group from 2013 to 2016, and also was Chairman of HNA Capital, the financial services unit of HNA Group. From 2007 to 2011, he served as Executive Chairman of HNA Industry Holding, which has since been renamed HNA Capital. Currently, he is also the Chairman of HNA Innovation Finance Group. Mr. Tan graduated from the Capital University of Business and Economics with a Master's degree in Economics and received an MBA from St. John's University in New York. He also studied at Harvard Business School from 2000 to 2001.

Di Xin
Chairman of the Compensation Committee

In 2017, Di Xin was 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. From 2007 to 2010 he was Assistant to the CEO of HNA Group and was appointed CEO of HNA Easy Holding Company Co., Ltd. in 2010. From 2010 to 2014 he served as Chairman and CEO of Tianjin Airlines Company Co., Ltd.

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

Frank Nang
Member of the Audit Committee

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 Technical Engineer of Hainan Airline. Since 2010 he held various positions with increasing responsibility particularly in finance as Project Manager Financing Manager Deputy Director, Vice President Director of various HNA units. Prior to being nominated as Chief Innovation Officer of HNA Aviation Group he worked as Deputy Manager of HNA's financial department. Mr. Nang holds a Bachelor degree in Electrical Engineering and Automation from the China Civil Aviation Academy.

Stewart Smith
Chairman of the Audit Committee
Member of the Compensation Committee

Stewart Smith is Chairman of Bravia Capital, a Hong Kong-based private equity, structured finance and advisory firm which he joined at inception in 2002. Before joining Bravia, Mr. Smith followed a career in banking in the UK with Norwegian bank, DNB Bank primarily in senior general management positions from 1984 to 2001. Mr. Smith is a non-executive Director of a number of other HNA Group companies in transportation and logistics. Mr. Smith holds a BA (Honors) in Accounting and Finance from Manchester University in the UK and completed the Corporate Finance Program at London Business School.

Xavier Rossinyol

Xavier Rossinyol joined gategroup as CEO in April 2015 and is a member of the Executive Management Board. Mr. Rossinyol has more than 20 years of experience in the airline, catering and retail sector, ranging from travel retail to concession, contract and in-flight catering. He also has a long track record in publicly traded companies.

Prior to joining gategroup, Mr. Rossinyol held numerous leadership positions at Dufry, a leading global travel retailer operating in 60 countries, including three years as Chief Operating Officer EMEA and Asia and eight years as Chief Financial Officer for the group. During his time at Dufry, the company experienced significant improvements in growth and profitability, including M&A, material turnarounds and business restructuring. He led more than ten post-merger integrations across several continents as well as numerous M&A activities across Europe, the United States, Latin America, and Asia. He was also responsible for facilitating entrance into nearly 15 new markets in Europe, Africa and Asia. From 1995 to 2004, Mr. Rossinyol worked for the Spanish-based Grupo Áreas, a subsidiary of Paris-based Group Elior, a world leader in contract and concession catering. There, he was responsible for overseeing new business opportunities in Spain and abroad, as well as for strategic planning, reporting, and controlling. Mr. Rossinyol holds a BBA and 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 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 CEO 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. He started his career in the aviation industry at Pan American World Airways, where he served in a variety of positions with increasing responsibility.
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.

Gérard Houa

Gérard Houa has profound experience as a consultant for major European companies helping them to develop their market share through his acknowledged insight of China. Today, he is a consultant for Chinese and French small and medium-sized firms. Mr. Houa has been Foreign Trade Advisor for France since 2010 and serves as Vice President of the French-China Association. He received the Legion of Honor medal. As President of the Foundation France-Chine, Mr. Houa strives constantly to build and strengthen commercial, economic and cultural relationships between Europe and China. Mr. Houa is a graduate of the University of Beijing and of the Institute of Technology of the University of Créteil (IUT). Gerard Houa is a French citizen and lives in Beijing.

Lo Kin Ching
Member of the Audit Committee

Lo Kin Ching is a past Chairman of the ACCA, Hong Kong Branch and a fellow of the Hong Kong Polytechnic University. Mr. Lo is independent in relation to HNA. As a chartered certified accountant and a certified public accountant he worked with Deloitte for 36 years of which as a Partner for 28 years. He has served many years in Deloitte's management committee, as head of the Financial Advisory Services, and as Chairman of Deloitte Hong Kong and Deloitte China. He retired from Deloitte in 2016. Mr. Lo is a member of the Court of the Hong Kong Polytechnic University and a member of various commissions and Boards of Hongkong based institutions in healthcare education, art and design. Mr. Lo is Advisor for the China Accounting Standards Committee of the Ministry of Finance of the People's Republic of China. Mr. Lo is a Chinese national. He graduated from the Hong Kong Polytechnic University in 1976 with a Higher Diploma in Accountancy.

Jean-Marie Le Guen

Jean-Marie Le Guen was Chairman of the board of supervisors of the Paris public hospital group and Minister of relations between the government and Parliament of France. He is also a former Parliamentarian of Paris 9th election district and served as Deputy Mayor of Paris from 2008 to 2014. Mr. Le Guen was Chairman of the board of supervisors of the National Institutes of Health from 1997 to 2002 and Member of the High Council on Public Health from 1992 to 1995. Mr. Le Guen is a Medical Doctor by training and graduated from the Medical and Economy departments of the University of Paris I.

Corporate Social Responsibility

The way we do business is as important as the results we achieve.

gategroup's CSR approach is built around four core areas that are relevant to our business activities:

Our workplace: Attracting and retaining talented and diverse individuals, encouraging their growth and development, and fostering a safe and healthy workplace.

Our marketplace: Deploying and improving global procurement standards throughout our supply chain to optimize value and reduce waste, keeping the needs of our customers and their clients at the forefront of our decision-making.

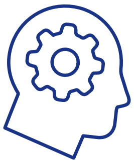
Our environment: Reducing our environmental impact through increased environmental controls, investment in clean technologies and innovative product design as well as waste reduction and optimization, whereby waste is converted to revenue through recycling.

Our community: Contributing positively to the communities where we operate, across our network of businesses around the world.

At gategroup we are committed to creating sustainable value for all our stakeholders – by continuously offering the best solutions to our customers, by providing excellent airline catering and retail onboard services, by investing in our employees and partners, and by applying ecoefficient practices across all our business activities.

gategroup's CSR strategy is being reaffirmed through regional initiatives. Our managers and employees contribute time, expertise and resources to charitable and community-based organizations around the world that support important areas such as education, the arts, medical advancements, and general humanitarian efforts. A number of activities have recently been carried out in different places. The stories on the next pages showcase just a few of them.


COCINAS SIN FRONTERAS



Workplace:
Providing workforce integration opportunities for mentally disadvantaged persons

Gate Gourmet and Swiss charitable foundation "wisli" recently celebrated 10 years of successful collaboration aimed at integrating mentally disadvantaged persons into its Zurich-Airport operations. Today, nearly 70 individuals seeking re-entry into the job market after a mental crisis or illness are employed at the facility.

Under the supervision of workplace therapists, tasks that are critical to preparing up to 250 flights a day are executed by participants in the program. Goals of the program include boosting work skills and confidence in a professional environment, shaping meaningful life experiences and eventually maintaining and developing independence in all aspects of their life.

The wisli gate catering employees are fully integrated into the organization at the heart of Zurich Airport, wearing their Gate Gourmet uniforms with pride. The collaboration has established a supportive culture of mutual respect and diversity between the two partners over the years and will continue for many more.

Marketplace:
Supporting airlines to serve passengers and the environment

The airline catering industry uses dry ice, the solid form of carbon dioxide to cool meals for in-flight catering. Dry ice slabs are placed in food trolleys and stores, keeping the food chilled or frozen until ready for use, especially on long-haul flights.

However, dry ice can be costly and is not without environmental impact due to CO_2 emissions. gategroup partnered with synthetic dry ice provider EcoSlice and Virgin Australia to test a new product onboard aircraft. These trials, held in March and June 2017, were the first of their kind in the global commercial airline catering market.

Synthetic dry ice proved to give a better quality of refrigeration than normal dry ice, with less greenhouse emissions and greater longevity in temperature control and output. In addition to being produced with recycled material, the re-usable synthetic dry ice product is cost effective, greenhouse friendly and safer to use in the confined space of a catering cooler.

Reducing the global footprint is a guiding principle for gategroup and for aviation and food manufacturing in general. gategroup and EcoSlice were awarded Australia's Innovation Green Globe Award 2017 for its entrepreneurial initiative.

Environment: Striving to reduce food waste

The reduction of food waste has always been a focus in our efforts to conserve our resources and protect the environment. In addition to separating food waste from other waste, supporting recycling and reducing landfill, we support local initiatives to collect surplus food for charity. Together with Virgin Australia, we sponsor Australia's leading food rescue organization, OzHarvest, which collects quality excess food from commercial outlets and delivers it directly to more than 1000 charities supporting people in need across the country.

Flight delays and cancellations as well as passengers leaving their meals untouched can lead to large amounts of food ending up as leftovers. Wherever strict regulations permit, this food is not destroyed but made available for people in need.

The program has spread to eight ports across Australia and collects more than 16 tonnes of food. OzHarvest not only rescues excess food from going to waste, they also analyze the amount and type of food collected and feed that data back to the airlines to help them improve their planning process.

Community: Cooking for a better world

People residing in underpriviledged or conflict regions rarely have an opportunity to visit restaurants or a community center – there simply aren't any. Cuisine sans frontières (CSF) recognizes that cooking and eating together improves our quality of life: conversations take place, relationships are built and problems solved. These everyday experiences are the foundation CSF's activities.

Not only does CSF build gastronomic meeting places it also offers training programs in areas of conflict or social strife. The organization provides volunteers, know-how and financial support to build and start up projects with the overall objective to ensure an economically sustainable and independent future for the operation.

In 2017, gategroup supported CSF with a project on the Río Napo, a 1,480-kilometre-long river that flows through the Ecuadorian and Peruvian parts of the Amazon basin. Inhabitants of the indigenous populations along the river learn how to create a gastronomic or touristic offering and how to serve and communicate with guests. Courses are held on a training boat and aim to enable participants to start their own business in the eco-tourism sector or find a job in one of the bigger cities in the area.

Financial Report

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Income Statement

in CHF m	Notes	2017	2016
Total revenue	6	**4,554.2**	**3,363.1**
Materials and service expenses		(1,803.6)	(1,407.4)
Personnel expenses	7	(1,780.1)	(1,242.5)
Other operating income and expenses, net	8	(700.0)	(573.9)
Depreciation and amortization	18, 20	(106.6)	(68.0)
Other gains and losses, net	9	3.2	6.3
Total operating expenses, net		**(4,387.1)**	**(3,285.5)**
Operating profit		**167.1**	**77.6**
Finance costs, net	10	(45.4)	(26.7)
Share of result of associates and joint ventures	11	8.1	3.0
Profit before tax		**129.8**	**53.9**
Income tax expenses	12	(44.6)	(21.3)
Profit for the year		**85.2**	**32.6**
thereof attributable to shareholders of the Company		64.7	30.7
thereof attributable to non-controlling interests		20.5	1.9
Earnings per share attributable to shareholders of the Company			
Basic earnings per share in CHF	13	2.43	1.17
Diluted earnings per share in CHF	13	2.43	1.16

Consolidated Statement of Comprehensive Income

in CHF m	Notes	2017	2016
Profit for the year		**85.2**	**32.6**
Items that will not be reclassified to profit or loss			
Actuarial gains net, on defined benefit schemes, net of taxes	22, 23	43.2	7.5
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising during the year, net of taxes		(9.6)	2.2
Other comprehensive income		**33.6**	**9.7**
Total comprehensive income		**118.8**	**42.3**
thereof attributable to shareholders of the Company		99.5	41.0
thereof attributable to non-controlling interests		19.3	1.3

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

Consolidated Balance Sheet

in CHF m	Notes	December 31, 2017	December 31, 2016
Cash and cash equivalents	14	177.9	389.4
Trade receivables	15	460.8	324.9
Other current receivables and prepayments	16	213.3	102.9
Inventories	17	171.5	125.0
Current income tax assets		36.6	17.8
Assets held for sale	19	7.8	4.3
Total current assets		**1,067.9**	**964.3**
Property, plant and equipment	18	497.0	291.6
Intangible assets	20	1,228.4	648.2
Investments in associates and joint ventures	11	44.4	15.1
Financial assets at fair value through profit or loss	21	79.5	–
Other non-current receivables		44.4	39.1
Deferred income tax assets	22	41.8	52.4
Retirement benefit assets	23	15.7	–
Total non-current assets		**1,951.2**	**1,046.4**
Total assets		**3,019.1**	**2,010.7**
Short-term debt	24	234.7	469.1
Trade and other payables	25	394.9	245.8
Current income tax liabilities		35.0	22.4
Short-term provisions	26	35.8	48.7
Other current liabilities	27	545.1	380.5
Total current liabilities		**1,245.5**	**1,166.5**
Long-term debt	24	655.6	272.4
Deferred income tax liabilities	22	67.7	17.6
Retirement benefit obligations	23	202.3	181.9
Long-term provisions	26	135.3	59.5
Other non-current liabilities	27	268.8	5.9
Total non-current liabilities		**1,329.7**	**537.3**
Total liabilities		**2,575.2**	**1,703.8**
Equity attributable to shareholders of the Company		380.5	279.6
Non-controlling interests		63.4	27.3
Total equity		**443.9**	**306.9**
Total liabilities and equity		**3,019.1**	**2,010.7**

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, 2017	**134.0**	**(2.6)**	**119.9**	**28.3**	**279.6**	**27.3**	**306.9**
Profit for the year	–	–	64.7	–	64.7	20.5	85.2
Other comprehensive income	–	–	36.8	(2.0)	34.8	(1.2)	33.6
Total comprehensive income	**–**	**–**	**101.5**	**(2.0)**	**99.5**	**19.3**	**118.8**
Change in ownership of subsidiary without loss of control	–	–	1.5	(0.1)	1.4	(1.4)	–
Change in non-controlling interests (Note 31)	–	–	–	–	–	31.6	31.6
Dividends paid to non-controlling interests	–	–	–	–	–	(13.4)	(13.4)
At December 31, 2017	**134.0**	**(2.6)**	**222.9**	**26.2**	**380.5**	**63.4**	**443.9**
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 (Note 31)	–	–	–	–	–	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**

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

Consolidated Cash Flow Statement

in CHF m	Notes	2017	2016
Profit before tax		**129.8**	**53.9**
Adjustments for:			
Finance costs, net	*10*	45.4	26.7
Share-based payments	*29*	5.1	16.1
Share of result of associates and joint ventures	*11*	(8.1)	(3.0)
Depreciation and amortization	*18, 20*	106.6	68.0
Other (gains) and losses, net	*9*	(3.2)	(6.3)
Net cash flow before working capital and provision changes		275.6	155.4
Changes in working capital		(26.9)	11.9
Changes in provisions and retirement benefit obligations		(38.5)	(25.7)
Cash generated from operations		210.2	141.6
Interest paid		(19.3)	(14.9)
Interest received		1.7	1.9
Income taxes paid, net		(33.2)	(20.8)
Net cash flow generated from operating activities		**159.4**	**107.8**
Acquisition of subsidiaries, net of cash acquired	*31*	(160.8)	(85.7)
Purchase of property, plant and equipment		(151.4)	(60.7)
Purchase of intangible assets	*20*	(87.4)	(6.1)
Purchase of financial assets	*21*	(70.1)	–
Disposal of subsidiaries, net of cash disposed	*32*	12.2	0.1
Proceeds from sale of assets		4.1	6.9
Proceeds from sale of investments		4.2	–
Other investments		0.8	–
Dividends from associates and joint ventures		0.2	1.0
Capital increase in associates		–	(1.4)
Net cash flow used in investing activities		**(448.2)**	**(145.9)**
Proceeds from debt		532.3	553.9
Repayments of debt and other financing costs		(460.8)	(217.8)
Dividends paid	*28*	–	(7.8)
Dividends paid to non-controlling interests		(13.4)	(2.2)
Net cash flow generated from financing activities		**58.1**	**326.1**
(Decrease) / increase in cash and cash equivalents		**(230.7)**	**288.0**
Movement in cash and cash equivalents			
At start of the year		389.4	102.6
(Decrease) / increase in cash and cash equivalents		(230.7)	288.0
Effects of exchange rate changes		2.6	(1.2)
At end of the year	*14*	**161.3**	**389.4**

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 the world's largest provider of airline catering services in terms of revenue. The Group also provides retail on board services as well as other services and products linked to airline hospitality and logistics. The Group operates a global network spanning approximately 60 countries and territories on six continents. The Company has its registered office at Balz-Zimmermannstrasse 7, CH-8302 Kloten, Switzerland.

The Group's share capital is held by HNA Aviation (Hong Kong) Air Catering Holding Co., Ltd, a private company limited by shares organized under the laws of Hong Kong, controlled by HNA Group Co., Ltd. The Group's application to de-list gategroup's shares was approved by the SIX Swiss Exchange on January 23, 2017, with the last trading day being on April 27, 2017.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company (the "Board") on February 22, 2018.

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 2017 that have no material effect on the consolidated financial statements of the Group:

Standard	Effective date
IAS 7 (amendment) – Disclosure Initiative	January 1, 2017
IAS 12 – Amendments regarding the recognition of deferred tax assets for unrealised losses	January 1, 2017
Annual Improvements to IFRSs 2014–2016 Cycle – IFRS 12	January 1, 2017

Adoption of new or revised IFRS standards, interpretations and amendments to standards by the Group in 2018 or later:

Standard / Interpretation	Effective date	Relevance for the Group	Planned adoption
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 organisation, 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
Annual Improvements to IFRSs 2015–2017 Cycle – IFRS 3, IFRS 11 and IAS 12**	January 1, 2019	The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.	Financial year 2019
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. Furthermore, it provides the users of financial statements with more informative, relevant disclosures. Management has assessed the implications of the adoption of IFRS 15 and has concluded that the requirements of the new standard will not have a material impact on the revenue recognition pattern of the Group and will overall have no significant impact on the Group's consolidated financial statements. Gategroup will apply the modified retrospective transition method on adoption of the IFRS 15.	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
IFRIC 23 – Uncertainty over Income Tax Treatments*	January 1, 2019	IFRIC 23 clarifies the accounting for uncertainties in income taxes.	Financial year 2019
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 12 months or less or the underlying asset has a low value.	Financial year 2019

Standard / Interpretation	Effective date	Relevance for the Group	Planned adoption
IAS 19 – Amendments regarding plan amendments, curtailments or settlements**	January 1, 2019	The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. The amendments further clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.	Financial year 2019

* 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	2017 Closing rate	2017 Annual average rate	2016 Closing rate	2016 Annual average rate
1 Australian Dollar	0.76	0.75	0.74	0.73
1 Euro	1.17	1.11	1.07	1.09
1 GB Pound	1.32	1.27	1.26	1.34
1 Swedish Krona	0.12	0.12	0.11	0.12
1 US Dollar	0.97	0.98	1.02	0.99
1 Korean Won	0.001	0.001	0.001	0.001

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 on 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 financial assets held by the group, including derivative and non-derivative financial assets. Financial Assets at fair value through profit or loss are measured at fair value and related transaction costs are expensed in the income statement. Fair value changes on a financial asset at fair value through profit or loss are included in profit or loss for the period in which they arise. Assets in this category are classified as current if they are expected to be realized within 12 months or non-current assets otherwise.

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. At each balance sheet date the Group assesses, 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 lease term. 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 on 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. Goodwill is allocated to the Group's reportable regions (groups of CGU's), being the lowest level at which the goodwill is monitored for internal management purposes.

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. These are 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 or reportable regions for goodwill and intellectual property. 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 a Phantom Unit Long-term Incentive Plan to management. This is accounted for as cash-settled share-based compensation.

The cost of the plan is recognized as personnel expense in the income statement with a corresponding charge to provisions over the vesting period, taking into account current expectations of the 2020 financial result measured against defined performance targets.

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 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss, both derivative and non-derivative, are financial liabilities owed by the Group to third parties. Financial liabilities at fair value through profit or loss are measured at fair value and related transaction costs are expensed in the income statement. Fair value changes on financial liabilities at fair value through profit or loss are included in profit or loss for the period in which they arise and classified as current if they are due within 12 months or non-current liabilities otherwise.

2.23 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.

2.24 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 2017 and 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			
	2017		2016		2017		2016	
Movement against all currencies	5%	−5%	5%	−5%	5%	−5%	5%	−5%
Australian Dollar	1.1	(1.1)	0.4	(0.4)	0.6	(0.6)	0.6	(0.6)
Brazilian Real	1.2	(1.2)	0.2	(0.2)	–	–	–	–
Danish Krone	5.0	(5.0)	1.4	(1.4)	0.9	(0.9)	1.3	(1.3)
Euro	6.0	(6.0)	2.9	(2.9)	8.8	(8.8)	–	–
GB Pound	(1.2)	1.2	0.8	(0.8)	–	–	–	–
Korean Won	2.7	(2.7)	–	–	–	–	–	–
Swedish Krona	–	–	1.0	(1.0)	–	–	–	–
US Dollar	(1.9)	1.9	(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 assets and liabilities subject to variable interest and risk free 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, 2017 and 2016, no such interest rate derivatives were outstanding.

Based on the simulations performed, at December 31, 2017, 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 4.5m lower / CHF 0.9m higher (2016: CHF 2.3m lower / CHF 0.5m higher). At December 31, 2017 and 2016, 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, 2017, constitute 20.0% (2016: 22.0%) of the total gross trade receivable amount and individually they accounted for between 3.1% and 5.7% (2016: 3.8% and 6.2%) of the total gross trade receivables. Due to appropriate provisioning, management does not expect any additional losses from non-performance by customers.

Credit risk arising from non-trade receivables and financial assets with counterparties other than financial institutions are assessed individually and appropriate provisioning is made to mitigate potential losses from non-performance of the counterparties.

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.

2017 in CHF m	**1–3 months**	**3 months– 1 year**	**1–5 years**	**More than 5 years**	**Total**
Trade and other payables	(328.0)	(15.4)	–	–	(343.4)
Short-term debt	(17.6)	(7.7)	–	–	(25.3)
Other current liabilities	(299.5)	(137.8)	–	–	(437.3)
Long-term debt	–	–	(933.6)	(3.9)	(937.5)
Unpaid purchase price consideration	–	–	(262.9)	–	(262.9)
Balance at December 31	**(645.1)**	**(160.9)**	**(1,196.5)**	**(3.9)**	**(2,006.4)**

2016 in CHF m					
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)**

At the end of the reporting period, the Group had drawn CHF 208.5m (2016: CHF 223.6m) of the Revolving Credit Facility ("RCF"). The RCF may be drawn at any time to meet short-term financing needs. It is subject to bi-annual Compliance reporting.

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 24). 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 2017, the Group acquired significant financial instruments at fair value (Note 21). In 2016, 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 is 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 11	Investments in associates and joint ventures are a matter of judgment, including the level of Board and Management involvement.
Note 12 / 22	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 21	Financial Instruments at fair value through profit or loss require significant judgment due to limited observable market data such as the book values and the profitability of the underlying business used in the valuation process.
Note 23	Defined benefit plan obligations require estimation of discount rates, inflation and life expectancy.
Note 26	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 27	The valuation of contingent consideration arrangements arising from business combinations is based on the evaluation of future scenarios which requires significant judgment.
Note 31	Business combinations require the exercise of judgment in determining control, establishing the fair values of assets and liabilities at acquisition and recognizing the elements of the transaction with the seller.

5 Segment Information

Following the acquisition of Compagnie d'Exploitation des Services Auxiliaries Aériens ("Servair"), the Group is organized and managed primarily on the basis of five regions: EME (Europe, Middle East and the Commonwealth of Independent States), SEA (South Europe and Africa), North America, Latin America and Asia Pacific.

5.1 Reportable Segment Information

January – December, 2017 in CHF m	**EME**	**SEA**	**North America**	**Latin America**	**Asia Pacific**	**Elimi-nations**	**Total reportable segments**
External revenue	1,770.0	973.6	1,136.1	329.9	344.6	–	4,554.2
Intersegment revenue	8.6	8.6	5.5	0.1	0.6	(23.4)	–
Total revenue	**1,778.6**	**982.2**	**1,141.6**	**330.0**	**345.2**	**(23.4)**	**4,554.2**
EBITDA	**121.4**	**82.7**	**22.4**	**40.3**	**33.6**	**–**	**300.4**
Additions to non-current assets[I]	75.8	29.6	66.3	32.2	38.0	–	241.9
January – December, 2016 in CHF m							
External revenue	1,711.9	–	1,086.6	252.8	311.8	–	3,363.1
Intersegment revenue	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	**124.9**	**–**	**26.5**	**28.3**	**20.8**	**–**	**200.5**
Additions to non-current assets[I]	29.9	–	24.1	7.4	5.4	–	66.8

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

The prior year reported EBITDA has been adjusted to reflect the Group's new reporting structure. In 2016, EME includes businesses with revenues of CHF 14.8m, EBITDA of CHF -1.1m and additions to non-current assets of CHF 0.4m that for 2017 are reported in SEA.

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

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	**2017**	**2016**
EBITDA	300.4	200.5
Share-based payments (Notes 7, 29)	(5.1)	(16.1)
Restructuring costs (Notes 7, 8)	(13.6)	(1.8)
Transaction-related costs	(0.8)	(35.3)
Operating taxes (non-income taxes)	(11.5)	(8.4)
Depreciation (Note 18)	(72.7)	(51.9)
Amortization (Note 20)	(33.9)	(16.1)
Other gains and losses, net (Note 9)	3.2	6.3
Management fees, net	1.1	0.4
Operating profit	**167.1**	**77.6**

5.3 Entity-wide Disclosures

Geographic Information

Revenue by country

in CHF m	**2017**	**2016**
United States	997.3	962.2
France	803.0	4.5
Switzerland[I]	499.0	461.1
United Kingdom	340.8	346.8
Other countries	1,914.1	1,588.5
Total[II]	**4,554.2**	**3,363.1**

[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 2017 or 2016.

Non-current assets by country

in CHF m	**2017**	**2016**
United States	214.3	202.2
France	565.6	0.1
Sweden	189.8	184.2
Switzerland[I]	174.5	151.8
Other countries	581.2	401.5
Total non-current assets[II]	**1,725.4**	**939.8**

[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 of December 31, 2017 or 2016.

Major Customers

Two major customers accounted for 12% and 11% of 2017's total revenue (2016: 14% and 11% respectively). Their revenues are attributable across all reportable segments.

6 Revenue

in CHF m	2017	2016
Catering and retail on board	2,790.6	1,996.8
Handling	1,068.1	805.6
Equipment	247.6	267.2
Other	447.9	293.5
Total	**4,554.2**	**3,363.1**

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. 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	2017	2016
Wages and salaries	1,388.4	1,014.9
Social security costs	173.3	60.3
Pension costs (Note 23)	40.7	25.2
Share-based payments (Note 29)	5.1	16.1
Restructuring costs	10.7	0.2
Other personnel costs and benefits	161.9	125.8
Total	**1,780.1**	**1,242.5**

8 Other Operating Income and Expenses, Net

in CHF m	2017	2016
Rental, utility and other property costs	242.0	172.5
Operating fees and deductions	120.5	110.8
Maintenance and lease of equipment costs	105.8	65.6
Audit, consulting and legal fees	34.5	55.9
Communication costs	70.3	53.5
Administrative and operative costs	47.4	31.2
Transport and travel costs	26.4	22.7
Restructuring costs	2.9	1.6
Other operating costs	67.9	66.5
Other operating income	(17.7)	(6.4)
Total	**700.0**	**573.9**

9 Other Gains and Losses, Net

in CHF m	2017	2016
(Loss) / gain on sale of assets, net	(0.5)	2.0
(Loss) / gain on sale of investments in associates and joint ventures	(3.6)	4.4
Gain / (loss) on disposal of subsidiaries (Note 32)	7.3	(0.1)
Total	**3.2**	**6.3**

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	2017	2016
Interest income	1.7	1.9
Other finance income	7.8	–
Total financial income	**9.5**	**1.9**
Interest expense	(44.0)	(19.2)
Other finance costs	(7.6)	(7.6)
Total financial expenses	**(51.6)**	**(26.8)**
Net interest on defined benefit schemes (Note 23)	**(6.8)**	**(6.4)**
Foreign exchange gains, net	**3.5**	**4.6**
Total	**(45.4)**	**(26.7)**

Other finance income includes fair value adjustments to financial assets at fair value through profit or loss in the amount of CHF 7.6m (Note 21).

11 Investments in Associates and Joint Ventures

2017 in CHF m	Associates	Joint ventures	Total
Aggregated carrying amount	**43.6**	**0.8**	**44.4**
Share of result of associates and joint ventures	7.4	0.7	8.1
Share of other comprehensive income	(2.0)	–	(2.0)
Share of total comprehensive income	**5.4**	**0.7**	**6.1**

2016 in CHF m			
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**

The unrecognized share of losses of associates and joint ventures is CHF 0.9m as of December 31, 2017 (2016: nil).

As at December 31, 2017, the Group had one material associate, its 12.5% interest in Guangzhou Nanland Air Catering Co., Ltd. This business was part of the acquisition of Servair and provides catering services to airlines. The Group's interest is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investment in Guangzhou Nanland Air Catering Co., Ltd.

in CHF m	**2017**
Current assets	181.3
Non-current assets	31.7
Current liabilities	(69.5)
Non-current liabilities	–
Equity	**143.5**
thereof attributable to shareholders	143.1
thereof attributable to non-controlling interests	0.4
Group's carrying amount	**17.9**
Revenue	197.3
Profit for the year attributable to shareholders	22.5
Other comprehensive income	–
Total comprehensive income	**22.5**
Group's share of profit for the year	3.5
Currency translation effects	(2.0)
Group's share of result of associate	**1.5**

12 Income Tax Expenses

in CHF m	**2017**	**2016**
Current income tax charge	49.5	26.9
Deferred tax income (Note 22)	(4.9)	(5.6)
Total	**44.6**	**21.3**

Reconciliation of tax expense

in CHF m	**2017**	**2016**
Profit / (loss) before tax	129.8	53.9
Tax at Swiss tax rate	**26.5**	**11.0**
+ / – effects of		
Foreign tax rates differing from Swiss tax rate	14.8	9.1
Income not subject to tax	(6.9)	(0.4)
Expenses not deductible for tax purposes	2.0	5.7
Prior year unrecognized tax losses, tax credits or deductible temporary differences	(16.3)	(34.6)
Deferred tax assets not recognized in the current year	17.4	14.1
Adjustments for the current tax of prior years	0.9	5.0
Others[I]	6.2	11.4
Total tax expense	**44.6**	**21.3**
Weighted average effective tax rate	34.4%	39.5%

[I]Others include the effects of the tax rate changes in the United States and France, which are largerly offsetting.

The above table shows the expected tax expense at the Swiss tax rate of 20.4% (2016: 20.4%) applied to the Group profit 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, the existence and usage of certain net operating losses had to be re-evaluated.

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.

	2017	2016
Profit for the year attributable to shareholders of the Company (in CHF m)	64.7	30.7
Weighted average number of shares outstanding	26,576,558	26,346,073
Basic earnings per share (in CHF)	2.43	1.17

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.

	2017	2016
Profit for the year attributable to shareholders of the Company (in CHF m)	64.7	30.7
Weighted average number of shares outstanding	26,576,558	26,346,073
Adjustment for share-based payment arrangements, where dilutive	–	202,199
Adjusted weighted average number of shares outstanding	26,576,558	26,548,272
Diluted earnings per share (in CHF)	2.43	1.16

14 Cash and Cash Equivalents

in CHF m	2017	2016
Cash and bank balances	174.5	386.8
Short-term bank deposits	3.4	2.6
Balance at December 31	**177.9**	**389.4**

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

in CHF m	2017	2016
Cash and bank balances	174.5	386.8
Short-term bank deposits	3.4	2.6
Bank overdrafts (Note 24)	(16.6)	–
Balance at December 31	**161.3**	**389.4**

15 Trade Receivables

in CHF m	2017	2016
Trade receivables	467.2	342.9
Trade receivables due from related parties	31.4	3.3
	498.6	**346.2**
Provision for impairment of receivables	(37.8)	(21.3)
Balance at December 31	**460.8**	**324.9**

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, 2017 and 2016, 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	2017	2016
Not overdue	337.0	243.0
Less than 1 month overdue	83.7	53.7
1 to 2 months overdue	22.8	17.0
Over 2 months overdue	55.1	32.5
Balance at December 31	**498.6**	**346.2**

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

in CHF m	2017	2016
Balance at January 1	**(21.3)**	**(22.6)**
Provision for receivables impairment	(15.5)	(2.4)
Receivables written off during the year as uncollectible	11.3	3.3
Unused amounts reversed	3.0	1.7
Acquisition of subsidiaries	(13.7)	(1.0)
Exchange differences	(1.6)	(0.3)
Balance at December 31	**(37.8)**	**(21.3)**

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	2017	2016
Other receivables	43.5	11.4
Other receivables due from related parties	0.9	0.5
Prepaid taxes other than income tax	58.3	34.7
Other prepayments and accrued income	110.6	56.3
Balance at December 31	**213.3**	**102.9**

17 Inventories

in CHF m	2017	2016
Raw materials	102.1	60.8
Catering supplies	39.4	37.3
Work in progress	6.4	4.0
Finished goods	34.1	29.6
Provision for obsolescence	(10.5)	(6.7)
Balance at December 31	**171.5**	**125.0**

18 Property, Plant and Equipment

2017 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, 2017	**127.7**	**204.3**	**19.4**	**206.6**	**212.9**	**770.9**
Additions	4.4	26.7	78.4	28.9	16.1	154.5
Reclassification	13.7	6.9	(42.6)	7.9	8.1	(6.0)
Acquisition of subsidiaries (Note 31)	62.8	9.7	6.0	29.7	14.6	122.8
Disposal of subsidiaries (Note 32)	–	–	–	(0.1)	(1.6)	(1.7)
Disposals	(2.3)	(14.0)	(0.3)	(7.8)	(1.5)	(25.9)
Exchange differences	7.8	(2.0)	0.1	7.0	(1.5)	11.4
Balance at December 31, 2017	**214.1**	**231.6**	**61.0**	**272.2**	**247.1**	**1,026.0**
Accumulated depreciation						
Balance at January 1, 2017	**(64.8)**	**(146.5)**	**–**	**(140.3)**	**(127.7)**	**(479.3)**
Depreciation charge for the year	(10.5)	(13.7)	–	(26.9)	(21.6)	(72.7)
Reclassification	0.2	–	–	0.1	–	0.3
Disposal of subsidiaries (Note 32)	–	–	–	0.1	1.2	1.3
Disposals	1.8	13.1	–	7.5	1.2	23.6
Exchange differences	(3.0)	3.1	–	(3.9)	1.6	(2.2)
Balance at December 31, 2017	**(76.3)**	**(144.0)**	**–**	**(163.4)**	**(145.3)**	**(529.0)**
Net book value						
Balance at January 1, 2017	62.9	57.8	19.4	66.3	85.2	291.6
Balance at December 31, 2017	**137.8**	**87.6**	**61.0**	**108.8**	**101.8**	**497.0**

2016 in CHF m						
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 31)	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**

The carrying amount of land recorded under land and buildings at December 31, 2017, is CHF 25.4m (2016: CHF 13.4m). Within property, plant and equipment, assets pledged for mortgages amount to CHF 4.7m (2016: CHF 5.3m). The CHF 6.0m reclassification of cost and CHF 0.3m reclassification of accumulated depreciation during 2017 relate to land and buildings transferred to assets held for sale and to assets under construction transferred to intangible assets. The CHF 16.6m reclassification of cost and CHF 11.7m reclassification of accumulated depreciation during 2016 related to assets under construction transferred to intangible assets and to land transferred to assets held for sale.

Assets recorded under finance leases consist of:

in CHF m	Land and buildings	Catering and other equipment	Vehicles	Total
Cost				
Balance at December 31, 2017	27.7	10.7	7.7	46.1
Balance at December 31, 2016	7.9	1.6	4.3	13.8
Accumulated depreciation				
Balance at December 31, 2017	(7.0)	(4.8)	(2.9)	(14.7)
Balance at December 31, 2016	(6.2)	(1.6)	(2.5)	(10.3)
Net book value				
Balance at December 31, 2017	20.7	5.9	4.8	31.4
Balance at December 31, 2016	1.7	–	1.8	3.5

Depreciation expense included in the consolidated income statement for property, plant and equipment held under finance leases was CHF 4.3m (2016: CHF 0.8m). Obligations under finance leases are disclosed in Note 24.

19 Assets Held for Sale

in CHF m	2017	2016
Assets held for sale	7.8	4.3
Balance at December 31	**7.8**	**4.3**

The amounts shown principally represent the projected sale value of properties.

20 Intangible Assets

2017 in CHF m	**Goodwill**	**Intellectual property**	**Customer relationships**	**Capitalized software**	**Other**	**Total**
Cost						
Balance at January 1, 2017	**682.0**	**144.8**	**113.7**	**82.9**	**10.4**	**1,033.8**
Additions	–	–	72.4	14.4	0.6	87.4
Acquisition of subsidiaries (Note 31)	236.9	75.5	143.2	5.1	–	460.7
Disposal of subsidiaries (Note 32)	(1.2)	–	–	–	–	(1.2)
Disposals	–	–	(16.2)	(0.5)	(0.5)	(17.2)
Reclassification	–	–	–	2.3	0.1	2.4
Exchange differences	31.7	7.3	25.8	(1.3)	0.5	64.0
Balance at December 31, 2017	**949.4**	**227.6**	**338.9**	**102.9**	**11.1**	**1,629.9**
Accumulated amortization						
Balance at January 1, 2017	**(218.8)**	**(41.8)**	**(52.1)**	**(63.3)**	**(9.6)**	**(385.6)**
Amortization charge for the year	–	(3.1)	(19.9)	(10.6)	(0.3)	(33.9)
Disposals	–	–	16.2	0.5	0.5	17.2
Exchange differences	3.3	(0.3)	(3.1)	1.4	(0.5)	0.8
Balance at December 31, 2017	**(215.5)**	**(45.2)**	**(58.9)**	**(72.0)**	**(9.9)**	**(401.5)**
Net book value						
Balance at January 1, 2017	463.2	103.0	61.6	19.6	0.8	648.2
Balance at December 31, 2017	**733.9**	**182.4**	**280.0**	**30.9**	**1.2**	**1,228.4**

2016 in CHF m						
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 31)	190.7	–	66.2	1.6	–	258.5
Disposal of subsidiaries (Note 32)	(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**

Within capitalized software is internally developed software at cost of CHF 55.8m (2016: CHF 45.2m). The 2017 additions to internally developed software amounted to CHF 9.5m (2016: CHF 5.9m). As of December 31, 2017, this internally developed software was recorded at a net book value of CHF 20.5m (2016: CHF 17.1m).

The CHF 2.4m reclassification of costs during 2017 relates to assets under construction transferred to intangible assets (2016: CHF 1.0m).

Indefinite life intangibles are allocated to the Group's reportable regions (groups of CGU's) as follows:

2017 in CHF m	**Goodwill**	**Intellectual property**
EME	302.2	59.8
SEA	261.9	79.3
North America	80.9	27.2
Latin America	32.4	7.9
Asia Pacific	56.5	8.2
Balance at December 31	**733.9**	**182.4**

2016 in CHF m		
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**

Impairment Tests for Goodwill and Intellectual Property

For the purpose of impairment testing, goodwill and intellectual property were allocated to the reportable regions EMEA, North America, Latin America and Asia Pacific in 2016. Due to the acquisition of Servair in 2017, goodwill and intellectual property are now allocated to the reportable regions EME, SEA, North America, Latin America and Asia Pacific, these being expected to benefit from the synergies of the relevant business combinations.

The recoverable amounts of goodwill and intellectual property are based on value in use calculations. The fair value of the reportable regions 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 five-year business plan together with a discount rate, which represents the weighted average cost of capital ("WACC").

The key assumptions are as follows:

2017	**Revenue growth rate**	**Discount rate Post-tax**	**Discount rate Pre-tax**
EME	2.5%–8.4%	4.9%	6.1%
SEA	1.0%–7.3%	5.8%	8.6%
North America	0.2%–5.1%	5.6%	9.1%
Latin America	6.1%–6.8%	13.8%	18.4%
Asia Pacific	5.1%–31.2%	6.3%	8.8%
2016			
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%

The terminal value beyond the business plan period was calculated by extrapolating the year five cash flows at constant exchange rates using an eternal growth rate of 1.7% for EME, 1.9% for SEA, 2.3% for North and Latin America and 2.5% for Asia Pacific (2016: 1.7% for EMEA, 2.5% for Asia Pacific and 2.4% for the remaining reportable regions). This does not exceed the long-term average growth rate for the respective markets in which the reportable regions 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 reportable regions.

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 Financial Assets at Fair Value through Profit or Loss

2017 in CHF m	**Bonds**
Balance at January 1, 2017	**–**
Cash flows	70.1
Exchange differences	1.8
Fair value adjustments	7.6
Balance at December 31, 2017	**79.5**

Analysis of total short-term and long-term financial assets

Non-current	54.3
Current	25.2

During 2017 gategroup signed various agreements to expand its partnerships into the Korean and Asian markets. As part of these agreements, gategroup acquired zero-coupon bonds with attached warrants ('Bonds'), issued by Kumho & Company Inc., in the amount of KRW 160 billion with maturities from 1 to 20 years. The attached warrants allow conversion of the Bonds to equity of Kumho & Company Inc. under certain conditions. The Bonds have been designated as a financial asset at fair value through profit or loss.

The Bonds were initially recognized at fair value of CHF 70.1m with the CHF 72.4m difference to the total cash outflow being recognized as an intangible asset in relation to the market access and customer relationship gained through these agreements. The customer relationship will be amortised over its estimated useful life of 30 years. The Bonds will be measured at fair value through profit or loss.

The Bonds are not traded in an active market and therefore have been categorised as level 3 of the fair value hierarchy mainly due to their embedded warrants. The valuation is derived from valuation techniques that consider the characteristics of the components of the hybrid instrument, combining a discounted cash flow model for the debt component and a binomial option pricing model for the attached warrants. Main inputs into the valuation methodology include observable factors such as interest rates, credit risk spreads and country risk spreads, volatility as well as unobservable inputs such as book values of the underlying assets and profitability of the underlying business adjusted for future uncertainty.

As at December 31, 2017, inputs used for the valuation include Korean risk-free rates from 1.1% to 2.0%, a country risk premium of 0.45%, a credit risk premium from 4.6% to 7.1% based on a comparable company basket and a volatility of 25%. Further, non-publicly available information was used in internal assessments to determine illiquidity discounts and input factors related to the underlying.

22 Deferred Income Tax

in CHF m	2017	2016
Deferred income tax assets	41.8	52.4
Deferred income tax liabilities	(67.7)	(17.6)
Balance at December 31	**(25.9)**	**34.8**

Movements in deferred taxes

in CHF m	Property, plant and equipment	Intangible assets	Other assets	Liabilities[1]	Tax losses carry forwards	Total
Balance at January 1, 2017	**(8.2)**	**(32.6)**	**0.3**	**56.6**	**18.7**	**34.8**
Deferred tax credit / (charge) in the income statement (Note 12)	7.5	27.1	(1.4)	(34.2)	5.9	4.9
Acquisition of subsidiaries (Note 31)	(16.8)	(79.3)	(0.3)	45.6	1.4	(49.4)
Disposal of subsidiaries (Note 32)	–	–	–	(0.3)	–	(0.3)
Deferred tax charge in other comprehensive income	–	–	(6.3)	(2.3)	–	(8.6)
Exchange differences	(2.2)	(4.2)	(2.7)	0.8	1.0	(7.3)
Balance at December 31, 2017	**(19.7)**	**(89.0)**	**(10.4)**	**66.2**	**27.0**	**(25.9)**
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 31)	0.9	(13.3)	0.8	3.4	–	(8.2)
Disposal of subsidiaries (Note 32)	–	–	–	(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**

[1] Includes retirement benefit liabilities, provisions, accruals and other liabilities

CHF 2.3m of the deferred tax charge (2016: CHF 5.1m of the deferred tax credit) in the statement of other comprehensive income relates to actuarial gains and losses on defined benefit schemes. CHF 6.3m of the deferred tax charge (2016: nil) in the statement of other comprehensive income relates to currency translation differences on net investments.

Composition of deferred tax assets and liabilities

in CHF m	Assets December 31		Liabilities December 31		Net December 31	
	2017	2016	2017	2016	2017	2016
Temporary differences						
Property, plant and equipment	4.7	0.2	(24.4)	(8.4)	(19.7)	(8.2)
Intangible assets	1.6	0.2	(90.6)	(32.8)	(89.0)	(32.6)
Other assets	4.5	2.9	(14.9)	(2.6)	(10.4)	0.3
Retirement benefit obligations, other liabilities, provisions and accruals	69.7	57.0	(3.5)	(0.4)	66.2	56.6
Tax losses	27.0	18.7	–	–	27.0	18.7
	107.5	**79.0**	**(133.4)**	**(44.2)**	**(25.9)**	**34.8**
Offset of deferred tax assets and liabilities	(65.7)	(26.6)	65.7	26.6	–	–
Deferred tax assets / (liabilities)	**41.8**	**52.4**	**(67.7)**	**(17.6)**	**(25.9)**	**34.8**

Tax Loss Carry Forwards and Tax Credits

Tax loss carry forwards and tax credits which are not recognized are summarized by year of expiry as follows:

in CHF m	**2017**	**2016**
2017	–	0.9
2018	4.9	–
2019	11.4	–
2020	0.7	0.1
2021	13.2	6.1
2022	62.0	40.4
2023	3.2	1.1
2024	10.0	2.5
After 2024	5.1	26.8
No expiry	467.9	452.7
Total	**578.4**	**530.6**

The countries with significant unrecognized tax loss carry forwards include Luxembourg (CHF 365.2m at a tax rate of 26.0%), Switzerland (CHF 24.3m at a tax rate of 6.0% and CHF 53.3m at a tax rate of 20.4%), India (CHF 36.7m at a tax rate of 30.9%), Norway (CHF 31.9m at a tax rate of 23.0%) and Denmark (CHF 23.8m at a tax rate of 22.0%). There are no significant unrecognized tax credits.

23 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 84% 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 2017 no material changes were made to the Swiss retirement benefit arrangements.
- 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 would be reduced from 85% to 65% in case of death of an old-age or fully-disabled pensioner. This change was classified as a past service cost event and entailed a gain of CHF 10.1m, which was immediately recognized in "Personnel expenses" in the period ended December 31, 2016.

UK

All of the UK plans are final salary, providing benefits to members in the form of a guaranteed level of pension payable for life and they 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, 2017, the target asset allocation was 29% corporate bonds, 65% equities and 6% real estate (2016: 34%, 61% and 5%).

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

For 2017 the following change has been reflected:

- The acquisition of Servair led to an additional net liability of CHF 52.4m at December 31, 2017. In total 12 new plans have been included for the first time. The combined liabilities are disclosed as "Acquisition of subsidiaries".

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 resulted in a new defined benefit 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 were 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	**2017**	**2016**
Defined contribution plans	24.2	23.2
Defined benefit plans:		
Current service cost (net of employee contributions)	16.6	12.2
Curtailment and negative past service cost	(0.1)	(10.2)
Personnel expenses – pension costs (Note 7)	**40.7**	**25.2**
Net interest on defined benefit schemes (Note 10)	6.8	6.4
Net pension expense	**47.5**	**31.6**

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

in CHF m	**2017**	**2016**
Actuarial (gains) / losses		
Based on adjustment of demographic assumptions	(1.3)	(4.5)
Based on adjustment of financial assumptions	(2.5)	62.9
Due to liability experience adjustment	4.7	(7.6)
Due to return on pension assets (excluding amounts in net interest on defined benefit schemes)	(48.2)	(53.9)
Due to change in effect of the asset ceiling (excluding amounts in net interest on defined benefit schemes)	1.8	0.7
Total remeasurements recognized in the statement of other comprehensive income	**(45.5)**	**(2.4)**

In 2016, remeasurement losses based on financial assumptions were primarily driven by decreases in discount rates, mainly in the UK plans. Actuarial gains due to returns on pension assets reflect overall higher than expected asset returns in most of the funded plans, 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	2017	2016
Present value of funded obligations	(810.5)	(736.1)
Fair value of plan assets	644.9	566.7
Funded status	**(165.6)**	**(169.4)**
Present value of unfunded obligations	(14.4)	(8.1)
Irrecoverable surplus (effect of asset ceiling)	(6.6)	(4.4)
Net defined benefit liability at December 31	**(186.6)**	**(181.9)**

Being:		
Retirement benefit assets at December 31	15.7	–
Retirement benefit liabilities at December 31	(202.3)	(181.9)

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

in CHF m	2017	2016
Balance at January 1	**(181.9)**	**(192.4)**
Acquisition of subsidiaries	(52.4)	(0.8)
Cost recognized in income statement	(23.3)	(8.4)
Remeasurement gains recognized in other comprehensive income	45.5	2.4
Actual employer contributions	25.3	19.4
Change in scope	–	(0.1)
Exchange differences	0.2	(2.0)
Balance at December 31	**(186.6)**	**(181.9)**

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

in CHF m	2017	2016
Balance at January 1	**744.2**	**718.0**
Acquisition of subsidiaries	59.4	0.8
Current service cost	16.6	12.2
Interest cost on the defined benefit obligations	17.7	18.7
Actual benefit payments	(27.8)	(28.2)
Actual employee contributions	4.6	4.1
Curtailment and negative past service cost	(0.1)	(10.2)
Actuarial (gains) – Demographic assumptions	(1.3)	(4.5)
Actuarial (gains) / losses – Financial assumptions	(2.5)	62.9
Actuarial losses / (gains) – Liability experience	4.7	(7.6)
Change in scope	–	1.4
Exchange differences	9.4	(23.4)
Balance at December 31	**824.9**	**744.2**

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

in CHF m	2017	2016
Balance at January 1	**566.7**	**529.7**
Acquisition of subsidiaries	7.0	–
Interest income on plan assets	11.0	12.4
Actual employer contributions	25.3	19.4
Actual employee contributions	4.6	4.1
Actual benefit payments	(27.8)	(28.2)
Actual return on assets (excluding interest income on plan assets)	48.2	53.9
Change in scope	–	1.3
Exchange differences	9.9	(25.9)
Balance at December 31	**644.9**	**566.7**

Benefits paid under the pension plans include CHF 3.2m paid from employer assets in 2017 (2016: CHF 0.8m). The Group expects to contribute CHF 26.2m to its defined benefit pension plans in 2018.

The following table shows the change in the irrecoverable surplus:

in CHF m	2017	2016
Irrecoverable surplus at January 1	**4.4**	**4.1**
Interest cost on irrecoverable surplus	0.1	0.1
Change in irrecoverable surplus in excess of interest (asset ceiling)	1.8	0.7
Exchange differences	0.3	(0.5)
Irrecoverable surplus at December 31	**6.6**	**4.4**

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, which is partially offset by the liability in respect of a minimum funding requirement.

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

2017	**Switzerland**	**UK**	**US**	**All plans**
Discount rate (weighted average)	0.6%	2.7%	3.6%	2.1%
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%
2016				
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%

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	2017	2016
Male	21.9	21.8
Female	24.1	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	**2017**	**2016**
Male	23.2	23.1
Female	25.4	25.3

The major categories of plan assets are as follows:

in CHF m	**2017**	**2016**
Securities with quoted market price in an active market		
Equities	272.0	237.6
Bonds:		
Government – nominal	4.8	–
Government – index-linked	47.7	42.1
Corporate	88.5	79.8
Real estate	5.1	6.1
Cash and cash equivalents	36.7	25.6
Other marketable securities	54.0	48.2
Total quoted securities	**508.8**	**439.4**
Other securities		
Equities	0.7	1.0
Bonds:		
Asset-backed securities	2.9	3.0
Insurance contracts	62.3	56.6
Real estate	67.5	64.2
Other	2.7	2.5
Total other securities	**136.1**	**127.3**
Total	**644.9**	**566.7**

Pension plan assets do not contain shares of the Company.

As described earlier, the present value of defined benefit obligations accrued to date in Switzerland, the UK and the US represent around 84% of the total for the Group. A breakdown of the pension-related balance sheet amounts at December 31, 2017 and 2016, is shown below.

2017	**Switzerland**	**UK**	**US**	**Other**	**Total**
in CHF m					
Present value of funded obligations	(276.7)	(180.3)	(222.2)	(131.3)	(810.5)
Fair value of plan assets	264.6	202.6	108.2	69.5	644.9
Funded status	**(12.1)**	**22.3**	**(114.0)**	**(61.8)**	**(165.6)**
Present value of unfunded obligations	(0.1)	–	(4.0)	(10.3)	(14.4)
Irrecoverable surplus (effect of asset ceiling)	–	(6.6)	–	–	(6.6)
Net defined benefit asset / (liability) at December 31	**(12.2)**	**15.7**	**(118.0)**	**(72.1)**	**(186.6)**

2016					
in CHF m					
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)**

The present value of defined benefit obligations by category of members at December 31, 2017 and 2016, is shown below.

in CHF m	2017	2016
Active	(303.2)	(241.7)
Vested	(239.1)	(220.4)
Retired	(282.6)	(282.1)
Balance at December 31	**(824.9)**	**(744.2)**
Present value of funded obligations at December 31	(810.5)	(736.1)
Present value of unfunded obligations at December 31	(14.4)	(8.1)

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.

2017	**Switzerland**	**UK**	**US**	**Other**	**Total**
in CHF m					
Discount rate +0.5% pa	(21.5)	(17.4)	(13.0)	(10.1)	(62.0)
Discount rate -0.5% pa	24.6	20.1	14.4	11.4	70.5
Rate of compensation +0.5% pa	4.3	–	–	5.1	9.4
Rate of compensation -0.5% pa	(4.0)	–	–	(4.8)	(8.8)
Interest credits on retirement assets +0.5% pa	4.2	–	–	–	4.2
Interest credits on retirement assets -0.5% pa	(4.0)	–	–	–	(4.0)
Pension indexation +0.5% pa	15.2	7.8	–	6.7	29.7
Pension indexation -0.5% pa (minimum 0.0%)	–	(8.9)	–	(4.2)	(13.1)
Life expectancy at age 65 + 1 year	8.2	6.8	6.5	0.4	21.9
2016					
in CHF m					
Discount rate +0.5% pa	(20.0)	(18.3)	(13.2)	(7.2)	(58.7)
Discount rate -0.5% pa	22.8	21.3	14.6	8.1	66.8
Rate of compensation +0.5% pa	3.8	–	–	2.3	6.1
Rate of compensation -0.5% pa	(3.5)	–	–	(2.2)	(5.7)
Interest credits on retirement assets +0.5% pa	4.0	–	–	–	4.0
Interest credits on retirement assets -0.5% pa	(3.7)	–	–	–	(3.7)
Pension indexation +0.5% pa	14.3	6.4	–	6.3	27.0
Pension indexation -0.5% pa (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

The duration of the defined benefit obligations at December 31, 2017 and 2016, are:

2017	**Switzerland**	**UK**	**US**	**Other**	**Average**
Years					
Weighted duration of the defined benefit obligations	16.3	20.9	12.3	15.5	16.1
2016					
Years					
Weighted duration of the defined benefit obligations	16.1	21.8	12.4	21.0	16.9

24 Short-term and Long-term Debt

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

2017 in CHF m	**Bond**	**Term Loans**	**Revolving credit facility**	**Mortgages**	**Finance lease liabilities**	**Other loans payable**	**Total**
Balance at January 1, 2017	**–**	**505.1**	**223.6**	**5.3**	**5.1**	**2.4**	**741.5**
Cash flows	350.0	(239.8)	(32.1)	(0.6)	(2.2)	14.9	90.2
Acquisition of subsidiaries (Note 31)	–	–	–	–	7.1	13.5	20.6
Capitalized transaction costs	(5.1)	–	–	–	–	–	(5.1)
Amortization	0.7	1.3	–	–	–	–	2.0
Exchange differences	(0.4)	22.7	17.0	–	0.8	1.0	41.1
Balance at December 31, 2017	**345.2**	**289.3**	**208.5**	**4.7**	**10.8**	**31.8**	**890.3**
Analysis of total short-term and long-term debt							
Non-current	345.2	289.3	–	4.1	7.2	9.8	655.6
Current	–	–	208.5	0.6	3.6	22.0	234.7

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

in CHF m	**2017**	**2016**
Swiss Francs	353.5	3.8
Euro	374.9	590.4
Swedish Krona	152.3	143.2
Other currencies	9.6	4.1
Balance at December 31	**890.3**	**741.5**

Bond: 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. The Bond is listed on the SIX Swiss Exchange.

Term Loans: In addition to the five-year EUR 250.0m Term Loan maturing on October 20, 2020, the Group had entered into a Single Currency Bridge Facility ("Bridge") of EUR 275.0m, of which CHF 241.3m (EUR 225.0m) was drawn as of December 31, 2016. The Bridge was fully repaid in January 2017.

Revolving Credit Facility: 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, 2017, the Group utilized RCF drawings of CHF 208.5m, being EUR 48.0m and SEK 1,280.0m (2016: CHF 223.6m).

The borrowings under the Bond, the Term Loans and the RCF all rank pari passu. The Bridge was only guaranteed by the Company, whereas the Term Loan and RCF are guaranteed by the Company and certain of its subsidiaries. The facilities, except for the Bond which is fixed at 3%, bear interest at floating rates (EURIBOR or LIBOR equivalents) plus a spread. The spread of the Bridge was at 1.5% as of December 31, 2016 whilst spreads of the Term Loan and RCF are determined from a margin grid depending on the leverage ratio. In 2017 the interest rate ranged between 2.90% and 3.40% (2016: 1.95% and 2.90%). The financial covenants for the Term Loan and the RCF, being net leverage ratio and net interest coverage ratio, are assessed on a semi-annual basis. The Company has remained in compliance with its covenants.

As at December 31, 2017, other loans payable include bank overdrafts of CHF 16.6m (2016: nil).

Guarantees

As of December 31, 2017, the Group has guarantees outstanding in favour of associates amounting to CHF 10.7m (2016: CHF 4.4m).

Finance lease liabilities are as follows:

in CHF m	2017	2016
Gross finance lease liabilities – minimum lease payments:		
Not later than 1 year	4.1	1.5
Later than 1 year but not later than 5 years	7.5	4.1
Later than 5 years	–	0.2
Total minimum lease payments	**11.6**	**5.8**
Future finance charges on finance lease liabilities	(0.8)	(0.7)
Present value of finance lease liabilities at December 31	**10.8**	**5.1**

25 Trade and Other Payables

in CHF m	2017	2016
Trade payables	292.8	173.6
Other amounts due to third parties	52.0	36.3
Other current payables due to related parties (Note 33)	1.1	–
Sales taxes due	49.0	35.9
Balance at December 31	**394.9**	**245.8**

26 Short-term and Long-term Provisions

in CHF m	Employee Benefits (Note 26.1)	Share-based Payments (Note 26.2)	Restructuring (Note 26.3)	Legal and Tax (Note 26.4)	Onerous Contracts (Note 26.5)	Property and Other (Note 26.6)	Total
Balance at January 1, 2017	**11.2**	**–**	**15.7**	**64.3**	**3.1**	**13.9**	**108.2**
Additional provisions	2.7	5.1	18.7	10.8	–	1.0	38.3
Unused amounts reversed	(1.5)	–	(5.1)	(11.2)	–	(1.1)	(18.9)
Unwind of discount	0.2	–	–	0.7	2.7	0.6	4.2
Acquisition of subsidiaries (Note 31)	1.5	–	–	36.8	33.7	4.8	76.8
Disposal of subsidiaries (Note 32)	–	–	(0.1)	–	(1.5)	–	(1.6)
Utilized during the year	(0.8)	–	(8.5)	(8.3)	(25.7)	(0.1)	(43.4)
Exchange differences	0.4	–	0.4	3.5	2.2	1.0	7.5
Balance at December 31, 2017	**13.7**	**5.1**	**21.1**	**96.6**	**14.5**	**20.1**	**171.1**
Analysis of total provisions							
Non-current	11.6	5.1	8.7	85.9	5.3	18.7	135.3
Current	2.1	–	12.4	10.7	9.2	1.4	35.8

26.1 Employee Benefits: Other Post-employment Benefits and Other Long-term Employee Benefits

In addition to the retirement benefits as described in Note 23, 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.

26.2 Share-based Payments

A cash settled share-based payment plan, as described in Note 29, was introduced during 2017.

26.3 Restructuring

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

26.4 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 legal matters in SEA. The timing of settlement and / or the amount of cash outflows is uncertain.

26.5 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.

26.6 Property and Other

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

27 Other Current and Non-Current Liabilities

in CHF m	2017	2016
Current		
Accrued payroll and related costs	204.1	107.2
Deferred revenue	10.4	9.5
Accrued rent and other property costs	19.1	17.2
Accrued insurance costs	20.9	19.0
Uninvoiced deliveries of inventory	100.8	54.0
Accrued volume rebates	97.3	82.1
Other accrued expenses	92.5	91.5
Total current	**545.1**	**380.5**
Non-current		
Other non-current liabilities	268.8	5.9
Total non-current	**268.8**	**5.9**
Total other current and non-current liabilities	**813.9**	**386.4**

Other Non-Current Liabilities
As of January 1, 2017, the Group obtained control over Servair by acquiring 50% minus 1 share. The acquisition arrangements included various put and call options over the remaining 50% plus 1 share. A financial liability at fair value through profit or loss of CHF 262.9m has been recognized as at December 31, 2017, for the net present value of the expected payments relating to the option arrangements. The expected payments were discounted using the discount rate applicable to the liability, which was determined to be 3.1%.

28 Equity

28.1 Issued Share Capital

As at December 31, 2017, the share capital of the Company is CHF 133,931,680 (2016: CHF 133,931,680) and is divided into 26,786,336 (2016: 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.

28.2 Conditional Share Capital

As at December 31, 2017 and 2016, 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.

28.3 Authorized Share Capital

As at December 31, 2017 and 2016, 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.

28.4 Treasury Shares

At December 31, 2017, there were 209,778 (2016: 209,778) treasury shares held by the Group.

28.5 Dividend

No dividends were distributed in 2017 (2016: CHF 7,835,444).

29 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	2017	2016
Phantom Unit Long-term Incentive Plan	5.1	–
Executive Long-term Incentive Plan	–	16.1
Total share-based payment expense (Note 7)	**5.1**	**16.1**

29.1 Phantom Unit Long-term Incentive Plan

Under this plan members of management have been granted Phantom Units that will allow participants to benefit from an increase in the equity value of gategroup. The plan is accounted for as cash-settled share-based compensation and runs for a performance period from November 1, 2017 and the earlier of i) December 31, 2020 or ii) a realization event, being an exit or partial exit, as described below.

Provided a realization event has not occurred the Phantom Units will vest on December 31, 2020, subject to fulfillment of weighted minimum performance targets for revenue, EBITDA, operating free cash flow and net income. In each case these are to be measured against the targets set out in the "gateway 2020" business plan. The weighted achievement against the performance targets determines the proportion of Phantom Units that shall vest, provided that if weighted achievement is below 50% all Phantom Units will lapse.

50% of the Phantom Units will be paid in cash following December 31, 2020, with a further 25% being paid on each of December 31, 2021 and December 31, 2022. Participants whose employment terminates during the performance period will, provided they are "good leavers", receive a pro-rata vesting paid out in accordance with this payment schedule.

Participants will receive, in total, 7.25% of the exit equity value created. This is defined as 2020's consolidated and normalized EBITDA multiplied by 11, less net debt as at December 31, 2020 and less an entry equity value of CHF 1,420m.

The expense recorded for 2017 assumes that the plan will run, without a realization event, until December 31, 2020. The expense reflects the current expectation for achievement against the performance targets, discounted to present value. The carrying amount of the provision amounts to CHF 5.1m as at December 31, 2017 (2016: nil) (Note 26). A total of 1,087,500 Phantom Units have been granted, each having a fair value of CHF 120 as at December 31, 2017 (2016: nil).

Realization event

Should however vesting occur upon a realization event, being an exit (a change of control or transaction with an affiliate of HNA materially impacting the Company's ability to deliver the performance targets) or a partial exit (a sale of shares in the Company that does not qualify as an exit), the equity value will be the appropriate valuation.

In the event of an exit all Phantom Units vesting are to be paid out in cash at the purchase price attributable to the Company's shares or in the event of a transaction with an HNA affiliate the calculated exit equity value. For a partial exit a percentage of Phantom Units equivalent to the percentage of shares subject to partial exit will vest and be paid out in cash, with the remaining percentage continuing to be subject to the ongoing conditions of the plan.

29.2 Executive Long-term Incentive Plan

Under this plan key employees were granted conditional Performance Shares in the Company. The plan was 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:

Vesting date (May 20, in each year)	2016	2017	2018
Fair value at grant date (in CHF)	20.05	17.68	22.10
Number of performance shares:			
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. On May 1, 2015, 222,500 performance shares were granted with a fair value at grant date of CHF 37.65 and these fully vested during 2016.

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.

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. On April 22, 2016, 102,500 performance shares were granted with a fair value at grant date of CHF 51.87 and these fully vested during 2016.

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.

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.

29.3 Equity Incentive Plan 2007

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 was accounted for as equity-settled share-based payment compensation. 1,821 options were outstanding as at January 1, 2016 and they were forfeited during the year 2016.

30 Commitments and Contingent Liabilities

30.1 Capital Commitments

At December 31, 2017, 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 16.5m (2016: CHF 14.8m).

30.2 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	**2017**	**2016**
Not later than 1 year	79.9	54.1
Later than 1 year but not later than 5 years	205.9	164.5
Later than 5 years	151.3	120.3
Balance at December 31	**437.1**	**338.9**

The principal operating lease commitments are in the UK, US, Colombia, Korea and Canada.

At December 31, 2017, the minimum future lease payments expected to be received amount to CHF 0.5m (2016: CHF 4.6m). The lease expenditure charged to the consolidated income statement during the year is included in Note 8.

30.3 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 26.

31 Business Combinations

31.1 Business Combinations 2017

Acquisition of Servair

As of January 1, 2017, the Group obtained control over Servair when it acquired 50% minus 1 share. The acquisition arrangements give gategroup control over the relevant activities of Servair.

Servair is a leading airline caterer and cabin cleaning company in France and has a strong focus on the African airline catering market. With the addition of Servair, the Group established its presence in these regions and continued to improve its synergies across Europe.

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

in CHF m	**Servair**
Cash and cash equivalents	75.9
Trade receivables	61.9
Other current receivables and prepayments	86.0
Inventories	24.4
Current income tax assets	15.2
Assets held for sale	3.3
Property, plant and equipment	122.8
Intangible assets	223.8
Investments in associates and joint ventures	25.4
Other non-current receivables	6.3
Deferred income tax assets	17.3
Short-term debt	(6.4)
Trade and other payables	(77.4)
Current income tax liabilities	(2.9)
Other current liabilities	(104.2)
Long-term debt	(14.2)
Deferred income tax liabilities	(66.7)
Retirement benefit obligations	(52.4)
Provisions	(76.8)
Fair value of net assets acquired	**261.3**
Goodwill on acquisition	236.9
Financial liability	(233.2)
Non-controlling interests	(31.6)
Total cash consideration transferred	**233.4**
Less: Cash and cash equivalents	(75.9)
Cash outflow on acquisition	**157.5**

The acquisition arrangements also include put and call options over the remaining 50% plus 1 share. Under the circumstances of this transaction, management considers that IAS 32 takes precedence over IFRS 10 and accounts for the options in the business combination under the anticipated-acquisition method. Accordingly, a financial liability of CHF 233.2m has initially 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 non-controlling interest recognized at the acquisition date was measured at fair value and amounted to CHF 31.6m.

Goodwill related to the acquisition arose because the consideration paid for the combination effectively included amounts in relation to expected synergies, revenue growth, future market development and the assembled workforce of the business acquired. These benefits are not separable from goodwill. None of the goodwill recognized is expected to be deductible for tax purposes.

From the date of acquisition, Servair contributed CHF 968.4m of revenues and CHF 34.8m to net profit.

Acquisition-related costs amount to CHF 8.6m 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, GG Bolivia and COMO

Considerations were paid in 2017 in the amount of:
- CHF 0.6m (2016: CHF 0.6m) in relation to the acquisition of Helios in 2012.
- CHF 2.5m (2016: nil) in relation to the acquisition of GG Bolivia in 2016.
- CHF 0.2m (2016: nil) in relation to the acquisition of the remaining 40% interest in COMO in 2017.

Accounting for previous business combinations

In 2017, the accounting for all business combinations in 2016 was finalized. No changes to the provisional amounts occurred.

31.2 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.
- 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.
- 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.
- 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.
- 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.

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 had, except for IFS, only been provisionally determined at the end of the reporting period 2016. The necessary market valuations, other calculations and final determination of the respective considerations paid or payable had not been finalized and were therefore based on best estimates.

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

in CHF m	IFS	GG Mexico	GG Bolivia	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)
Long-term provisions	(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 were stated at fair value. It was expected that all receivables could 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 amounted to CHF 1.2m and were not included in the consideration transferred. They had 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 were stated at fair value. It was expected that all receivables could 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 amounted to CHF 0.3m and were not included in the consideration transferred. They had been recognized as an expense in "Other operating income and expenses, net" in the consolidated income statement.

GG BOLIVIA

Receivables acquired were stated at fair value. It was expected that all receivables could be collected. The Group had 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 were 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 amounted to CHF 0.1m and were not included in the consideration transferred. They had been recognized as an expense in "Other operating income and expenses, net" in the consolidated income statement.

CACS

Receivables acquired were stated at fair value. It was expected that all receivables could be collected. The Group had 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 amounted to CHF 0.1m and were not included in the consideration transferred. They had been recognized as an expense in "Other operating income and expenses, net" in the consolidated income statement.

COMO

Receivables acquired were stated at fair value. It was expected that all receivables could be collected. The Group had provided for additional contingent considerations of CHF 1.9m payable to a former shareholder of COMO by latest July 31, 2017, if certain conditions were 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 amounted to CHF 0.1m and were not included in the consideration transferred. They had 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 included symmetric put and call options over the remaining 49% of the share capital. A financial liability (contingent consideration) of CHF 4.3m was recognized for the net present value of expected payments relating to the option arrangements. Receivables acquired were stated at fair value. It was expected that all receivables could 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 amounted to CHF 0.1m and were not included in the consideration transferred. They had been recognized as an expense in "Other operating income and expenses, net" in the consolidated income statement.

32 Disposal Group

32.1 Disposals 2017

The Group:
– disposed of its 100% shareholding in Inflight Service Poland Sp.z.o.o ("IFS Poland") in May 2017. The consideration amounted to CHF 6.2m, whereas the net assets disposed of were CHF 1.0m, including cash and cash equivalents of CHF 1.4m. The net gain of CHF 5.3m has been recognized in the income statement and is included in "Other gains and losses, net".
– disposed of its 100% shareholding in Gate Safe Inc. ("Gate Safe") in May 2017. The consideration amounted to CHF 8.1m, whereas the net assets disposed of were CHF 0.1m, including cash and cash equivalents of CHF 0.7m. The net gain of CHF 2.0m has been recognized in the income statement and is included in "Other gains and losses, net".

in CHF m	**IFS Poland**	**Gate Safe**	**Total**
Cash and cash equivalents	1.4	0.7	2.1
Trade receivables	0.1	1.8	1.9
Other current receivables and prepayments	0.2	0.3	0.5
Inventories	0.4	–	0.4
Property, plant and equipment	–	0.4	0.4
Intangible assets	1.2	–	1.2
Deferred income tax assets	0.3	–	0.3
Trade and other payables	(0.9)	(1.7)	(2.6)
Other current liabilities	(0.2)	(1.3)	(1.5)
Long-term provisions	(1.5)	(0.1)	(1.6)
Net assets disposed	**1.0**	**0.1**	**1.1**
Consideration received	6.2	8.1	14.3
Net assets disposed	(1.0)	(0.1)	(1.1)
Currency translation gain / (loss) reclassified	0.1	(6.0)	(5.9)
Gain on disposal of subsidiaries (Note 9)	**5.3**	**2.0**	**7.3**
Cashflow:			
Consideration received in cash and cash equivalents	6.2	8.1	14.3
Cash and cash equivalents disposed	(1.4)	(0.7)	(2.1)
Net cash inflow from disposal of subsidiaries	**4.8**	**7.4**	**12.2**

32.2 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 had been recognized in the income statement and was 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 subsidiary (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 subsidiary	**0.1**

33 Related Party Transactions

33.1 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	2017	2016
Short-term benefits	8,5	7.7
Post-employment benefits	0.5	0.5
Share-based payments	2.6	7.2
Total key management compensation	**11.6**	**15.4**

In addition to the above, CHF 7.8m were accrued in 2016 and paid in 2017 relating to retention awards for members of the EMB, in connection with the acquisition of the Group by HNA.

33.2 Associated Companies and Joint Ventures

in CHF m	2017	2016
Sale / purchase of goods and services:		
Sale of goods[(I), (II)]	4.9	0.9
Management services provided to associates[(III)]	3.3	0.9
Management services provided to joint ventures[(III)]	0.8	0.3
Purchase of goods[(I), (II)]	(5.6)	–
Total	**3.4**	**2.1**

(I) The sales to and purchases from associates and joint ventures are made on terms equivalent to those that prevail in arm's length transactions
(II) The majority of these sales and purchases 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, 2017, trade and other receivables amounted to CHF 6.3m (2016: CHF 1.7m), CHF 2.5m (2016: nil) from joint ventures and CHF 3.8m (2016: CHF 1.7m) from associates. Other current payables in 2017 amounted to CHF 1.1m (Note 25), mainly related to transactions with associates (2016: nil). A provision of CHF 0.4m has been recognized in 2017 against doubtful debts (2016: nil).

33.3 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, 2017, the Group was wholly owned by HNA Aviation. 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 (2016: nil). As at December 31, 2017, no trade and other receivables from or trade and other payables to the parent companies have been identified (2016: nil).

33.4 Other Related Parties

in CHF m	2017	2016
Sale of goods and services:		
Sale of goods[(I)]	141.7	0.5
Total	**141.7**	**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, 2017, trade and other receivables due from other related parties amounted to CHF 27.4m (2016: 2.1m). They are recognized at fair value. No material trade payables have been identified as at the balance sheet date (2016: nil). No guarantees have been received.

34 Group Companies

The principal subsidiaries of the Company as of December 31, 2017, were the following:

Country	Company	Equity interest (in %)[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	100	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
	Gate Retail Brasil Comercio Varejista, Importacao e Exportacao de Alimentos Ltda, Rio de Janeiro	100	BRL	7,500,000
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 Aviation Services Chile Ltda, Santiago	100	CLP	10,000,000
	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
Côte d'Ivoire	Servair Abidjan, Abidjan	80	XOF	1,364,000,000
Denmark	Gate Gourmet Denmark ApS, Tårnby	100	DKK	401,200
	Gate Gourmet Northern Europe ApS, Tårnby	100	DKK	52,401,000
Ecuador	Gate Gourmet del Ecuador Cia Ltda, Quito	60	USD	2,278,400
France	ACNA, Le Mesnil-Amelot	100	EUR	7,966,000
	Dutyfly Solutions, Roissy-en-France	50	EUR	40,000
	Gate Gourmet Aéroport de Bâle–Mulhouse SAS, St. Louis	100	EUR	337,000
	Martinique Catering, Le Lamentin	98	EUR	50,000
	Orly Air Traiteur, Wissous	98	EUR	250,000
	Panima, Mamoudzou	51	EUR	500,000
	Paris Air Catering (PAC), Tremblay-en-France	100	EUR	1,743,750
	Passerelle CDG, Tremblay-en-France	51	EUR	40,000
	Servair Investissements Aeroportuaires (SIA), Tremblay-en-France	100	EUR	25,000,000
	Servair Retail Fort de France, Le Lamentin	51	EUR	110,000
	Servair SA, Tremblay-en-France	100	EUR	52,386,208
	Sheltair, Tremblay-en-France	50	EUR	40,000
	Société de Restauration Industrielle (SORI), Les Abymes	50	EUR	50,000
	Société Guyanaise de Restauration Industrielle (SOGRI), Matoury	97	EUR	225,000
	Svrls@La Reunion, Sainte Marie	50	EUR	150,000
Gabon	Servair Gabon, Libreville	55	XAF	250,000,000
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	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	100	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

Country	Company	Equity interest (in %)[1]	Currency	Share capital
Kenya	NAS Airport Services Ltd, Nairobi	59	KES	16,000,000
	SIA Kenya Holding Ltd, Nairobi	59	KES	1,215,000,000
Luxembourg	Gate Gourmet Luxembourg IV S.à r.l., Luxembourg	100	EUR	2,708,000
	gategroup Finance (Luxembourg) S.A., Luxembourg	100	CHF	39,111
	gategroup Financial Services S.à r.l., Luxembourg	100	EUR	83,344,700
Macau	Macau Catering Services Co Ltd, Taipa	17	MOP	16,000,000
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
Senegal	Dakar Catering, Dakar	65	XOF	750,000,000
Seychelles	Skychef Ltd, Mahé	55	SCR	313,000
Singapore	Gate Gourmet Singapore Pte Ltd, Singapore	100	SGD	19,602,977
	gategroup Investments Singapore Pte Ltd, Singapore	100	USD	144,778,348
South Korea	Gate Gourmet Korea Co. Ltd, Seoul	100	KRW	23,600,000,000
Spain	Dutyfly Solutions España S.L., Madrid	50	EUR	3,006
	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 Gourmet Inc., Wilmington, DE	100	USD	1,000
	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., Reston, VA	100	USD	1,000

[1] Rounded to the nearest whole number

35 Post Balance Sheet Events

As at February 22, 2018, the date of approval of these consolidated financial statements by the Board, the Group has no significant subsequent events that warrant disclosure.

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To the General Meeting of
gategroup Holding AG, Kloten

Zurich, February 22, 2018

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, 2017 and the 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 44 to 97) give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, 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 consolidated financial statements.

Revenue recognition and recoverability of trade receivables

Risk	Trade receivables represent 15% of the Group's total assets and 104% of the Group's total equity as at December 31, 2017. 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

Risk	Goodwill and intellectual property represent 30% of the gategroup's total assets and 206% of the Group's total equity as at December 31, 2017. 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 Cash Generating Units, 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 five-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 Cash Generating Units. 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 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

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.

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 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

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

Financial Report

gategroup Holding AG

Financial Statements of gategroup Holding AG

Income Statement of gategroup Holding AG

in 1,000 CHF	2017	2016
Management fees	–	385
Total operating income	**–**	**385**
Personnel expenses	(1,032)	(1,631)
Operating expenses	(4,490)	(21,768)
Amortization	–	(134,023)
Total operating expenses	**(5,522)**	**(157,422)**
Operating loss	**(5,522)**	**(157,037)**
Financial income:		
Gain from treasury shares	–	5,459
Other financial income	1,399	4,018
Financial expenses	(1,151)	(2,070)
Loss before tax	**(5,274)**	**(149,630)**
Direct taxes	–	–
Loss for the year	**(5,274)**	**(149,630)**

Balance Sheet of gategroup Holding AG

in 1,000 CHF	Notes	Dec 31, 2017	Dec 31, 2016
Current assets			
Cash and cash equivalents		7	83
Other current receivables		80	785
Other current receivables from subsidiaries		8,701	2,896
Total current assets		**8,788**	**3,764**
Non-current assets			
Non-current loans to subsidiaries		–	53,920
Investments in subsidiaries		600,039	600,039
Total non-current assets		**600,039**	**653,959**
Total assets		**608,827**	**657,723**
Current liabilities			
Other current payables		177	3,918
Other current payables to subsidiaries		3,575	33,004
Accruals		452	1,956
Total current liabilities		**4,204**	**38,878**
Total liabilities		**4,204**	**38,878**
Share capital		133,932	133,932
Legal capital reserves:			
Reserve from capital contributions		608,068	607,472
Reserve for treasury shares from capital contributions		–	596
Legal retained earnings:			
General reserve		11,091	10,002
Reserve for treasury shares from free reserve		–	1,089
Voluntary retained earnings:			
Earnings brought forward		(133,367)	16,263
Loss for the year		(5,274)	(149,630)
Treasury shares	2.4	(9,827)	(879)
Total shareholders' equity		**604,623**	**618,845**
Total liabilities and shareholders' equity		**608,827**	**657,723**

Notes to the Financial Statements of gategroup Holding AG

1 General Information

The financial statements of gategroup Holding AG, Kloten (the "Company"), are prepared in accordance with the provisions on accounting and financial reporting (Art. 957 to Art. 963b) of the Swiss Code of Obligations ("CO").

2 Disclosures Required by Swiss Company Law

2.1 Accounting Policies

Valuation Principles
Financial assets, including investments and non-current loans to subsidiaries, are recognized at cost less appropriate write downs. Investments are in general subject to individual valuation.

Treasury Shares
Own shares (treasury shares) are recognized at cost. Any gains or losses upon disposal are recognized through profit and loss. Own shares directly held by the company are deducted from equity. A reserve for treasury shares is recognized for own shares held by subsidiaries.

2.2 Significant Shareholders

According to the information available to the Board, the following shareholders held more than 5% of the registered share capital:

	Dec 31, 2017	**Dec 31, 2016**
HNA Aviation (Hong Kong) Air Catering Holding Co., Ltd	n / a	98.06%
RBR Funds SICAV, RBR European Long Short Master Fund, RBR Strategic Value Ltd	n / a	< 5%
Blackrock Inc.	n / a	< 5%

Please note that the actual shareholdings might have differed from the figures indicated above, as the Company must only be notified by its shareholders if one of the thresholds defined in Art. 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading is reached or crossed.

2.3 Significant Investments

Company name	Domicile	Currency	Share capital (local currency)	Ownership in % Dec 31, 2017	Ownership in % Dec 31, 2016
Direct investments					
gategroup Finance (Luxembourg) S.A., Luxembourg	Luxembourg	EUR	31,000	100.00%	100.00%
gategroup Financial Services S.à r.l., Luxembourg	Luxembourg	EUR	83,344,700	100.00%	100.00%
gategroup Investments Singapore Pte Ltd, Singapore	Singapore	USD	144,778,348	100.00%	100.00%
gategroup Financial Services S.à r.l., Luxembourg, Swiss Branch, Kloten	Switzerland	EUR	1	100.00%	100.00%
Substantial indirect investments					
Gate Gourmet Argentina S.r.L., Buenos Aires	Argentina	ARS	5,750,000	100.00%	100.00%
Gate Gourmet Cairns Pty Ltd, Mascot, NSW	Australia	AUD	3,104,002	100.00%	100.00%
Gate Gourmet (Holdings) Pty Ltd, Mascot, NSW	Australia	AUD	39,299,111	100.00%	100.00%
Gate Gourmet Rail Pty Ltd, Mascot, NSW	Australia	AUD	2	100.00%	100.00%
Gate Gourmet Services Pty Ltd, Mascot, NSW	Australia	AUD	44,330,100	100.00%	100.00%
Pourshins Australia Pty Ltd, Alexandria, NSW	Australia	AUD	2	100.00%	100.00%
deSter BVBA, Hoogstraten	Belgium	EUR	22,600,000	100.00%	100.00%
Como Bolivia S.r.L., Oruro	Bolivia	BOB	20,000	100.00%	99.00%
Gate Gourmet Catering Bolivia S.A., Cochabamba	Bolivia	BOB	22,000	51.00%	51.00%
Gate Gourmet Ltda, São Paulo	Brazil	BRL	87,331,839	100.00%	100.00%
Gate Retail Brasil Comercio Varejista, Importacao e Exportacao de Alimentos Ltda, Rio de Janeiro	Brazil	BRL	7,500,000	100.00%	–
Cambodia Air Catering Services Ltd, Phnom Penh	Cambodia	USD	500,000	75.00%	75.00%
Gate Gourmet Canada Inc., Toronto	Canada	CAD	17,500,000	100.00%	100.00%
Pourshins Canada Inc., Toronto	Canada	CAD	300,000	100.00%	100.00%
Gate Gourmet Aviation Services Chile Ltda, Santiago	Chile	CLP	10,000,000	100.00%	100.00%
Gate Gourmet Catering Chile Ltda, Santiago	Chile	CLP	1,968,062,000	100.00%	100.00%
Gate Gourmet Hong Kong Ltd, Hong Kong	China	HKD	281,657,350	100.00%	100.00%
gategroup Trading Hong Kong Ltd, Hong Kong	China	USD	162	100.00%	100.00%
Gate Gourmet Colombia Ltda, Bogotá	Colombia	COP	831,229,870	75.00%	75.00%
Servair Abidjan, Abidjan	Côte d'Ivoire	XOF	1,364,000,000	39.99%	–
Gate Gourmet Denmark ApS, Tårnby	Denmark	DKK	401,200	100.00%	100.00%
Gate Gourmet Northern Europe ApS, Tårnby	Denmark	DKK	52,401,000	100.00%	100.00%
Gate Gourmet del Ecuador Cia Ltda, Quito	Ecuador	USD	2,278,400	60.00%	60.00%
ACNA, Le Mesnil-Amelot	France	EUR	7,966,000	49.99%	–
Dutyfly Solutions, Roissy-en-France	France	EUR	40,000	25.04%	–
Gate Gourmet Aéroport de Bâle–Mulhouse SAS, St. Louis	France	EUR	337,000	100.00%	100.00%
Martinique Catering, Le Lamentin	France	EUR	50,000	48.99%	–
Orly Air Traiteur, Wissous	France	EUR	250,000	49.15%	–
Panima, Mamoudzou	France	EUR	500,000	25.49%	–
Paris Air Catering (PAC), Tremblay-en-France	France	EUR	1,743,750	49.99%	–
Passerelle CDG, Tremblay-en-France	France	EUR	40,000	25.49%	–
Servair Investissements Aeroportuaires (SIA), Tremblay-en-France	France	EUR	25,000,000	49.99%	–
Servair Retail Fort de France, Le Lamentin	France	EUR	110,000	25.49%	–
Servair SA, Tremblay-en-France	France	EUR	52,386,208	49.99%	–
Sheltair, Tremblay-en-France	France	EUR	40,000	25.00%	–
Société de Restauration Industrielle (SORI), Les Abymes	France	EUR	50,000	25.01%	–
Société Guyanaise de Restauration Industrielle (SOGRI), Matoury	France	EUR	225,000	48.49%	–
Svrls@La Reunion, Sainte Marie	France	EUR	150,000	25.09%	–
Servair Gabon, Libreville	Gabon	XAF	250,000,000	27.49%	–
Gate Gourmet GmbH Deutschland, Neu-Isenburg	Germany	EUR	7,670,000	100.00%	100.00%
Gate Gourmet GmbH Holding Deutschland, Neu-Isenburg	Germany	EUR	51,129	100.00%	100.00%
Gate Gourmet GmbH Mitte, Neu-Isenburg	Germany	EUR	25,000	100.00%	100.00%

Company name	Domicile	Currency	Share capital (local currency)	Ownership in % Dec 31, 2017	Ownership in % Dec 31, 2016
Substantial indirect investments (continued)					
Gate Gourmet GmbH West, Düsseldorf	Germany	EUR	1,534,000	100.00%	100.00%
Gate Gourmet Service GmbH, Neu-Isenburg	Germany	EUR	25,000	100.00%	100.00%
Performa Deutschland GmbH, Neu-Isenburg	Germany	EUR	25,000	100.00%	100.00%
Skygourmet Catering Private Ltd, Mumbai	India	INR	14,655,311	100.00%	100.00%
Gate Gourmet Ireland Ltd, Dublin	Ireland	EUR	4,500,000	100.00%	100.00%
Air Food S.r.L., Milan	Italy	EUR	40,000	26.01%	26.01%
Gate Gourmet Italia S.r.L., Milan	Italy	EUR	4,795,937	51.00%	51.00%
Gate Gourmet Japan YK, Chiba-ken	Japan	JPY	80,000,000	100.00%	100.00%
Gate Gourmet Central Asia LLP, Astana	Kazakhstan	KZT	271,975,720	51.00%	51.00%
NAS Airport Services Ltd, Nairobi	Kenya	KES	16,000,000	29.48%	–
SIA Kenya Holding Ltd, Nairobi	Kenya	KES	1,215,000,000	29.49%	–
Gate Gourmet Luxembourg IV S.à r.l., Luxembourg	Luxembourg	EUR	2,708,000	100.00%	100.00%
Macau Catering Services Co Ltd, Taipa	Macau	MOP	16,000,000	8.67%	–
Gate Gourmet & MAASA Mexico S.A.P.I. de C.V., Mexico City	Mexico	MXN	12,166,000	51.00%	51.00%
Gate Retail Onboard Mexico S.A.P.I. de C.V., Mexico City	Mexico	MXN	6,100,000	75.46%	75.46%
Prestadora de Servicios Gate Gourmet & MAASA Mexico S.A.P.I. de C.V., Mexico City	Mexico	MXN	50,000	51.00%	51.00%
deSter Holding B.V., Amsterdam	Netherlands	EUR	3,359,990	100.00%	100.00%
Gate Gourmet Amsterdam B.V., Schiphol	Netherlands	EUR	2,291,590	100.00%	100.00%
Helios Market, Product & Production Development B.V., Amsterdam	Netherlands	EUR	1,117,294	100.00%	100.00%
Gate Gourmet New Zealand Ltd, Auckland	New Zealand	NZD	4,000,100	100.00%	100.00%
Gate Gourmet Norway AS, Oslo	Norway	NOK	9,002,811	100.00%	100.00%
Gate Gourmet Pakistan (Private) Ltd, Karachi	Pakistan	PKR	9,007,610	100.00%	100.00%
Gate Gourmet Peru S.r.L., Lima	Peru	PEN	1,599,558	100.00%	100.00%
Dakar Catering, Dakar	Senegal	XOF	750,000,000	32.55%	–
Skychef Ltd, Mahé	Seychelles	SCR	313,000	27.49%	–
Gate Gourmet Singapore Pte Ltd, Singapore	Singapore	SGD	19,602,977	100.00%	100.00%
Gate Gourmet Korea Co. Ltd, Seoul	South Korea	KRW	23,600,000,000	100.00%	100.00%
Dutyfly Solutions España S.L., Madrid	Spain	EUR	3,006	25.04%	–
Gate Gourmet España S.L., Madrid	Spain	EUR	3,005,061	100.00%	100.00%
Gate Gourmet Holding España S.L., Madrid	Spain	EUR	798,260	100.00%	100.00%
Gate Gourmet Sweden AB, Stockholm	Sweden	SEK	100,000	100.00%	100.00%
Inflight Service Europe AB, Stockholm	Sweden	SEK	1,000,000	100.00%	100.00%
Inflight Service Global AB, Stockholm	Sweden	SEK	100,000	100.00%	100.00%
Gate Gourmet Switzerland GmbH, Kloten	Switzerland	CHF	2,000,000	100.00%	100.00%
deSter Co. Ltd, Prachinburi	Thailand	THB	135,000,000	100.00%	100.00%
deSter General Trading FZE, Dubai	UAE	USD	272,241	100.00%	100.00%
Fernley (Heathrow) Ltd, Middlesex	United Kingdom	GBP	85,100	100.00%	100.00%
Gate Gourmet Holdings UK Ltd, Middlesex	United Kingdom	GBP	96,230,003	100.00%	100.00%
Gate Gourmet London Ltd, Middlesex	United Kingdom	GBP	20,000,002	100.00%	100.00%
Pourshins Ltd, Middlesex	United Kingdom	GBP	854,350	100.00%	100.00%
Supplair UK Ltd, Middlesex	United Kingdom	GBP	3	100.00%	100.00%
deSter Corporation, Atlanta, GA	USA	USD	2,000	100.00%	100.00%
e-gatematrix llc, Wilmington, DE	USA	USD	8,030,366	100.00%	100.00%
Gate Gourmet Inc., Wilmington, DE	USA	USD	1,000	100.00%	100.00%
Gate Serve llc, Wilmington, DE	USA	USD	1	100.00%	100.00%
gategroup U.S. Finance Inc., Wilmington, DE	USA	USD	1,000	100.00%	100.00%
gategroup U.S. Holding Inc., Wilmington, DE	USA	USD	1	100.00%	100.00%
Pourshins Inc., Reston, VA	USA	USD	1,000	100.00%	100.00%

2.4 Treasury Shares

Treasury shares held by gategroup Holding AG or by companies in which gategroup Holding AG holds a majority interest:

2017	Number of shares	High in CHF	Average in CHF	Low in CHF
Balance at January 1, 2017	**209,778**			
Balance at December 31, 2017	**209,778**			
Number of Treasury shares held by gategroup Holding AG	209,778			
2016				
Balance at January 1, 2016	**668,190**			
Delivery	458,412	30.71	22.44	14.61
Balance at December 31, 2016	**209,778**			
Number of Treasury shares held by gategroup Holding AG	40,948			

In 2017 the Company acquired all treasury shares held by companies in which gategroup Holding AG holds a majority interest, paying CHF 53 per share.

2.5 Guarantees

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 gategroup Holding AG. The Bond is listed on the SIX Swiss Exchange.

In addition to the five-year EUR 250.0m Term Loan maturing on October 20, 2020, the Group had entered into a Single Currency Bridge Facility ("Bridge") of EUR 275.0m, of which CHF 241.3m (EUR 225.0m) was drawn as of December 31, 2016. The Bridge was fully repaid in January 2017.

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, 2017, the Group utilized RCF drawings of CHF 208.5m, being EUR 48.0m and SEK 1,280.0m (2016: CHF 223.6m).

The borrowings under the Bond, the Term Loans and the RCF all rank pari passu. The Bridge was only guaranteed by gategroup Holding AG, whereas the Term Loan and RCF are guaranteed by gategroup Holding AG and other Group companies.

Further, guarantees issued in favor of third parties amount to CHF 307.4m (2016: CHF 249.2m).

2.6 Employees

In 2017, the Company employed on average 8 employees (2016: 7).

2.7 Post Balance Sheet Events

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

Appropriation of Available Earnings and Reserve from Capital Contributions

Proposal of the Board of Directors to the Annual General Meeting of Shareholders of February 22, 2018 for the appropriation of available earnings

in 1,000 CHF	Dec 31, 2017	Dec 31, 2016[(1)]
Carried forward from previous year	(133,367)	16,263
Loss for the year	(5,274)	(149,630)
Balance to be carried forward	**(138,641)**	**(133,367)**

(1) Approved by the Annual General Meeting of Shareholders on May 5, 2017.

Proposal of the Board of Directors for the appropriation of reserve from capital contributions

in 1,000 CHF	Dec 31, 2017	Dec 31, 2016
Opening balance	607,472	606,648
Adjustment reserve for treasury shares from capital contributions	596	824
Balance to be carried forward	**608,068**	**607,472**

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To the General Meeting of
gategroup Holding AG, Kloten

Zurich, February 22, 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of gategroup Holding AG, which comprise the balance sheet, income statement and notes (pages 104 to 110), for the year ended December 31, 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2017 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Christian Schibler
Licensed audit expert
(Auditor in charge)

Christian Krämer
Licensed audit expert

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The Group assumes no responsibility to publicly update or revise any of these forward-looking statements or to adapt them whether to reflect new information, future events, developments or circumstances or otherwise.

It should be noted that past performance is not a guide to future performance. Forward looking statements are not profit forecasts.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

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