

# Report of the Board of Directors of Kuoni Travel Holding Ltd on the Public Tender Offer of Kiwi Holding IV S.à r.l.

The board of directors of Kuoni Travel Holding Ltd (**Kuoni**, the **Kuoni Group** or the **Company**) comments on the public tender offer (the **Offer**) of Kiwi Holding IV S.à r.l. (the **Offeror**), which is controlled by EQT, for all publicly-held registered shares with a nominal value of CHF 1.00 each of Kuoni (the **Kuoni B Shares**) as follows:

## 1. Background

On January 14, 2015, Kuoni informed its shareholders and the public about the new strategic direction of Kuoni as a service provider for the global travel industry. The board of directors and the management came to the conclusion that Kuoni was no longer the best owner of all then existing business divisions in a business environment characterized by scale advantages, digital applications and highly differentiated product offerings.

The board of directors of Kuoni Group sold the tour operating business in Europe, Hong Kong and India in three stages over the past year. Since then, the core activities of Kuoni Group are divided into the three remaining business units Global Travel Distribution (**GTD**) (distribution of accommodations and travel services in the B2B-segment), Global Travel Services (**GTS**) (supply of destination services in the group travel market) and VFS Global, the industry pioneer and world's leading visa service provider.

In fall 2015, after the sale of the traditional tour operating business, which was completed faster than anticipated, the board of directors of Kuoni Group has intensively dealt with the future of the Kuoni Group, which is now focused on services for the global travel industry and governments. On November 5, 2015, Kuoni Group announced that the board of directors has resolved to accelerate the implementation of its new strategic direction.

Against this background, the board of directors of Kuoni Group has examined various strategic options and alternatives and expedited the corresponding projects. The board of directors was assisted in this process by Credit Suisse and Morgan Stanley as financial advisors. At the center of attention were several strategic cooperations, but also the sale of individual business units and finally the sale of the whole business.

In December 2015 and January 2016, a limited competitive auction process was conducted, at which not only parties which had expressed an interest in a transaction involving Kuoni and/or GTD were invited by the financial advisors, but also selected other parties who approached Kuoni following the leak statement on 5 January 2016 were allowed to participate and participated. On January 25 and January 26, 2016, several bidders submitted a binding purchase offer for the Kuoni Group. In this process, the EQT offer proved to be the most attractive offer in every respect.

## 2. Recommendation

The board of directors of Kuoni has closely reviewed the Offer. Against the background described in section 1 and the results of the fairness opinion of N+1 Swiss Capital AG, Zurich (**N+1 Swiss Capital**) (cf. section 3a) hereafter), the board of directors of the Company has unanimously resolved to recommend to the shareholders of Kuoni to accept the Offer.

## 3. Explanation

### a) Offer Price

The offer price offered by the Offeror under the Offer amounts to CHF 370 in cash per Kuoni B Share. This represents a premium of 34.1% compared to the volume-weighted average price of the Kuoni B Shares of the last 60 trading days (**VWAP**) prior to the publication of the pre-announcement on February 2, 2016 as well as a premium of 60.0% compared to the VWAP prior to the press release of Kuoni Group of January 5, 2016, in which Kuoni confirmed to be in discussions with potential buyers.

The board of directors has mandated N+1 Swiss Capital with the preparation of a Fairness Opinion to assess the adequacy of the offer price. In summary, N+1 Swiss Capital valued the three divisions GTD, GTS and VFS Global separately by means of a discounted cash flow analysis (**DCF Analysis**) and, after deducting the value of the group costs, added up the results. As a plausibility check of the results of the DCF Analysis, further valuation methods (analysis of comparable companies and transactions) and the analysis of the performance of the share price and analyst ratings were used. The various valuation methods have revealed the following value ranges per Kuoni B Share:

- CHF 296 to 347 by applying the DCF Analysis;
- CHF 271 to 338 by applying the analysis of comparable companies;
- CHF 254 to 317 by applying the analysis of comparable transactions;
- CHF 250 to 315 pursuant to analysts' ratings (on a stand-alone basis without possible takeover premia); and
- CHF 265 to 286 by applying the analysis of the Swiss takeover premia applied to the VWAP on December 13, 2015, the day before takeover speculations arose in the media.

Pursuant to the result of the Fairness Opinion of February 17, 2016, the offer price of CHF 370 in cash per Kuoni B Share is, from a financial point of view, fair and adequate. The Fairness Opinion can be ordered free of charge in German, French and English at Kuoni, Investor Relations, Neue Hard 7, Postfach, CH-8010 Zurich (<investor.relations@kuoni.com>) and is available under <<http://www.kuoni.com/investor-relations>>.

Based on these considerations and the result of the Fairness Opinion, the board of directors considers the price offered by the Offeror to be favourable for the public shareholders. The offer price of CHF 370 per Kuoni B Share clearly exceeds the value ranges which result from the DCF Analysis and the other valuation methods. This offer price thus justifies the recommendation in section 2 of this report.

#### **b) Kuoni and Hugentobler - Foundation**

The board of directors welcomes the decision of the Kuoni and Hugentobler - Foundation (the **Foundation**) as former anchor shareholder of Kuoni, to remain invested in the Company alongside with EQT. The board of directors took note that EQT and the Foundation entered into an agreement, pursuant to which the Foundation will continue to be actively invested in Kuoni. This agreement provides for the joint governance of the Kuoni Group through EQT and the Foundation, the cornerstones of the future development of the Kuoni Group and the continued investment of the Foundation in Kuoni (cf. section D.3.2 of the offer prospectus). As no tender offer is made for the Kuoni A Shares, which are held by the Foundation, this report does not comment on the impact of the transaction on the Kuoni A Shares.

#### **c) Continuation of the Business**

The board of directors of the Company is convinced that the takeover of Kuoni Group by EQT will bring advantages for the business partners and the employees. The transaction enables Kuoni Group to further develop its positioning as a focused and global travel service provider. This is to be achieved by investments in technology, in the expanded service portfolio and by the acquisition of other companies. EQT has expressed the intention to develop each of the three business units GTD, GTS and VFS Global independently in order to unfold their full potential.

Having EQT as a new, financially strong owner and the Foundation as an ongoing, active shareholder enables the Kuoni Group to achieve accelerated growth and to further strengthen its leading market position. Accordingly, EQT and the Foundation will strengthen and expand the global business activities of Kuoni as long-term investors.

#### **d) Management**

The decision of EQT to retain the management under the leadership of Group CEO Zubin Karkaria was also decisive for the election of EQT as new owner. This is key in order to retain important know-how and continuity within the Company. The operative measures announced in November 2015 will be implemented under the leadership of the existing management.

### **4. Contractual Relationships with the Offeror**

With regard to the Offer, Kuoni and the Offeror have entered into a transaction agreement on February 1, 2016. In essence, the transaction agreement governs the conditions of the Offer and the respective rights and duties of Kuoni and the Offeror in relation to the Offer. In particu-

lar, the transaction agreement governs the price to be offered for the Kuoni B Shares by the Offeror. In return, Kuoni commits itself to support the Offer and to recommend to its shareholders to accept the Offer, as long as no superior offer is submitted that is considered to be more advantageous to the shareholders of Kuoni than the Offer by the board of directors of Kuoni after careful consideration and based on the advice of the external financial and legal advisors and after consultation with the Offeror in good faith taking into account financial regulatory, legal, operational and other aspects.

In case the Offer is successful and after a respective modification of the articles of incorporation, Kuoni further committed to register the Offeror for all acquired shares in the share register of Kuoni with voting rights.

Further, it is envisaged that all incumbent members of the board of directors will resign from the board of directors of Kuoni at the latest as per the settlement date of the Offer. In return, three members nominated by the Offeror shall be elected to the board of directors of Kuoni as of the settlement of the Offer. A more detailed overview on the main terms of the transaction agreement can be found in section D.3.1 of the offer prospectus.

## **5. Potential Conflicts of Interest of the Members of the Board of Directors and the Executive Board**

### **a) Members of the Board of Directors**

The board of directors of Kuoni is composed of the following members:

- Heinz Karrer, Chairman;
- Adrianus (Adriaan) Nühn, Vice-Chairman;
- Jae Hyun (Jay) Lee;
- John Lindquist;
- David Schnell;
- Annette Schömmel; and
- Selina Neri.

The board of directors has committed itself in the transaction agreement to support and recommend to accept the Offer. Subject to the conditions of the transaction agreement, the board of directors will propose to an extraordinary shareholders' meeting of Kuoni the election of three new members nominated by the Offeror to the board of directors (cf. section D.3.1 of the offer prospectus).

In case the Offer is successful, all members of the board of directors have declared to resign from the board of directors of Kuoni as per the settlement date of the Offer.

David Schnell is member of the council of the Foundation, but has abstained from the meetings since fall 2015. In contrast, Mr. Schnell participated in the decisions of the board of directors of Kuoni Group.

No member of the board of directors has entered into an agreement with the Offeror or a person acting in concert with the Offeror (except for Kuoni and its subsidiaries). No member of the board of directors is in a special relationship with the Offeror or a person acting in concert with the Offeror (except for Kuoni and its subsidiaries). No member of the board of directors was elected upon proposal of the Offeror or a person acting in concert with the Offeror (except for Kuoni and its subsidiaries). No member of the board of directors will be re-elected by the Offeror or a person acting in concert with the Offeror (except for Kuoni and its subsidiaries). Finally, no member of the board of directors exercises its mandate pursuant to the instructions of the Offeror or a person acting in concert with the Offeror. Moreover, the members of the board of directors are neither organs or employees of the Offeror or a person acting in concert with the Offeror (except for Kuoni and its subsidiaries) nor do they act as organs or employees of a company which has significant business relationships with the Offeror (or a person acting in concert with the Offeror, except for Kuoni and its subsidiaries).

With the exception of David Schnell, no member of the board of directors is in a conflict of interests in relation to the Offer.

**b) Members of the Executive Board**

The executive board of the Company is composed of the following members:

- Zubin Karkaria, Chief Executive Officer of Kuoni Group and Chief Executive Officer of VFS Global;
- Thomas Peyer, Chief Financial Officer;
- Ivan Walter, Chief Executive Officer of GTD; and
- Rolf Schafroth, Chief Executive Officer of GTS.

The employment relationship with Thomas Peyer has been terminated as of August 31, 2016. He will be replaced as Chief Financial Officer by Prisca Havranek-Kosicek as of March 1, 2016.

No member of the executive board is in a conflict of interests in relation to the Offer.

In particular, the members of the executive board have not entered into an agreement with the Offeror or any person acting in concert with the Offeror (except for Kuoni and its subsidiaries) and none of them exercises executive functions nor are they employees of the Offeror or any person acting in concert with the Offeror (except for Kuoni and its subsidiaries).

## c) Financial Consequences of the Offer

### (1) Board of Directors

Based on the regulation "Compensation Elements of the Board of Directors" of August 20, 2014, restricted shares were allocated to the members of the board of directors. The restricted shares are subject to a blocking period of three years.

According to the mentioned regulation, the blocking periods will be lifted with effect of the first day of the additional acceptance period of the Offer.

At the time of the publication of this report, the following members of the board of directors hold the following number of restricted and non-restricted shares, respectively:

Name	Number of non-restricted shares	Number of restricted shares
Heinz Karrer	1,514	1,835
Adrianus (Adriaan) Nühn	227	837
Jae Hyun (Jay) Lee	227	694
John Lindquist	586	694
David Schnell	2,055	1,155
Annette Schömmel	953	694
Selina Neri	0	242

No member of the board of directors has a loan or a credit granted by the Company outstanding.

### (2) Executive Board

Based on the Performance Share Plans and the Restricted Share Plans, claims for the allocation of Kuoni B Shares (**Kuoni Share Units**) were allocated to the members of the executive board of Kuoni. The Kuoni Share Units are subject to a vesting period of three years in case of the Performance Share Plans and a staggered lifting of the vesting period in case of the Restricted Share Plans (1/3 each year).

According to the relevant regulations, the vesting periods of the Kuoni Share Units will be lifted with effect as of the first day of the additional acceptance period of the Offer and a number of Kuoni B Shares equivalent to the number of Kuoni Share Units will be transferred to the entitled persons. The Company will use treasury shares for the settlement of the respective obligations.

At the time of the publication of this report, the following members of the executive board hold the following number of non-restricted shares and restricted Kuoni Share Units, respectively:

<b>Name</b>	<b>Number of non-restricted shares</b>	<b>Number of restricted Kuoni Share Units – Performance Share Plans</b>	<b>Number of restricted Kuoni Share Units – Restricted Share Plans</b>
<b>Zubin Karkaria</b>	2,655	2,927	956
<b>Thomas Peyer</b>	1,000	1,958	1,086
<b>Prisca Havranek-Kosicek</b>	0	0	0
<b>Ivan Walter</b>	800	2,086	1,142
<b>Rolf Schafroth</b>	3,308	3,364	1,460

No member of the executive board has a loan or a credit granted by the Company outstanding.

The Offeror has not entered into separate compensation agreements with the individual members of the executive board.

#### **d) Measures**

Although the members of the board of directors and the executive board of the Company do not have any apparent conflict of interest, the Company has obtained a fairness opinion of N+1 Swiss Capital. This opinion is described in more detail in section 3a) of this report.

## **6. Intentions of Qualified Shareholders**

To the knowledge of the board of directors, the following shareholders hold, on the date of this report, a participation of 3% or more of the share capital of the Company:

Name	Number and type of shares	Stake in percent
<b>Group, consisting of:</b> — <b>EQT VII Limited, acting as General Partner of EQT VII (GP) LP</b> — <b>Kuoni and Hugentobler - Foundation</b> — <b>Kuoni Travel Holding Ltd</b>	1,249,500 non-listed registered shares of the Company with a nominal value of CHF 0.20 each ( <b>Kuoni A Shares</b> )  72,675 Kuoni B Shares	8.07% (25% of the voting rights)
<b>Silchester International Investors LLP</b>	702,719 Kuoni B Shares	17.58%
<b>Go Investment Partners LLP</b>	211,966 Kuoni B Shares	5.30%
<b>Schroders plc</b>	156,862 Kuoni B Shares	3.92%
<b>Veraison SICAV</b>	152,138 Kuoni B Shares	3.80%
<b>Classic Fund Management AG</b>	146,439 Kuoni B Shares	3.66%
<b>Invesco Limited</b>	136,491 Kuoni B Shares	3.41%

Except for the Foundation, all aforementioned shareholders are, due to the transfer and voting rights restrictions as provided for in the articles of incorporation, only registered with 3% of the voting rights in the share register of Kuoni.

As the Offer only extends to Kuoni B Shares and not to Kuoni A Shares, which are all held by the Foundation, the Foundation will not tender the Kuoni A Shares under the Offer. The Foundation will continue to be actively invested in Kuoni. The board of directors of Kuoni Group has taken note that EQT and the Foundation entered into a respective agreement on February 1, 2016. This agreement provides for the joint governance of the Kuoni Group through EQT and the Foundation, the cornerstones of the future development of the Kuoni Group and the continued investment of the Foundation in Kuoni. The key terms of this agreement are described in the offer prospectus (cf. section D.3.2).

Except for the Foundation, the board of directors does not know the intentions of the aforementioned shareholders in respect to the Offer.

## **7. Defence Measures**

The board of directors has not taken any defence measures against the Offer and has no intention of taking any defence measures in the future or proposing to an extraordinary shareholders' meeting to take any such measures.

## **8. Financial Reporting**

The unaudited nine-month report as per September 30, 2015 can be reviewed and ordered on the website of Kuoni Group (<[http://www.kuoni.com/docs/kuoni\\_q3\\_2015\\_de\\_web\\_1.pdf](http://www.kuoni.com/docs/kuoni_q3_2015_de_web_1.pdf)>). The consolidated and audited annual financial statements of the Kuoni Group as per December 31, 2015 can be reviewed and ordered as of March 15, 2016 (presentation of annual results for the financial year 2015) on the website of Kuoni Group (<<http://kuoni.com/investor-realtions/current-financial-information1>>).

The fairness opinion, which is described in more detail in section 3a) of this report, contains preliminary, unaudited annual numbers of the Company for the financial year 2015, which are disclosed by the Company together with the offer prospectus. The respective press release can be retrieved online (<<http://kuoni.com/investor-realtions>>).

To the knowledge of the board of directors, there have not been any substantial changes in the assets, financial position and profits or in the business perspectives of the Company since September 30, 2015.

Zurich, February 24, 2016

The Board of Directors of Kuoni Travel Holding Ltd