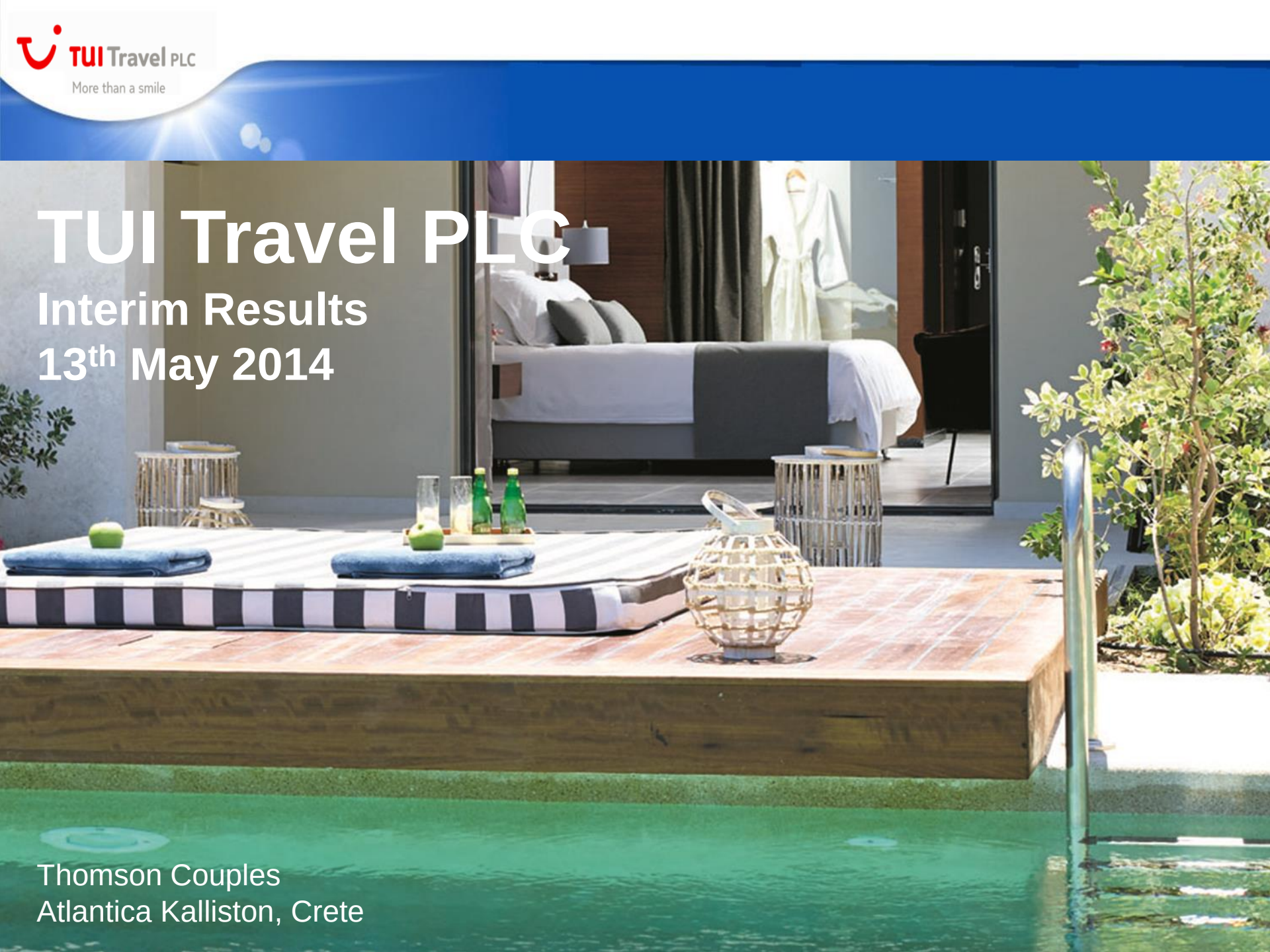




TUI Travel PLC

Interim Results

13th May 2014

Thomson Couples
Atlantica Kalliston, Crete

Agenda

H1 2014 Review & Outlook

H1 Overview

Peter Long

Financial Performance

Will Waggott

Current Trading

Peter Long

Strategy Update

Our Growth Levers: Creating Shareholder Value

Peter Long

Conclusion

Peter Long

Q&A

H1 Overview

STRONG H1 PERFORMANCE

- **Very pleased** with Winter performance - **£12m** reduction in like for like* underlying operating loss
- **UK** delivering a **strong performance** due to market leadership and unique holidays
- Excellent performance in **Germany** - **£16m** reduction in underlying operating loss*
- **£11m** reduction in **French tour operator** underlying operating loss*
- **Rigorous business efficiency** and **destination mix management** offsetting impact of Egypt
- **Accommodation Wholesaler** - significant growth in underlying operating profit
- Interim dividend increased by **8% to 4.05p**

**Growth
roadmap
on track**



Financial Performance

Will Waggott



Financial Highlights

£m

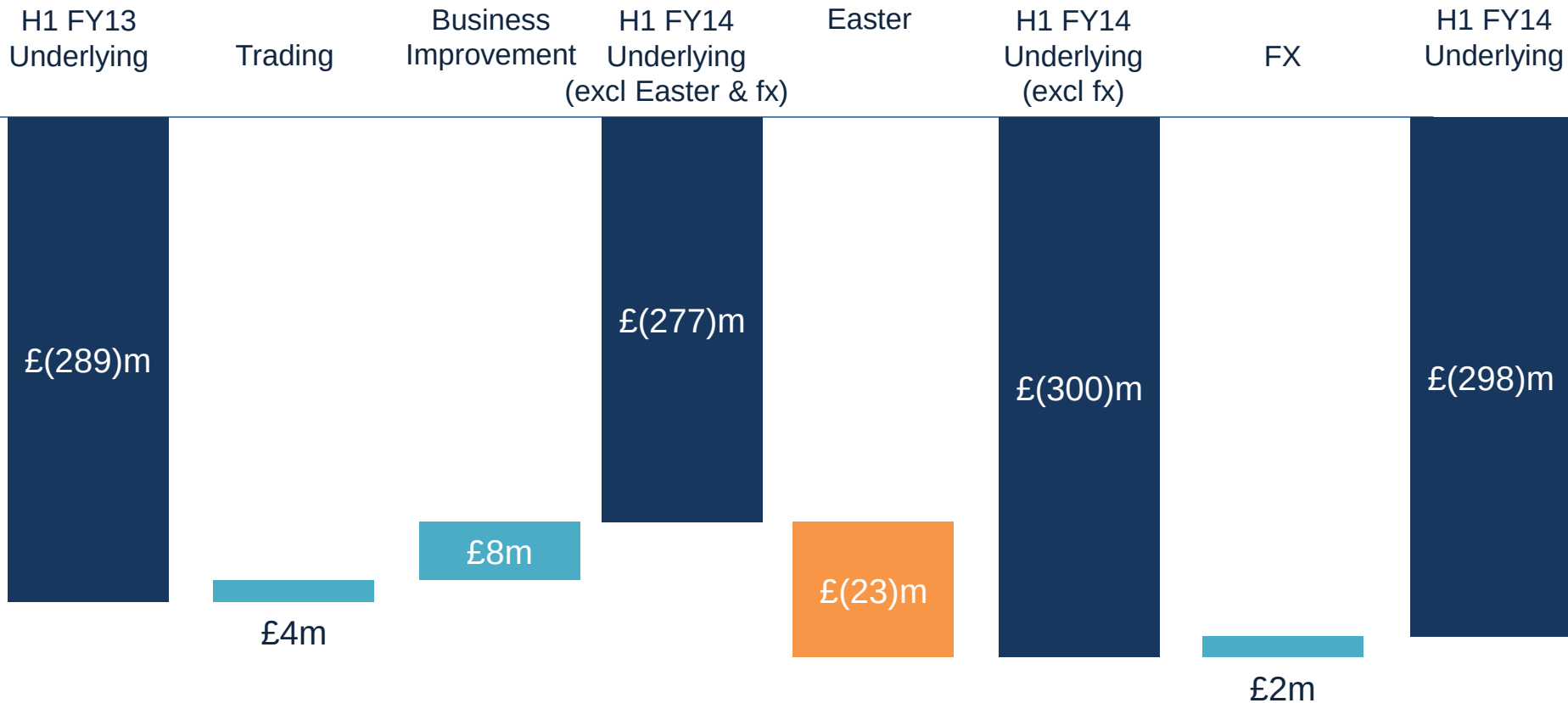
	H1 2014	H1 2013*	Change %
Revenue	5,190	5,397	-4%
Underlying Operating Loss	(298)	(289)	-3%
Underlying Loss Before Tax	(369)	(352)	-5%
Reported Loss Before Tax	(386)	(410)	+6%

£(277)m
at
constant
fx, excl
Easter

+4%
at
constant
fx, excl
Easter

**Strong
H1
performance**

Group Operating Loss Bridge



£12m
improvement
excluding
Easter and fx

Group Profit & Loss

£m	H1 2014	H1 2013*
Underlying Operating Loss	(298)	(289)
Underlying Interest	(71)	(63)
Underlying Loss Before Tax	(369)	(352)
Acquisition Related Expenses	(28)	(31)
Separately Disclosed Items	23	(8)
Impairment of goodwill	-	(10)
Other Items	(12)	(9)
Loss Before Tax	(386)	(410)
Tax	109	144
Loss for the period	(277)	(266)

* Comparative interest and tax restated to reflect revisions to IAS 19 'Employee benefits' – see Appendix

Segmental Analysis

Group Underlying Operating Loss Bridge

£m	H1 2014	H1 2013	Change	Easter Impact	FX Impact	L4L* change
<i>UK</i>	(125)	(113)	-12	(11)	-	-1
<i>Nordics</i>	14	38	-24	(3)	-	-21
<i>Germany</i>	(50)	(63)	+13	(4)	1	+16
<i>France</i>	(45)	(51)	+6	-	(1)	+7
<i>Other</i>	(48)	(61)	+13	-	2	+11
Mainstream	(254)	(250)	-4	(18)	2	+12
Emerging Markets	(14)	(7)	-7	-	1	-8
Specialist & Activity	(12)	(12)	-	(3)	-	+3
<i>Online Accommodation</i>	7	1	+6	(2)	(1)	+9
<i>Inbound Services</i>	(4)	(2)	-2	-	-	-2
Accommodation & Destinations	3	(1)	+4	(2)	(1)	+7
Central	(21)	(19)	-2	-	-	-2
Underlying Operating Loss	(298)	(289)	-9	(23)	2	+12

* Constant currency basis and excluding the impact of a later Easter

Business Improvement Programme

Bridge from September 2013 target

	To go at Sept 2013	Delivery H1 2014	Balance
UK	£8m	£2m	£6m
Specialist & Activity	£6m	£2m	£4m
Corsair	£1m	£1m	-
France Tour Operators	£4m	£3m	£1m
Total	£19m	£8m	£11m

Interest

£m	H1 2014	H1 2013*	Change
Debt related interest	(54)	(48)	-6
Non-debt related charge	(17)	(15)	-2
Underlying interest	(71)	(63)	-8
One-off charges / (credits)	6	(2)	+8
Underlying interest excluding one-offs	(65)	(65)	-

* Comparative interest and tax restated to reflect revisions to IAS 19 'Employee benefits' – see Appendix

Group Cash Flow

£m	H1 2014	H1 2013	Change
Underlying EBITDA	(203)	(192)	-11
Working Capital Movement	(383)	(305)	-78
Pension Funding	(42)	(28)	-14
Underlying Net Operating Cash Flow	(628)	(525)	-103
Capital Expenditure (Net)	(73)	(88)	+15
Tax	(71)	(71)	-
Interest	(37)	(38)	+1
Exceptional Cash Costs	(16)	(34)	+18
Free Cash Flow*	(825)	(756)	-69
Net pre delivery payments for aircraft	6	(11)	+17
Dividends	(43)	(38)	-5
Net acquisitions / disposals	(8)	(21)	+13
Movement in available cash net of debt	(870)	(826)	-44
Movement in restricted cash	(14)	(7)	-7
Movement in cash net of debt	(884)	(833)	-51

* Free cash flow excludes net aircraft pre-delivery payments and movements in restricted cash (prior year restated on this basis)

New £1.4bn Bank Credit Facility

- Signed new **£1.4bn** bank credit facility, including letters of credit, maturing **June 2018**
- **Oversubscribed**, demonstrating continued strong backing from relationship banks
- Underpins TUI Travel's **debt maturity profile**
- Reduced separate “backstop” facility by £150m – no longer required
- Provides valuable **flexibility** in respect of other debt facilities and upcoming maturities
- Covenants remain **unchanged**

Balance
sheet
strength &
flexibility

Movement in Net Debt*

£m	H1 2014	H1 2013	FY13
Opening net cash / (debt)*	2	(142)	(142)
Movement in cash net of debt* – pre FX	(870)	(826)	267
Foreign exchange movement	(27)	39	37
Non cash movement in debt – Asset backed finance	(67)	(135)	(146)
Non cash movement in debt – Other	(15)	(12)	(14)
Closing net (debt) / cash*	(977)	(1,076)	2

* Excludes restricted cash

Net Debt Analysis*

£m		H1 2014	H1 2013
Convertible bonds		(709)	(686)
Debt due to related parties		-	(10)
Other loans and liabilities		(992)	(482)
Cash balances*		1,149	415
Net debt* – pre-FX movements		(552)	(763)
FX movements on net debt pre asset financing		(34)	56
Net debt pre asset backed financing*		(586)	(707)
Asset backed financing		(398)	(352)
FX movements on asset financing		7	(17)
Net debt*		(977)	(1,076)

* Excludes restricted cash

Current Trading & Outlook

Peter Long

Thomson Couples
Atlantica Kalliston, Crete

Current Trading

- **Overall, pleased with Summer 2014** trading with 60% of holidays sold to date
- **Higher average prices** across Mainstream offsetting slightly lower overall volumes against strong comparatives
- Continued growth in **unique** holidays – 71% of bookings, up three percentage points
- Excellent **online** performance – bookings up **6%** on prior year
- Strong growth in **Accommodation Wholesaler**, TTV up 24%
- **Specialist & Activity** sales in line with expectations

Pleased
with
Summer
trading



Our Growth Levers: Creating Shareholder Value

Peter Long

Our Growth Levers : Creating Shareholder Value

1

Delivering Mainstream Growth

Unique Holidays only available from TUI Travel
Distributed directly to the customer – growth from online
Leveraging our scale

2

Organic Specialist & Activity Growth

3

Leveraging our global leadership position in Accommodation Wholesaler

4

Investing in Accommodation OTA

5

Focus on free cash flow generation, ROIC and operational efficiency

Delivering Mainstream Growth

Peter Long



Sensatori Jamaica

Delivering Mainstream Growth

Good progress in Key Performance Indicators in H1

	H1 2014 Performance	2017 Target
Unique holidays only available from TUI Travel	• Unique mix up 3ppts to 70% with improvements in all source markets	Unique mix 76%
Distributed directly to the customer – growth from online	• Direct distribution up 3ppts to 68% • Online mix up 4ppts to 38% • Good performances across all of Mainstream	81% direct 50% online
Leveraging our scale	• One Mainstream – one ‘virtual’ airline with new leadership structure announced	Overheads <5%

A Flexible and Resilient Business Model

Destination

- **Flexibility** means that we can **reduce capacity** as needed as evidenced in Egypt
- **Strong supplier relationships** means that we can **remix** capacity to **alternative, profitable destinations**

Source Market

- **Portfolio of businesses** means that we are **not reliant** on any single source market
- **Strong performances** across a number of markets
- Mitigating the challenging environment in the **Nordics** and **Russia/CIS**

Business
model
supports
growth

UK & Germany – Market Leaders

**Market leading scale
& brands**



#1 position – 5.2m pax

2007 : c60%
2013 : 83%

2007 : c70%
2013 : 89%

2007 : c30%
2013 : 47%

From 1.6% to 6.5%

**Continued profit
improvement**

**Germany
Journey Underway**



#1 position – 6.0m pax

2013 : 49%*
2017 Target : 66%

2013 : 36%
2017 Target : 66%

2013 : 8%
2017 Target : 25%

**Expect at least 3% in
2014**

**Journey to 5%
margin**

* Unique mix now includes 1-2-Fly

Germany

Delivering against the roadmap

Unique Holidays

- Strong unique holiday brands
- Unique holidays accounted for **45%** in H1 2014, up 3 pts

Direct Distribution

- Digital presence **strengthened** (TUI.com and Meine TUI)
- **Online** accounted for **10%** of sales in H1 2014, up 3 pts
- Successful launch of **own shop rebranding**

Operational Efficiency

- **Radical simplification** of back office functions – headcount reduced by 15% since start of business improvement programme
- Driving **significant cultural change**

**Strong
H1 result**

**Clear
roadmap
for
growth**

France : Tour Operator Turnaround

Unique Holidays

- North Africa **capacity reduced by c1/3rd** since 2010
- **Alternative destinations** developed
- Unprofitable leased hotels **exited**
- Level of commitment and prepayments **reduced**
- Marmara **rebranding** launched

Direct Distribution

- **c20%** reduction in number of shops since efficiency measures launched
- Increase in **direct distribution** to be driven by **online**

Operational Efficiency

- **Efficiency measures** launched in 2011
- Back office **headcount** reduced by 40% since then, with further agreed reductions to come

£11m
reduction
in L4L H1
losses

On a
journey
to break
even

Organic Specialist & Activity Growth

Peter Long



Specialist & Activity

- Benefiting from sector restructuring and simplification
- **H1 result** improved by **£3m** on a like for like basis
- **Pleased with H2 trading**
- Confident that we will **exceed** our roadmap of **8-10%** underlying operating profit growth* in 2014

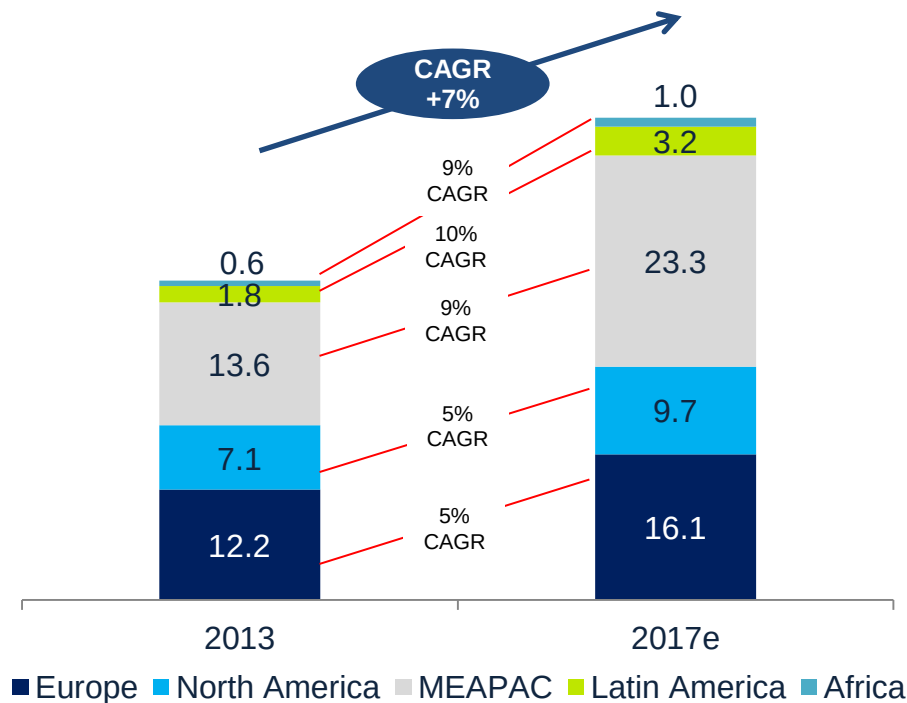
Achieving
organic
growth

**Leveraging our
Global Leadership Position in
Accommodation Wholesaler
Peter Long**

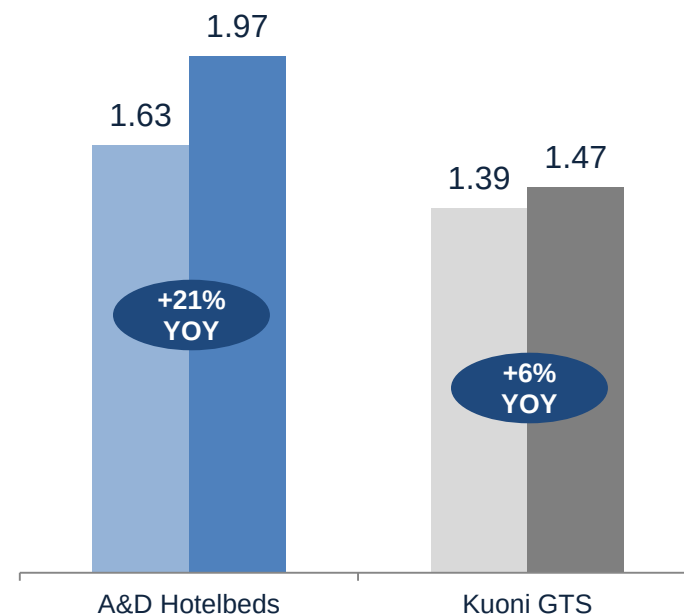
Accommodation Wholesaler

Strong market growth continues

Market size €bn and growth*



2013 vs 2012 TTV €bn**



**We have
market
leading
scale**

Source: Euromonitor, PhocusWright and internal analysis

*As source market ** Kuoni GTS = FIT division; A&D Hotelbeds figures stated on comparable basis to Kuoni

Accommodation Wholesaler

Continued outperformance

- **Strong performance in H1**
 - TTV up 21%
 - Roomnights up 21%
 - Significant growth in EBITA
- Outperformance driven by growth in **Asia** and **Latin America**
- Growth in inventory in new destinations e.g. **Africa**
- Strong trading for **Summer 2014** – TTV currently up **24%**
- Recently announced three year deal to act as accommodation provider to EasyJet Holidays

Targeting
15-20%
per annum
EBITA growth

Conclusion

Peter Long



Thomson Couples
Atlantica Kalliston, Crete

Conclusion

MAINSTREAM

Unique holidays

Digital experience

Leveraging our scale

SPECIALIST & ACTIVITY

**Strong organic
growth**

ACCOMMODATION WHOLESALE

**Leveraging our
global leadership
position**

**Delivering
7-10%
growth***



Q&A



Sensatori Jamaica

Appendix

Delivering Mainstream Growth

Unique Holiday Mix by Key Source Market

	H1 2013		H1 2014		2017 Target	
	Unique	Commodity	Unique	Commodity	Unique	Commodity
UK	81%	19%	84%	16%	85%	15%
Nordics	90%	10%	92%	8%	97%	3%
Germany*	42%	58%	45%	55%	66%	34%
France Tour Operators	73%	27%	79%	21%	89%	11%
Total Mainstream	67%	33%	70%	30%	76%	24%

* Unique mix now includes 1-2-Fly

Delivering Mainstream Growth

Distribution Mix by Key Source Market

	H1 2013		H1 2014		2017 Target	
	Direct/Online	Third Party	Direct/Online	Third Party	Direct/Online	Third Party
UK	87% / 45%	13%	90% / 51%	10%	95% / 60%	5%
Nordics	87% / 64%	13%	88% / 67%	12%	93% / 79%	7%
Germany	36% / 7%	64%	38% / 10%	62%	66% / 25%	34%
France Tour Operators	56% / 19%	44%	56% / 19%	44%	66% / 35%	34%
Total Mainstream	65% / 34%	35%	68% / 38%	32%	81% / 50%	19%

SDIs

£m	H1 2014	H1 2013	Explanation for key items (H1 2014)
Restructuring	(18)	(17)	Restructuring in France, Germany and Specialist & Activity
Pension	39	14	Credits relating to transactions in the UK and Norway
Other	2	(5)	Mainly aircraft related - sale and lease back transactions through taking delivery from Boeing of five aircraft in the period, net of continuing entry into service costs being incurred in the UK & Belgium as additional B787 Dreamliners are brought into service
Total SDIs	23	(8)	

Balance Sheet

£m	31 Mar 2014	31 Mar 2013	Movement
Intangible assets	4,388	4,619	-231
Property, plant & equipment	1,236	1,269	-33
Non-current investments	283	344	-61
Net debt	(846)	(1,049)	+203
Retirement benefits	(567)	(682)	+115
Prepayments	942	1,056	-114
Customer deposits	(2,759)	(2,585)	-174
Other net liabilities	(1,693)	(1,559)	-134
Net assets	984	1,413	-429

Aircraft

Planned order book deliveries – 2014 to 2018

	2014	2015	2016	2017	2018
B737 NG	5	5	-	-	-
B737-MAX	-	-	-	-	5
B787-8	4	5	1	1	-
Planned order book deliveries 2014-2018	9	10	1	1	5

Aircraft

Aircraft Commitments by Finance Type

	Operating Lease*	Finance Lease	Owned	Total
As at 30 September 2013	127	9	6	142
Order book financing	4	1	-	5
Other net movements	(1)	-	-	(1)
As at 31 March 2014	130	10	6	146

4 x B737-NG

1 x B787-8

* Includes leased out aircraft

Amendments to IAS 19

Impact on 2013 net financial expenses and tax

Net Financial Expenses (£m)

Q1

Q2

Q3

Q4

FY

Originally reported	(29)	(28)	(32)	(39)	(116)
Impact of IAS 19 amendments	(3)	(3)	(3)	(3)	(12)
Restated	(32)	(31)	(35)	(42)	(128)

Tax (£m)

Q1

Q2

Q3

Q4

FY

Originally reported	60	83	(10)	(251)	(118)
Impact of IAS 19 amendments	1	-	1	1	3
Restated	61	83	(9)	(250)	(115)