

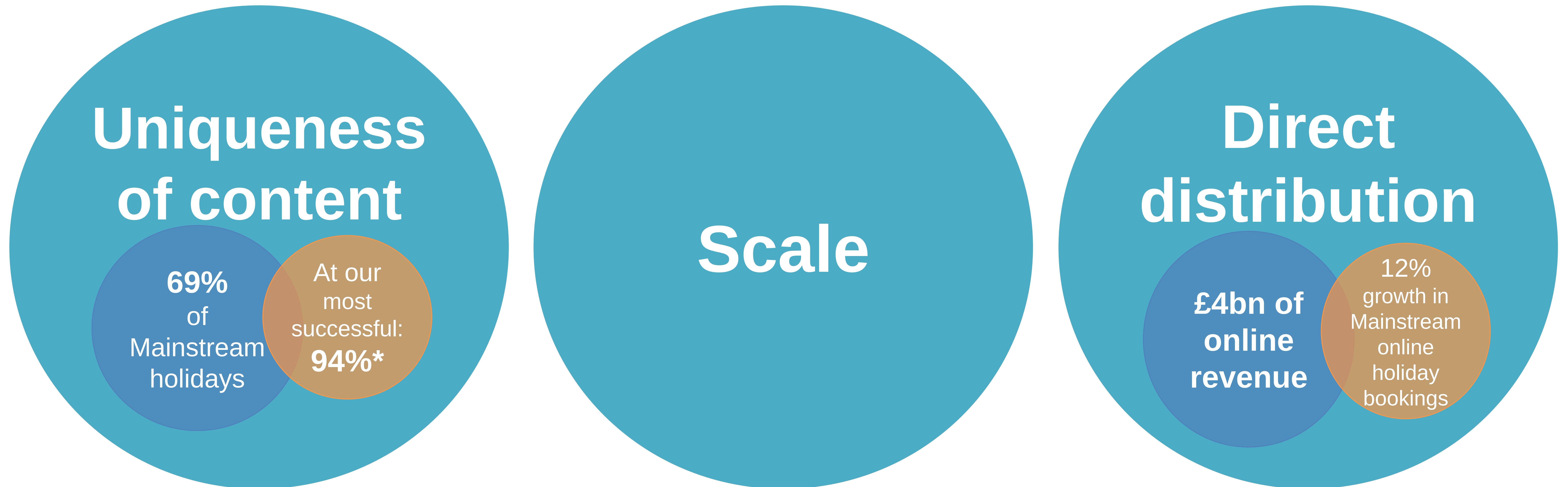
TUI Travel PLC

Results & Strategy Update

10th December 2013

Sensatori, Tenerife

Our Strategy – Three Critical Success Factors



A robust business that will outperform the market

* 94% of Thomson holidays were unique in Summer 2013

Agenda

2013 Review & Outlook

2013 Highlights

Peter Long

2013 Financial Performance

Will Waggott

Current Trading & 2014 Outlook

Peter Long

Strategy Update

Our Growth Levers: Creating Shareholder Value

Peter Long

Growth Roadmap Update

Will Waggott

Summary

Peter Long

Q&A

2013 Highlights

Peter Long



Puravida/Thomson Family Blue Lagoon Village, Kos

2013 Highlights

ANOTHER RECORD YEAR

- Record underlying operating profit of **£589m**; 2013 growth roadmap target exceeded
- **Record Mainstream result - £514m**
 - **UK** – underlying operating profit growth of **27%** to £251m, operating margin up 110bp to 6.5%
 - **Germany** – underlying operating profit growth of **30%** to £113m, operating margin up 50bp to 2.7%
- Accommodation Wholesaler delivered **28% growth** in underlying operating profit*
- Business improvement of **£46m** delivered in the year

Growth
roadmap
exceeded
in 2013

DELIVERING INCREASED SHAREHOLDER VALUE

- Free cash flow **£427m****, an improvement of £122m
- Cash conversion up 12pp to **90%**
- ROIC up significantly on prior year to **14.8%**
- Full year dividend increased by **15%** to 13.5p

The
strategy
is
working

2013 Financial Performance

Will Waggott

Financial Highlights

£m	2013 Constant Currency	FX	2013	2012	Change %	Constant Currency Change %
Revenue	14,739	312	15,051	14,460	+4%	+2%
Underlying Operating Profit	555	34	589	490	+20%	+13%
Underlying Profit Before Tax	439	34	473	390	+21%	+13%
Free Cash Flow*	391	36	427	305	+40%	+28%
Cash Conversion*			90%	78%	+12pp	
ROIC			14.8%	12.2%	+2.6pp	
ROIC/WACC			1.74	1.44	+21%	
Basic Underlying EPS (p)			30.8	25.8	+19%	
Full Year DPS (p)			13.5	11.7	+15%	

Record
underlying
profit

90%
cash
conversion

ROIC up
2.6pp to
14.8%

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

Group Profit & Loss

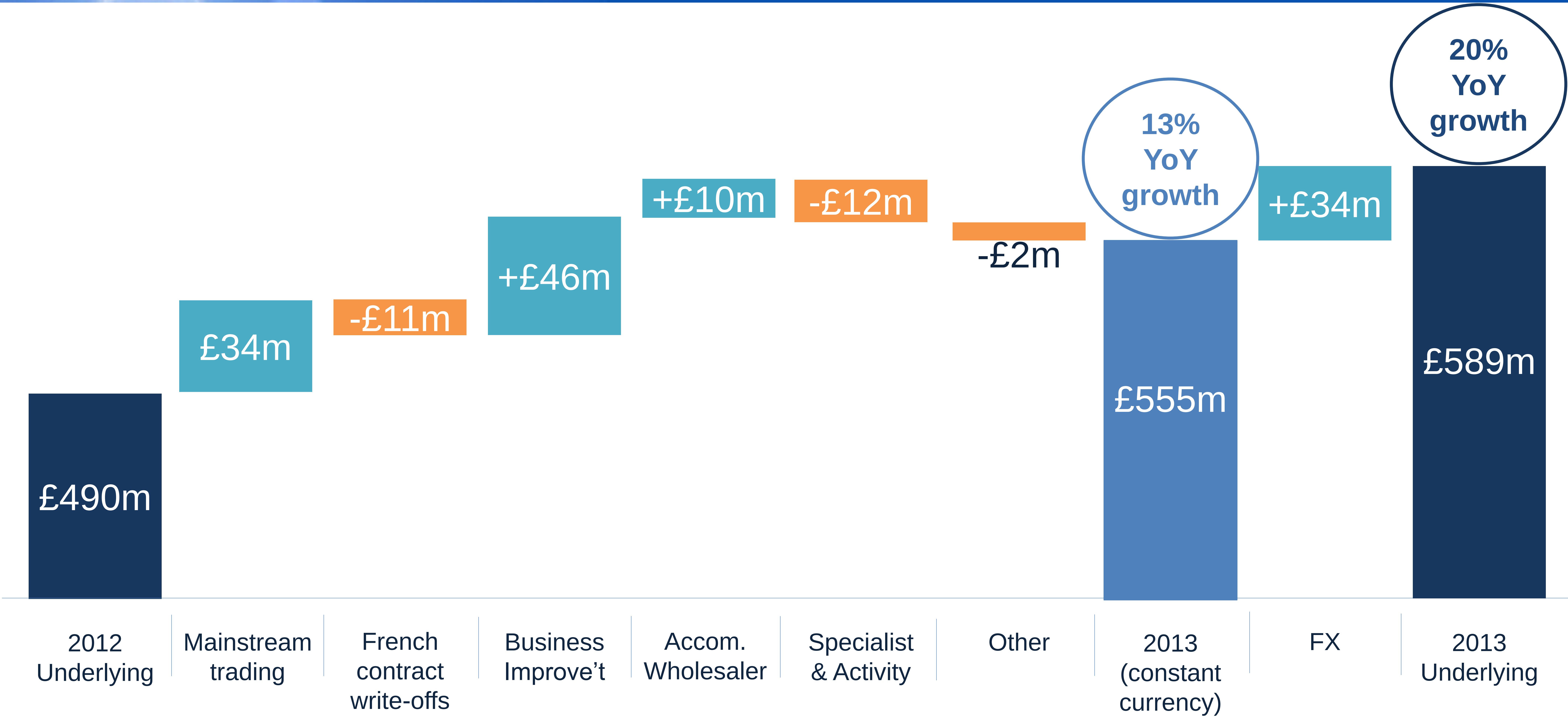
£m

2013

2012

Underlying Operating Profit	589	490
Underlying Interest	(116)	(100)
Underlying Profit Before Tax	473	390
Acquisition Related Expenses	(65)	(62)
Separately Disclosed Items	(24)	(92)
Impairment of goodwill	(188)	(20)
Other Items	(15)	(15)
Profit Before Tax	181	201
Tax	(118)	(64)
Profit for the Year	63	137

Group Operating Profit Bridge



Segmental Analysis

Group Underlying Operating Profit Bridge

£m	2013	2012	Change	FX Impact	Change ex-FX
<i>UK</i>	251	<i>197</i>	+54	-	+54
<i>Nordics</i>	79	<i>71</i>	+8	3	+5
<i>Germany</i>	113	<i>87</i>	+26	<i>11</i>	+15
<i>France</i>	(60)	<i>(47)</i>	-13	3	-16
<i>Other</i>	131	<i>112</i>	+19	<i>11</i>	+8
Mainstream	514	420	+94	28	+66
Emerging Markets	(12)	(15)	+3	-	+3
Specialist & Activity	41	48	-7	2	-9
<i>Online Accommodation</i>	40	35	+5	+2	+3
<i>Inbound Services</i>	38	31	+7	+2	+5
Accommodation & Destinations	78	66	+12	4	+8
Central	(32)	(29)	-3	-	-3
Underlying Operating Profit	589	490	+99	34	65

Business Improvement Programme

Bridge from September 2012 target

	To go at Sept 2012	Delivery 2013	Balance
UK	£14m	£6m	£8m
Specialist & Activity	£9m	£3m	£6m
Corsair	£13m	£12m	£1m
France Tour Operators	£15m	£11m	£4m
Germany	£9m	£9m	-
Poland	£3m	£3m	-
Jet4You	£2m	£2m	-
Total	£65m	£46m	£19m

Group Cashflow

£m	2013 Constant Currency	FX	2013 Underlying	2012	Change
Underlying EBITDA	754	37	791	642	+149
Working Capital Movement	165	7	172	104	+68
Pension Funding	(74)	-	(74)	(42)	-32
Underlying Net Operating Cash Flow	845	44	889	704	+185
Capital Expenditure (Net)	(213)	(4)	(217)	(209)	-8
Tax	(108)	(2)	(110)	(82)	-28
Interest	(70)	(1)	(71)	(60)	-11
Exceptional Cash Costs	(63)	(1)	(64)	(48)	-16
Free Cash Flow*	391	36	427	305	+122
Dividends	(132)	-	(132)	(128)	-4
Net acquisitions / disposals	(22)	(2)	(24)	(47)	+23
Net pre-delivery payments for aircraft	(4)	-	(4)	(53)	+49
Movement in available cash net of debt	233	34	267	77	+190
Movements in restricted cash	106	5	111	(12)	+123
Movement in cash net of debt	339	39	378	65	+313

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

Movement in Available Net Debt*

£m

	2013	2012
Opening available net debt	(142)	(42)
Movement in available cash net of debt – pre FX	267	77
Foreign exchange movement	37	(70)
Non cash movement in debt – Asset backed finance	(146)	(83)
Non cash movement in debt – Other	(14)	(24)
Closing available net cash / (debt)	2	(142)

* Excludes restricted cash

Interest

£m	2013	2012	Change
Debt related interest	97	87	-10
Non-debt related charge	19	13	-6
Underlying interest	116	100	-16
One-off credits / (charges)	(3)	9	+12
Underlying interest excluding one-offs	113	109	-4

Available Net Debt Analysis*

£m		2013	2012
Convertible bonds		(697)	(675)
Debt due to related parties		-	(13)
Other loans and liabilities		(48)	(57)
Net cash balances		1,075	885
Net cash available to operations – pre-FX movements		330	140
FX movements on cash available for operations		39	(80)
Net cash available to operations		369	60
Asset backed financing		(365)	(212)
FX movements on asset financing		(2)	10
Available net cash / (debt)		2	(142)

* Excludes restricted cash

Current Trading & 2014 Outlook

Peter Long

Blue Village Atlantica Club Marmari, Kos

2014 Trading

- We expect our core markets **to grow by c3% CAGR over the next five years**
- Performance for Winter 2013/14 is in line with our expectations with 60% of the programme sold
- Egypt capacity reduced, now accounts for less than 5% of our total Winter programme
- All markets now have their Egypt programmes back on sale
- **Accommodation Wholesaler** seeing continued double-digit growth in bookings
- **Specialist & Activity** trading in line with our expectations
- Pleased with early trading for **Summer 2014**, despite facing strong comparatives from the prior year

Well
positioned
in the
market

2014 Outlook

- Overall, we are pleased with trading at the start of the new financial year
- We expect to hold our winter loss and **deliver a H1 result broadly in line with last year** (excluding the impact of the later timing of Easter)
- We are **structurally well positioned** with a **robust business model** that gives us a **long term competitive advantage**
- Building on this year's outperformance, we **remain confident** that we will deliver **consistently** on our five year annualised growth target of between **7% to 10%*** underlying operating profit growth

Confident
of
delivering
growth
roadmap

Our Growth Levers: Creating Shareholder Value

Peter Long

Blue Village Merlin Beach Resort,
Thailand

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, Mexico

Delivering Mainstream Growth

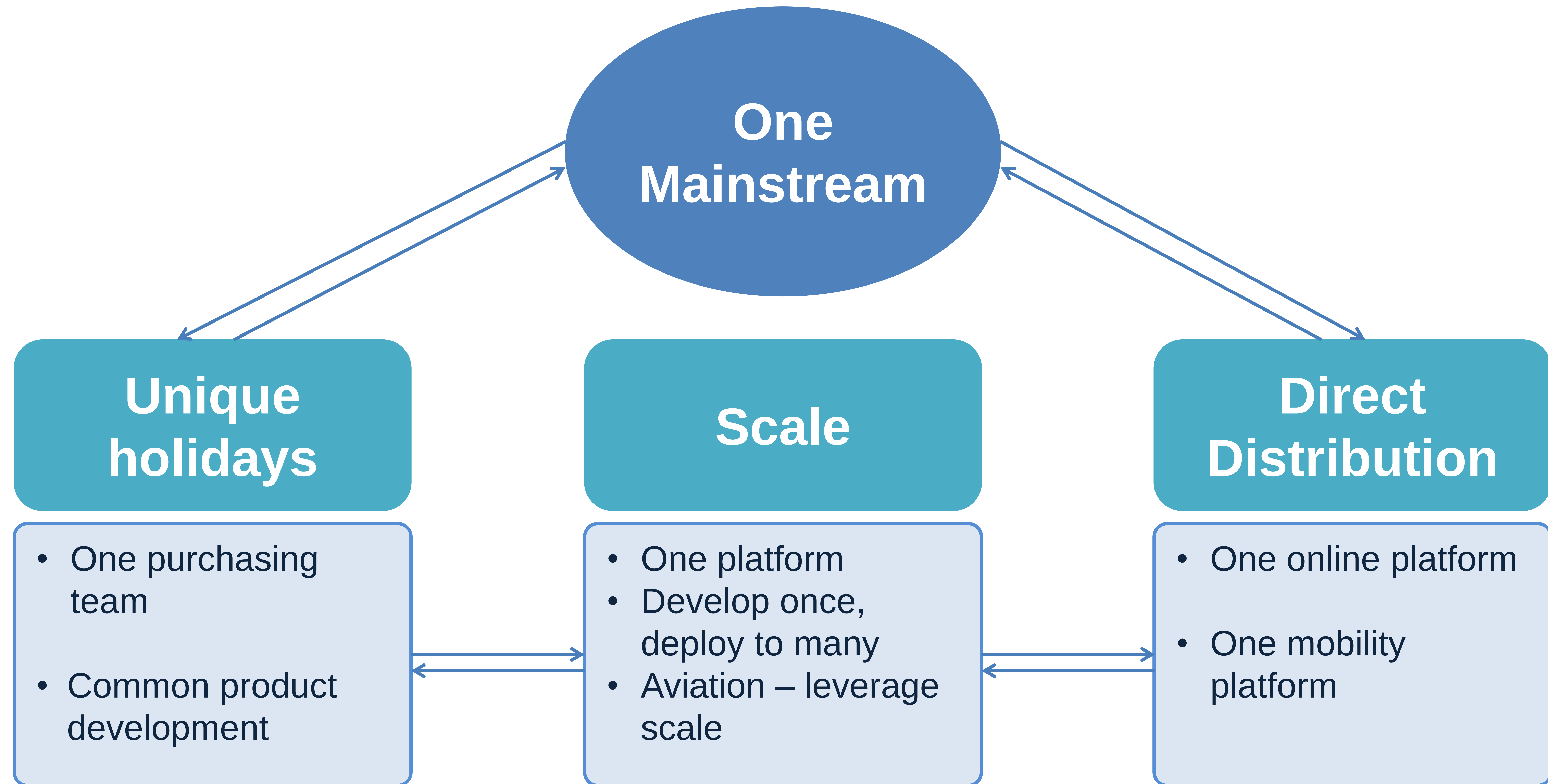
Progress in 2013

Digital Transformation Strategy

Airline Strategy

Delivering Mainstream Growth

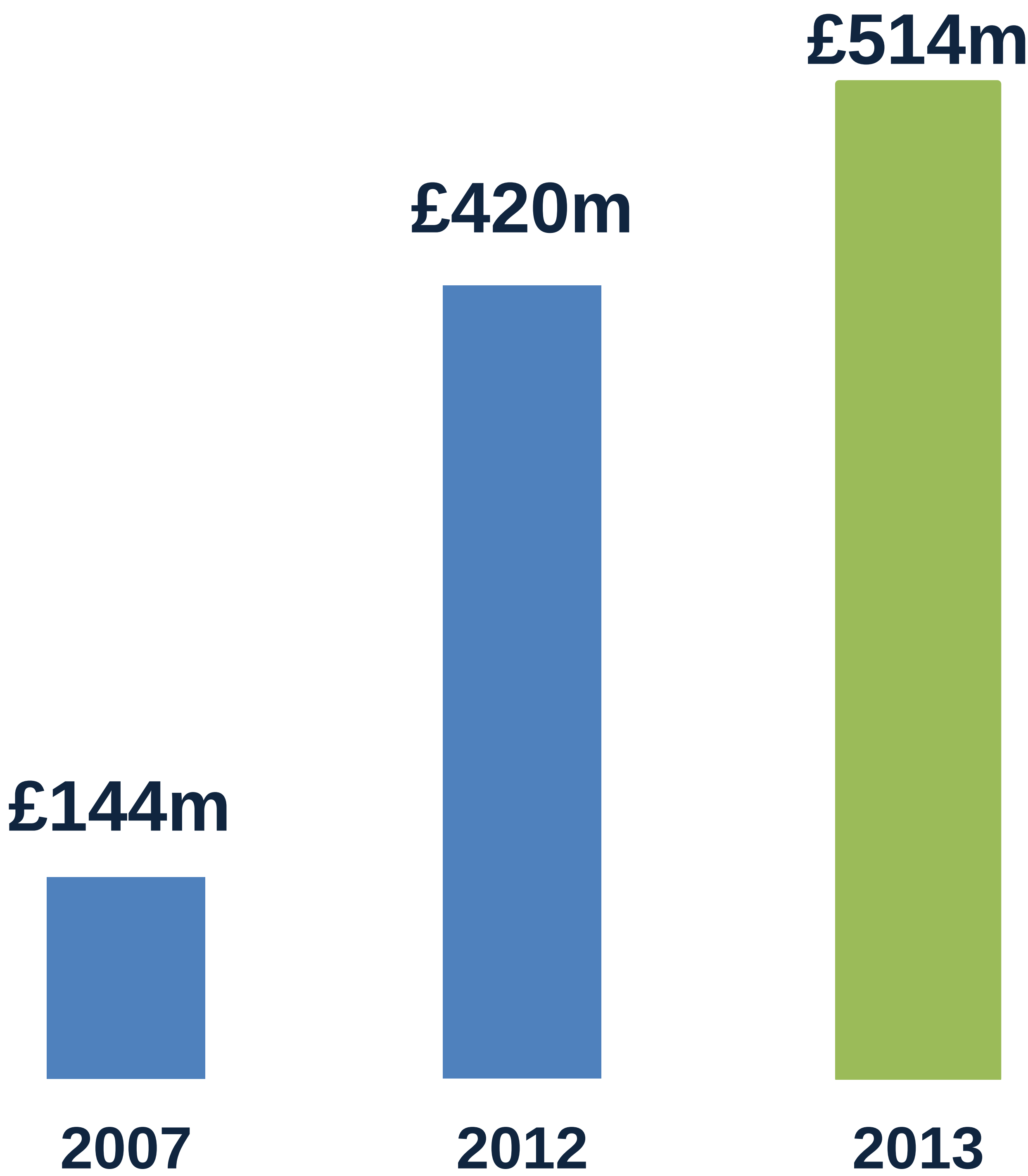
One Mainstream



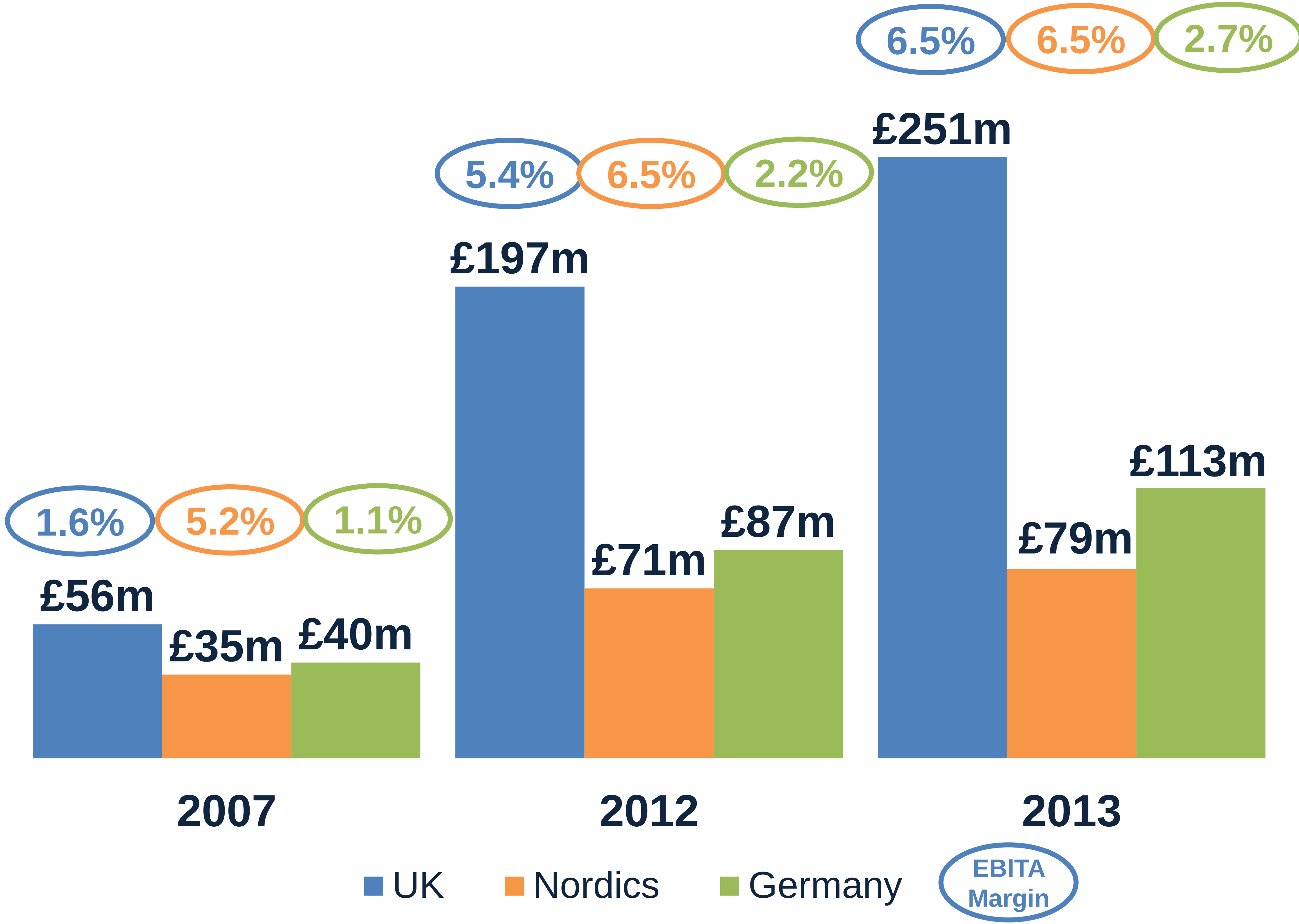
One Mainstream continues to evolve and deliver greater benefits as one business

Delivering Mainstream Growth – EBITA Development

Mainstream EBITA



Key Source Markets

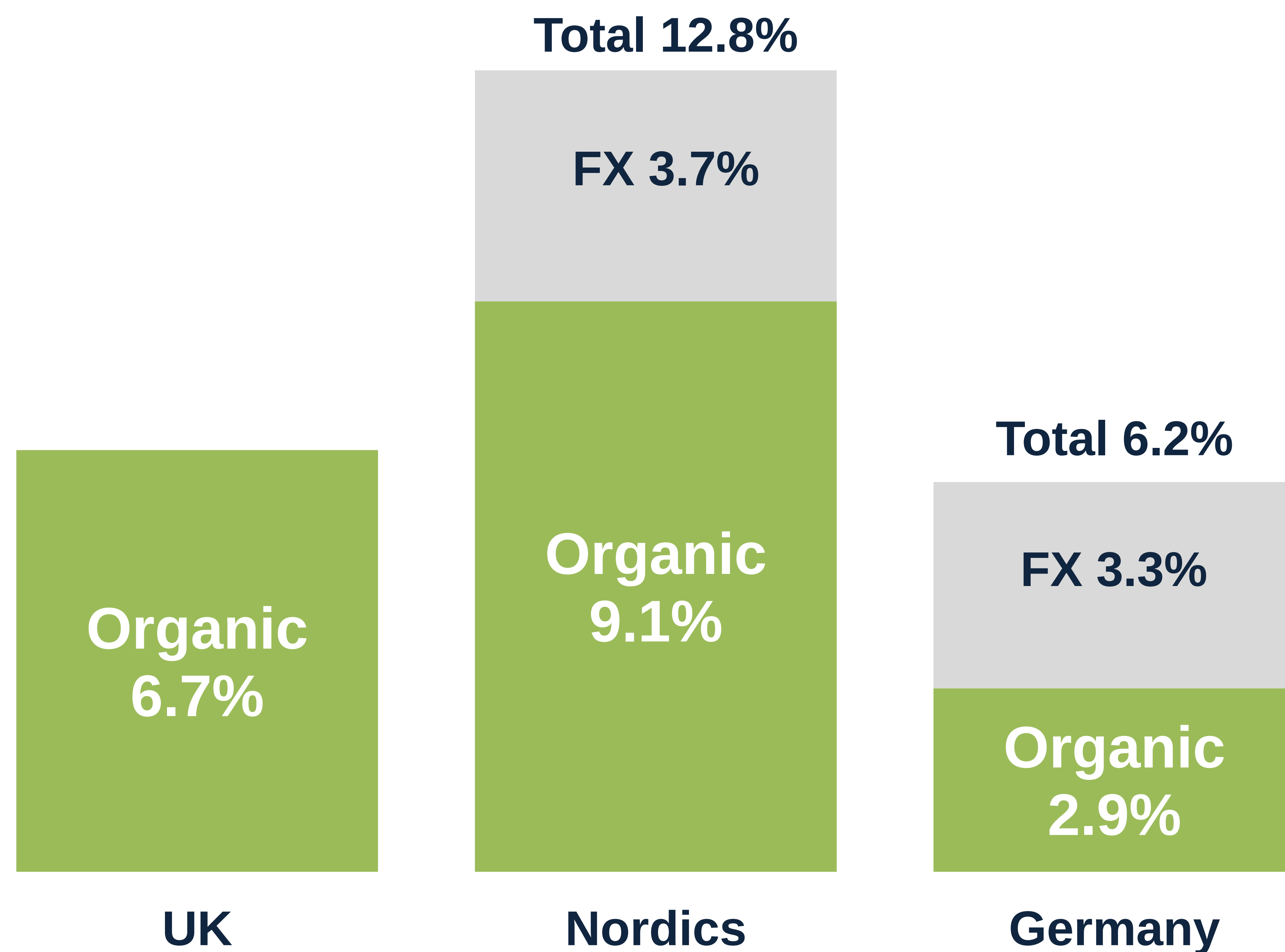


Strong
margin
growth

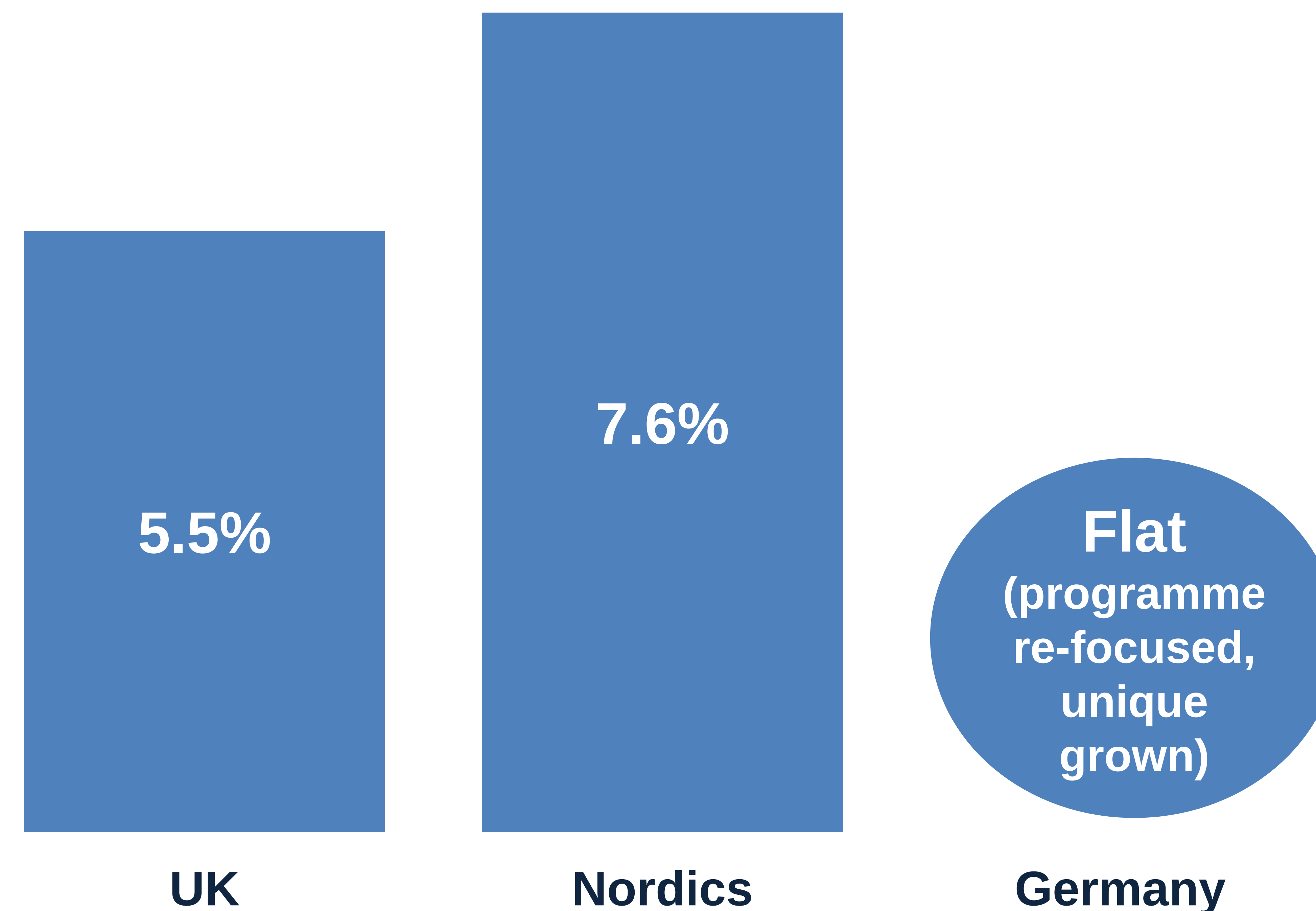
Delivering Mainstream Growth

Growth in Mainstream Package Holidays in 2013

2013 Revenue Growth



2013 Package Holidays Growth



Good
top-line
growth

Delivering Mainstream Growth

Excellent progress against growth levers in 2013

	2013 Performance	2017 Target
Unique holidays only available from TUI Travel	• Unique mix up 4pp to 69% • Strong performances in the UK, Nordics and Germany • Record customer satisfaction scores for Holiday Overall, up 2pp to 79%	Unique mix 76%
Distributed directly to the customer – growth from online	• Direct distribution increased to 66% • Online mix up 2pp to 35% - £3.7bn of Mainstream revenue booked online • Good performances in all key source markets	81% direct 50% online
Leveraging our scale	• Mainstream overhead reduced by 6bp to 4.6% • Efficiency improvements implemented across the Sector	<5%

Delivering Mainstream Growth

Record Margins Delivered in the UK

Repositioning of the Business

	2007	2013
EBITA	£56m	£251m
EBITA margin	1.6%	6.5%
Unique	c.60%	83%
Online	c.30%	47%

2013 Performance

- Very strong performance in 2013 with significant improvement in high season margins
- In Summer 2013 **94%** of our Thomson holidays were unique, with **700** exclusive properties on sale
- Online revenues increased significantly in the year – up 13.5%

We have
already
come a
long way

We will
continue
to grow

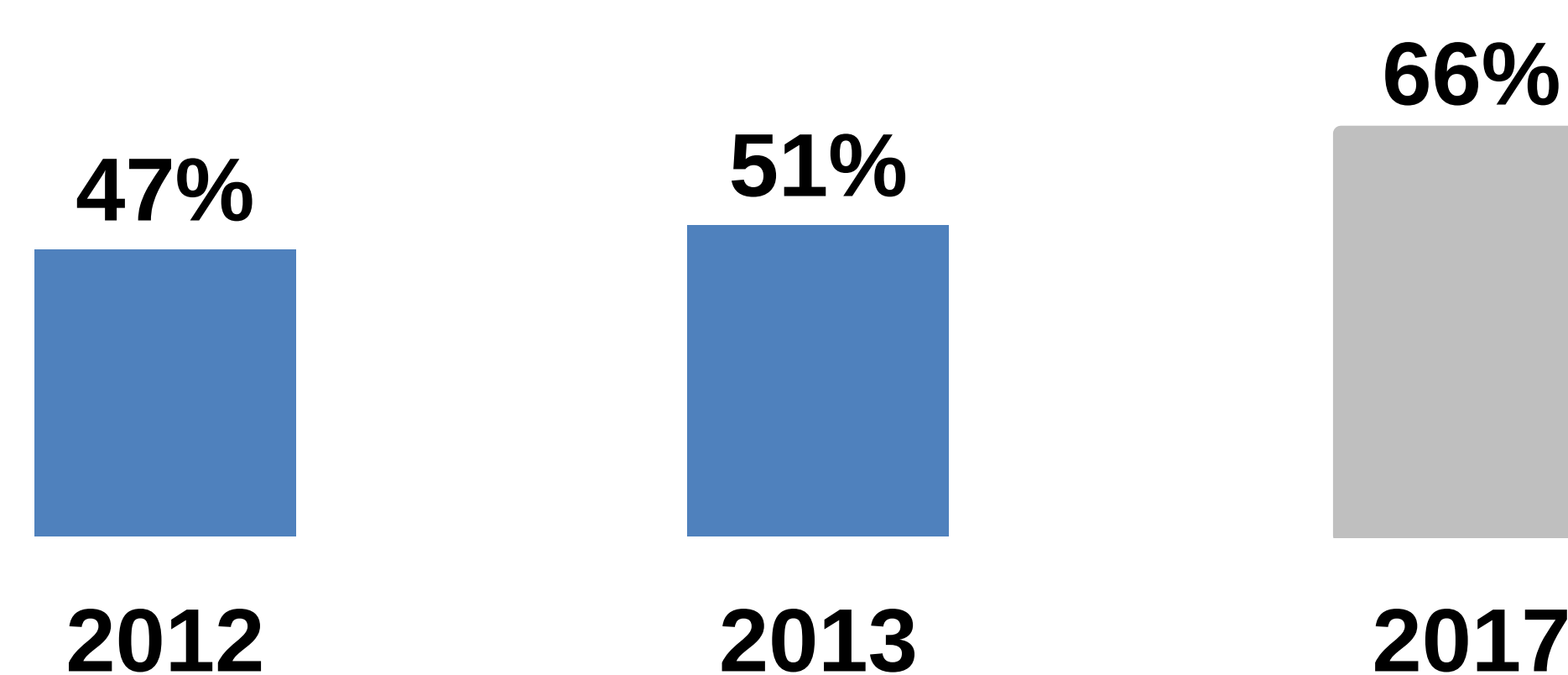
Germany – 2013 Performance

Financial Performance

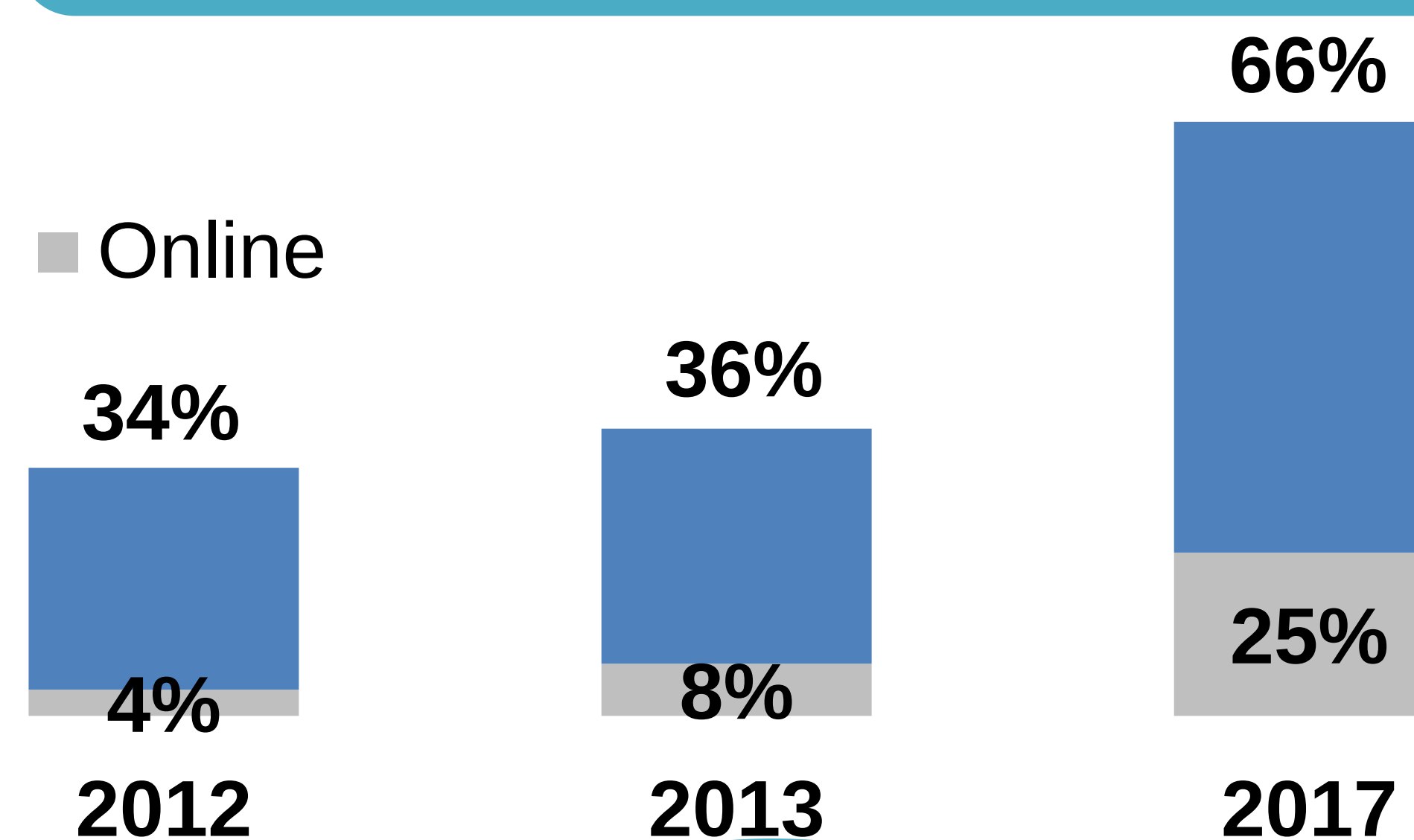
	2012	2013
Revenue	3,917	4,161
EBITA	87	113
EBITA margin	2.2%	2.7%

Key Targets

Unique Holidays



Direct Distribution



Foundations for Growth

- **New Managing Director**
- **TUI.com** re-launched
- Expansion of well-regarded **unique holiday** concepts
- Remaining £9m **business improvement** delivered
- Underlying operating profit **up 17%***

Margin growth

Delivering against strategic KPIs

Positioned for growth

* At constant currency rates

Germany – Growth Strategy

- Further expansion of **unique holidays**
- Improve **online** performance – TUI.com, mobile optimisation
- Enhancement of customer relationship – **Meine TUI digital assistant** launched November 2013
- Roll-out **TUI branding** across the majority of our owned and franchised shops
- Increase proportion of **own product** sold in owned shops
- Simplification of corporate structure and continued restructuring

Clear
roadmap
for
margin
growth

France

Airline

- **Significant improvement** in result – underlying losses virtually eliminated
- Restructuring programme **complete**
- **Turnaround** driven by improved fleet, customer service and enhanced customer experience

Airline
restructure
complete

Tour Operator

- Business being managed in line with macro pressures
- Capacity **significantly reduced** (North Africa) – by more than 45% for W13/14
- Further restructuring implemented at the end of 2013
- Journey to **break-even**

Clear
plans
in place for
tour
operator

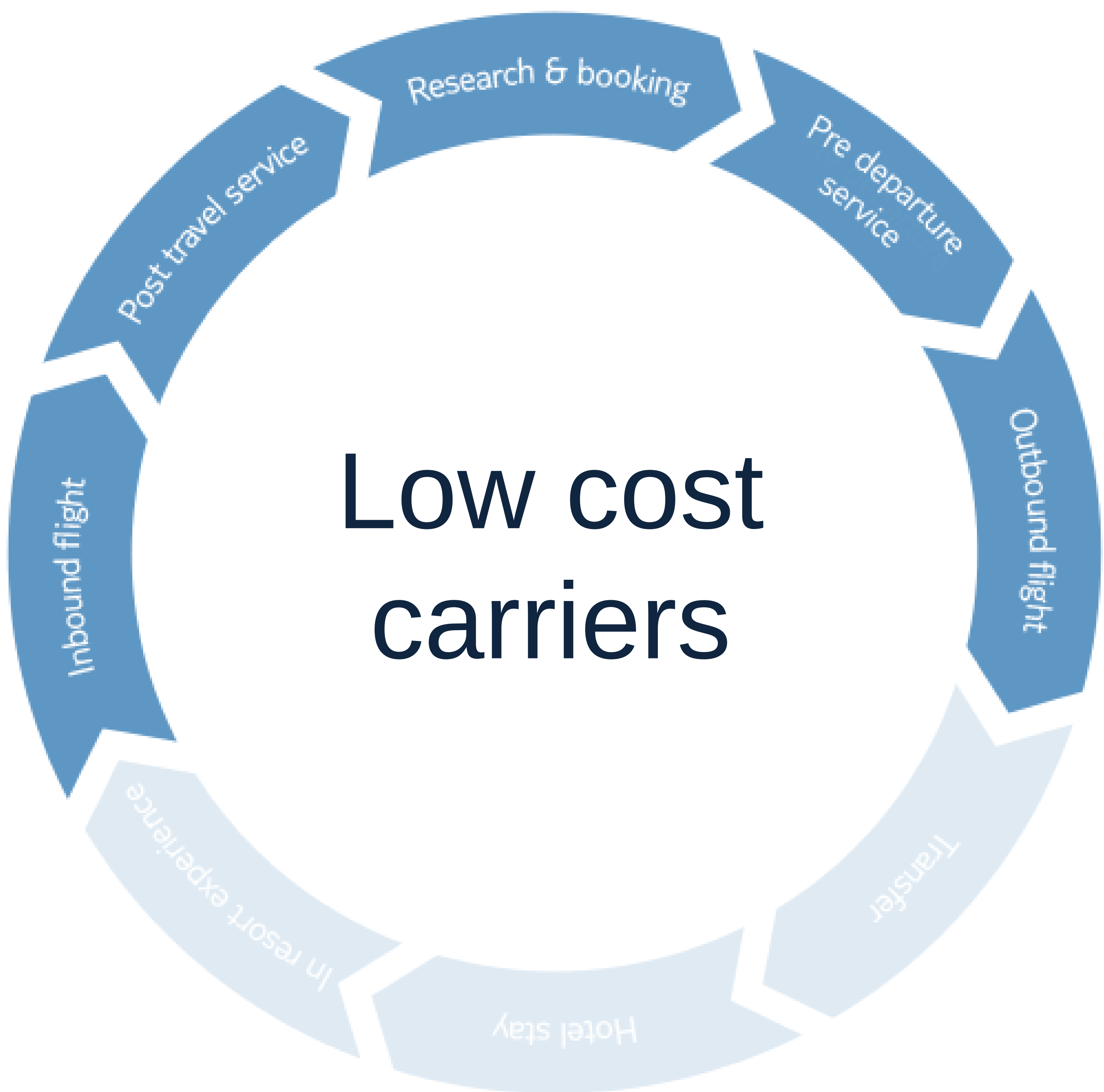
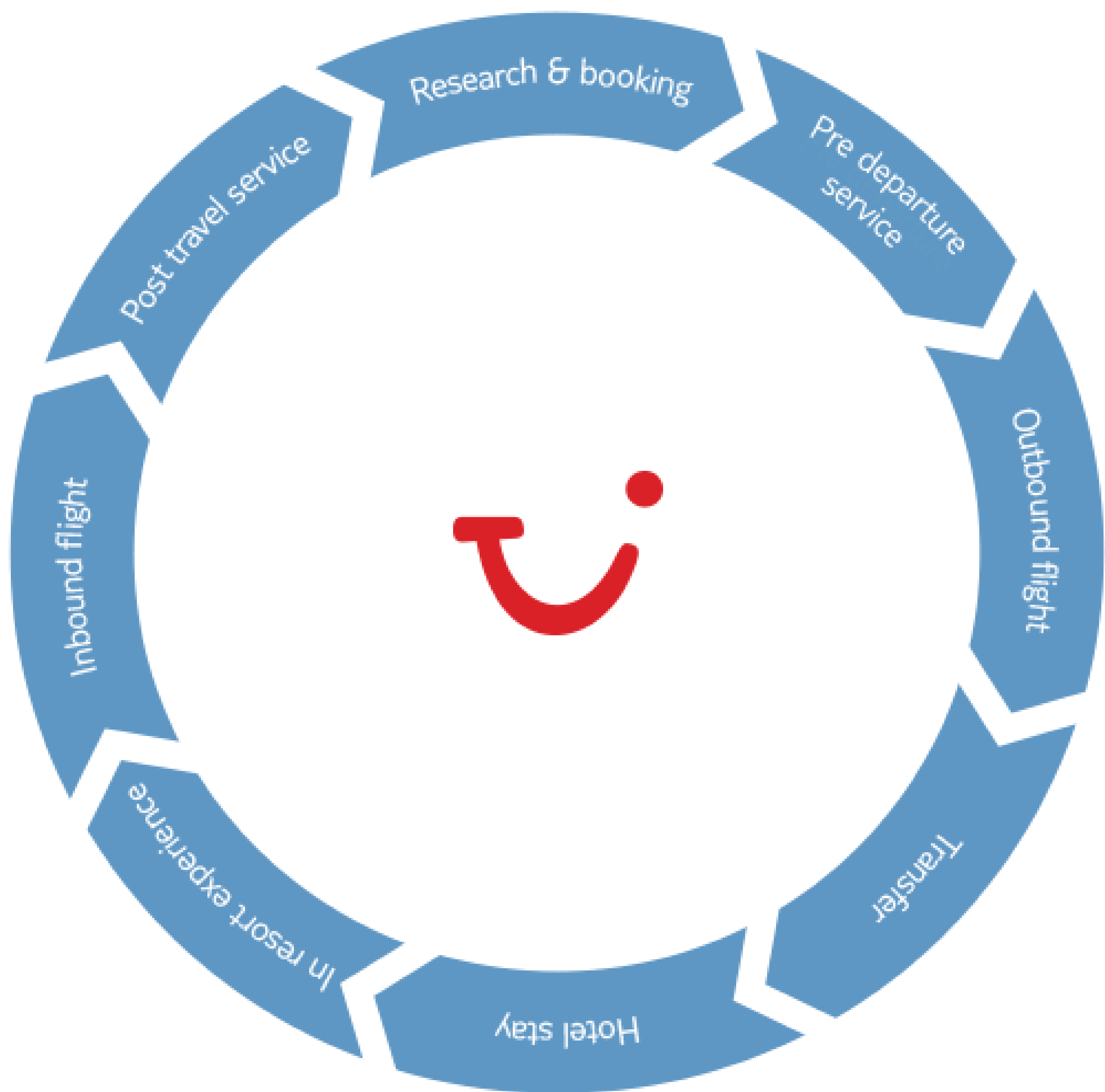
Delivering Mainstream Growth

Progress in 2013

Digital Transformation Strategy

Airline Strategy

The Customer Journey – End to End Experience



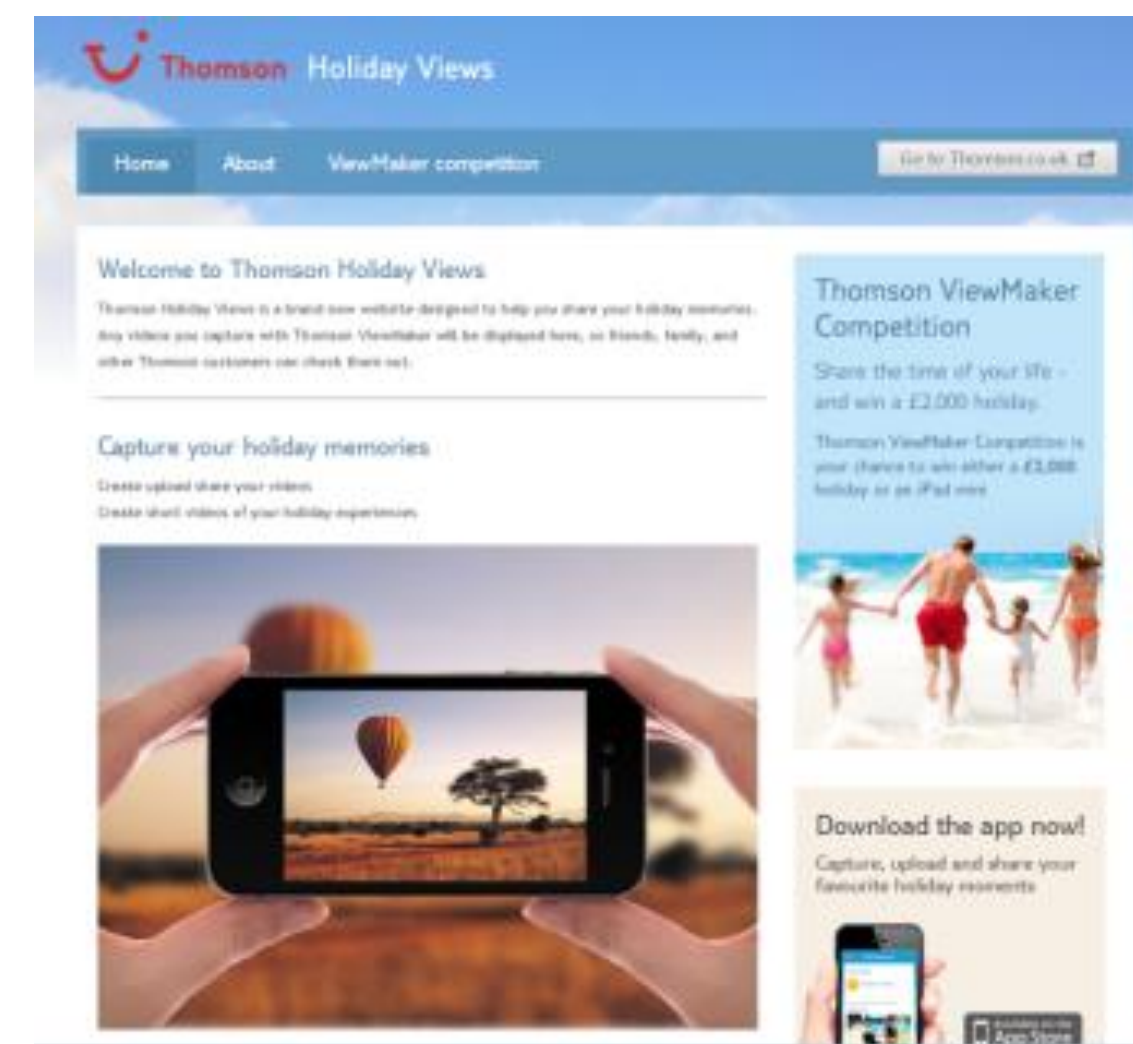
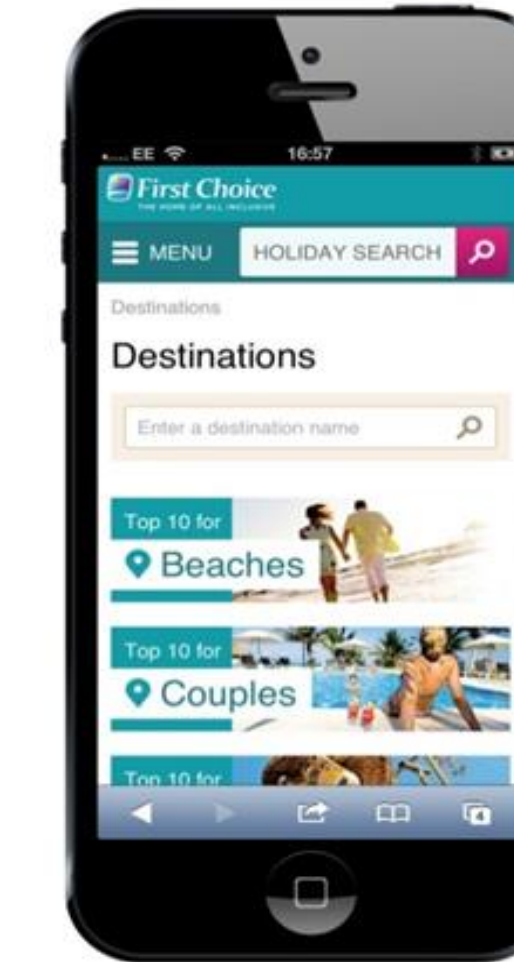
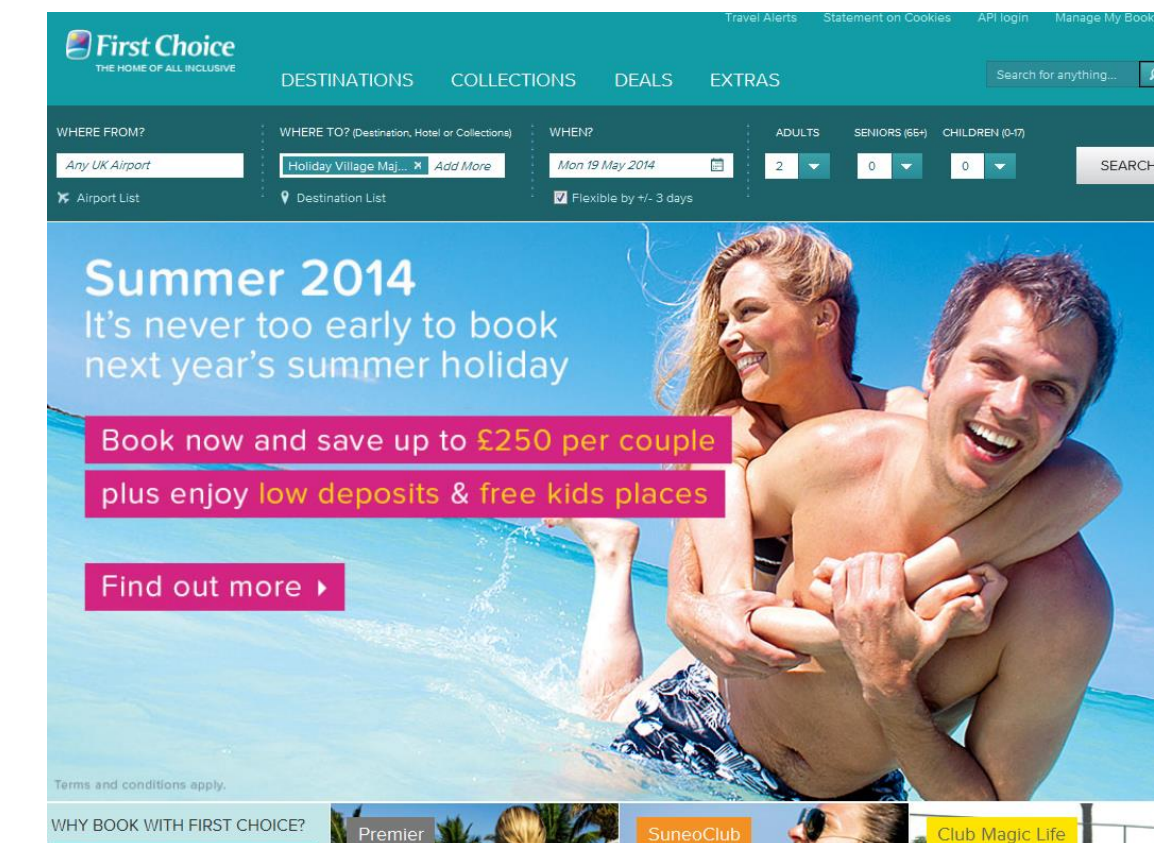
End to End Experience

Interact throughout the customer journey

Limited interaction

Limited interaction

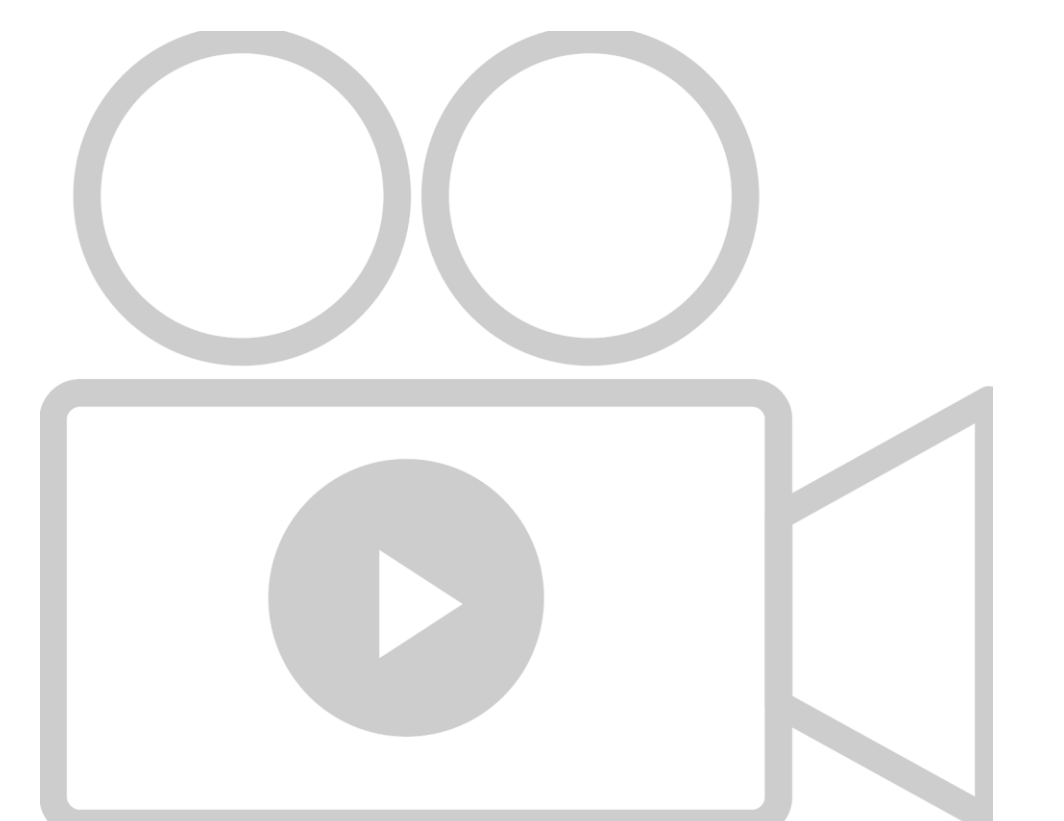
The Customer Journey



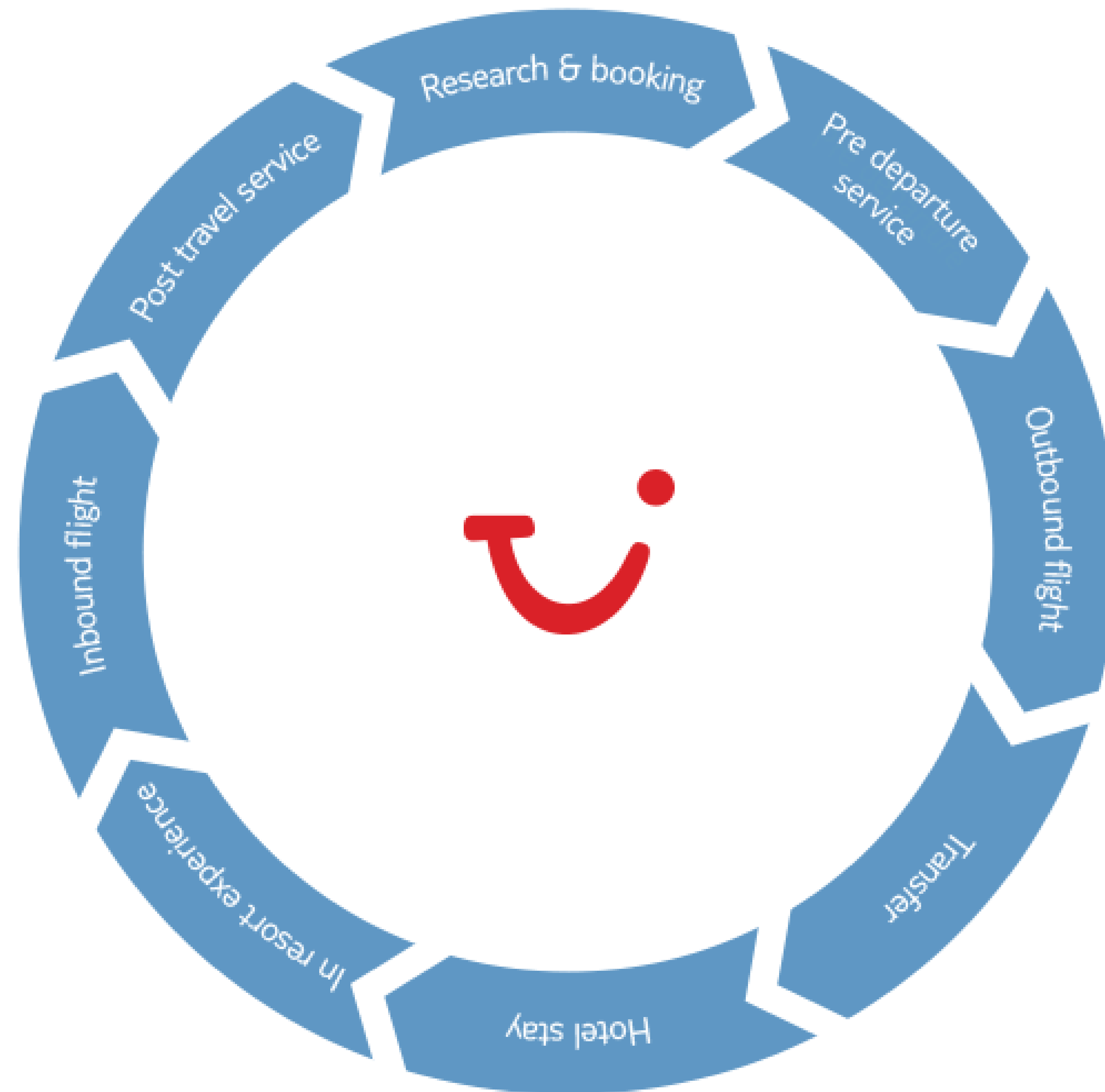
High customer retention

High customer satisfaction

The Customer Journey – Our Vision



Digital Transformation Strategy – End to End Customer Experience



- 1 Inspiration & Research
- 2 Booking
- 3 Holiday Experience
- 4 Returning & Sharing

Digital Transformation Strategy

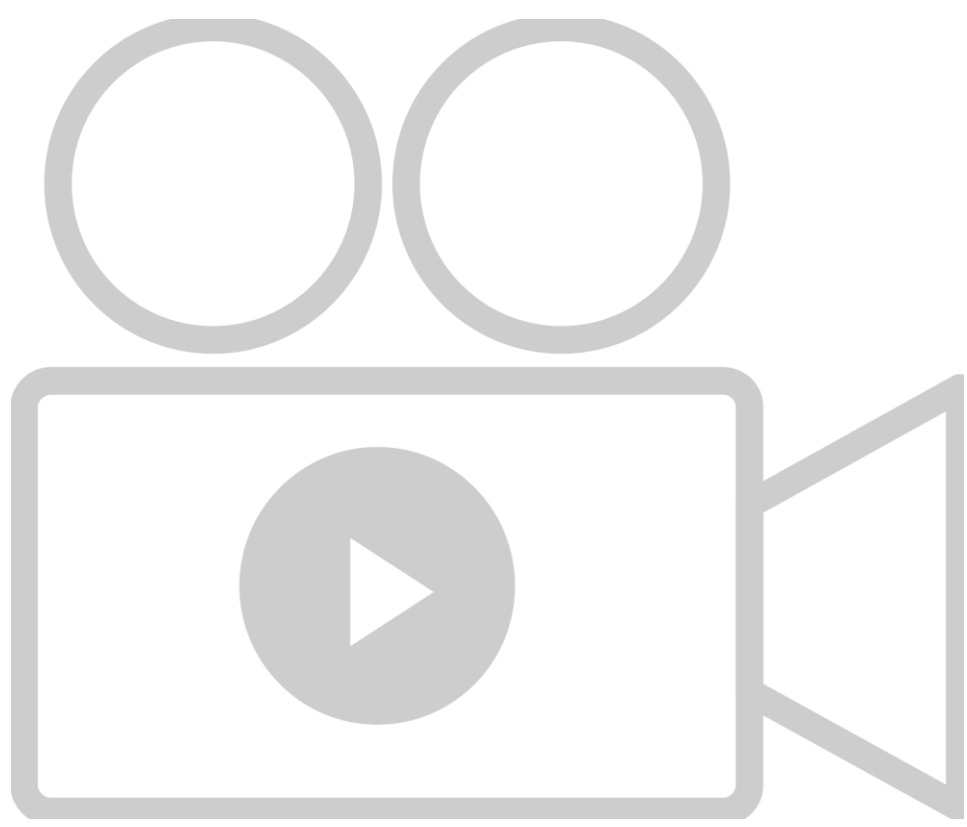
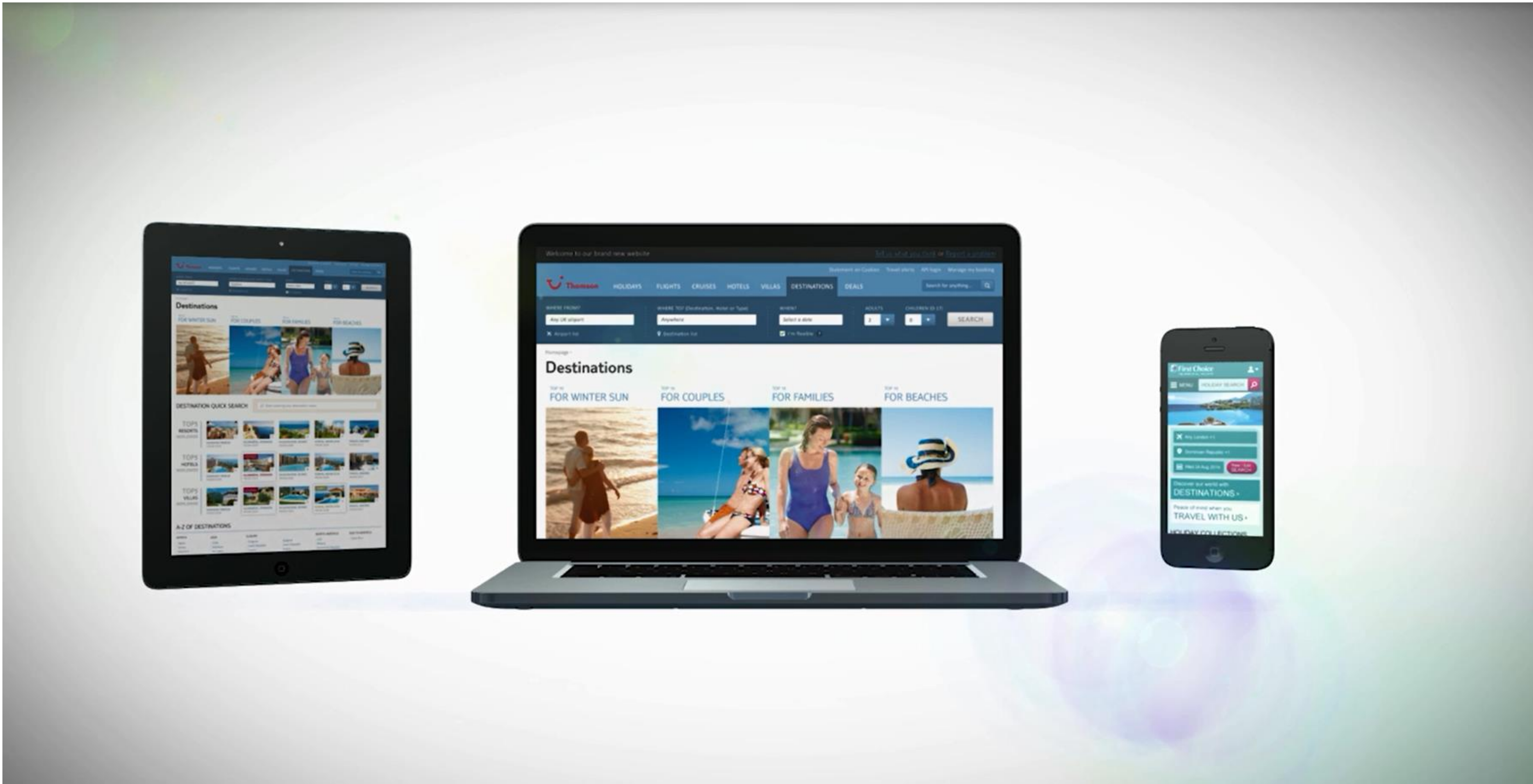
Web & Search

1

Inspiration & Research

2

Booking



Digital Transformation Strategy

Web & Search - Benefits

1

Inspiration & Research

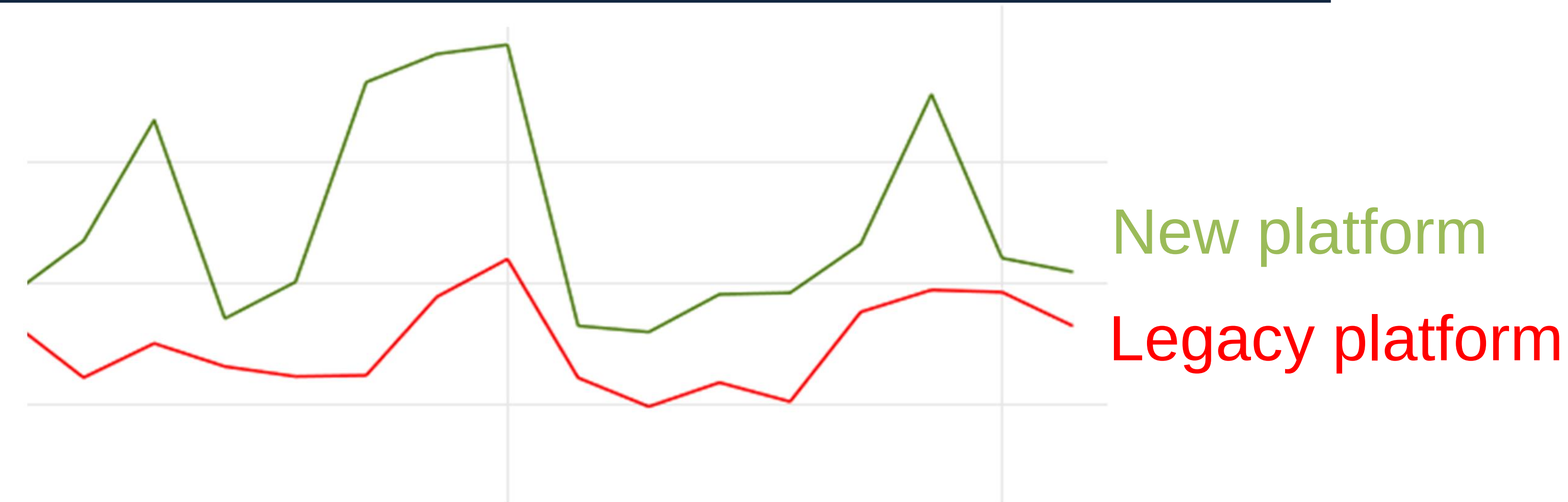
2

Booking

Customer Experience

- New platform moves our websites from narrow to broad, faceted search
- This makes it easier for customers to search and book their ideal holiday
- **Leading to higher conversion rates**

Thomson website – conversion rates since test launch



Decreased Distribution Costs

- New platform generates significantly more landing pages for the customer
- This enhances our SEO performance
- Leading to increased free traffic to our websites
- **And therefore lower distribution costs**

Clear
operational
benefits

Digital Transformation Strategy

Next Generation Stores

1

Inspiration & Research

2

Booking



Digital Transformation Strategy - Digital Assistant

3

Holiday
Experience

Successful launch
of **MyThomson**
and **Meine TUI**
during 2013



Over
200,000
downloads,
5* rating,
award-
winning

Holiday
countdown,
weather
in-resort,
booking
information

Other markets
to launch on
same platform
in 2014

....but this is just the beginning

Digital Transformation Strategy

From Assistant to Concierge

3

Holiday
Experience

4

Returning &
Sharing

- **The Digital Assistant is a key driver in maintaining on-going customer relationship**
- **We will continue to add new functionality to take this from Assistant to Concierge:**
 - Mobile boarding passes and seat upgrades
 - Travel documents
 - Enhanced excursion booking
 - Direct rep contact pre-departure
 - eCRM - Personalised recommendations and targeted offers
 - Search & book

Free wi-fi available in all 135 UK concept hotels from 2014

**Enriches the holiday experience and strengthens our relationship
with the customer**

Digital Transformation Strategy

Customer Generated Content

4

Returning & Sharing

Opportunity to increase customer engagement

Thomson ViewMaker

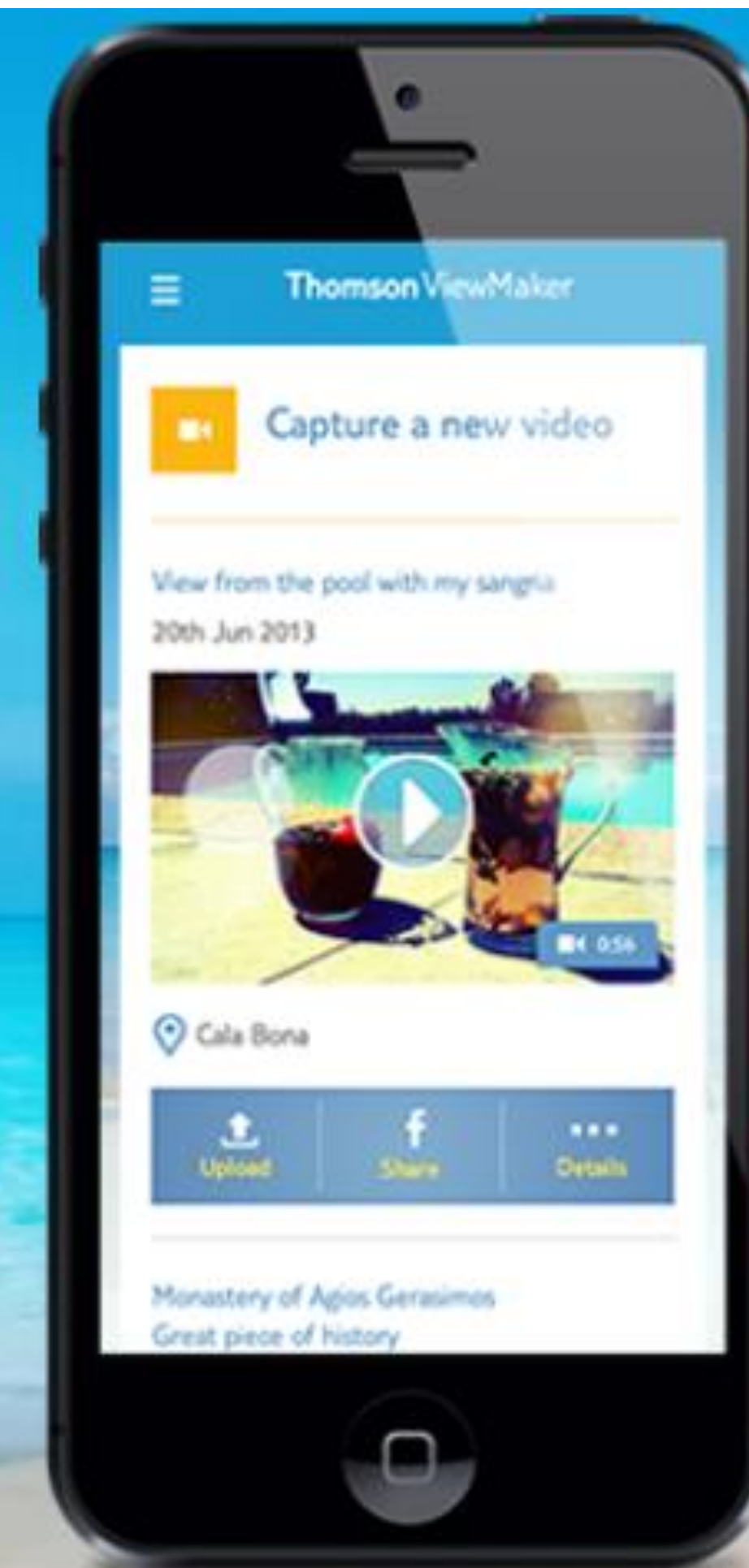
Our new iPhone app

Capture, upload and share your favourite holiday moments

- Record new holiday videos
- Upload existing videos from your camera roll
- Caption and tag your videos
- Share your videos via Facebook



The App Store will open automatically if iTunes is installed on this device.
To install iTunes [click here](#).



Develop full social integration



Mainstream brands have 2.5m Facebook fans



Our customers become our best marketers

And the virtuous circle starts again

Our Digital Transformation Strategy - Summary

- Clear advantage in our ability to link both the **digital and physical** worlds
- Focused on building **lifetime relationships** with customers
- Results in:
 - **Higher customer satisfaction**
 - **Higher retention and advocacy**
 - **Lower distribution costs**

Leads directly to improved value for our shareholders

Delivering Mainstream Growth

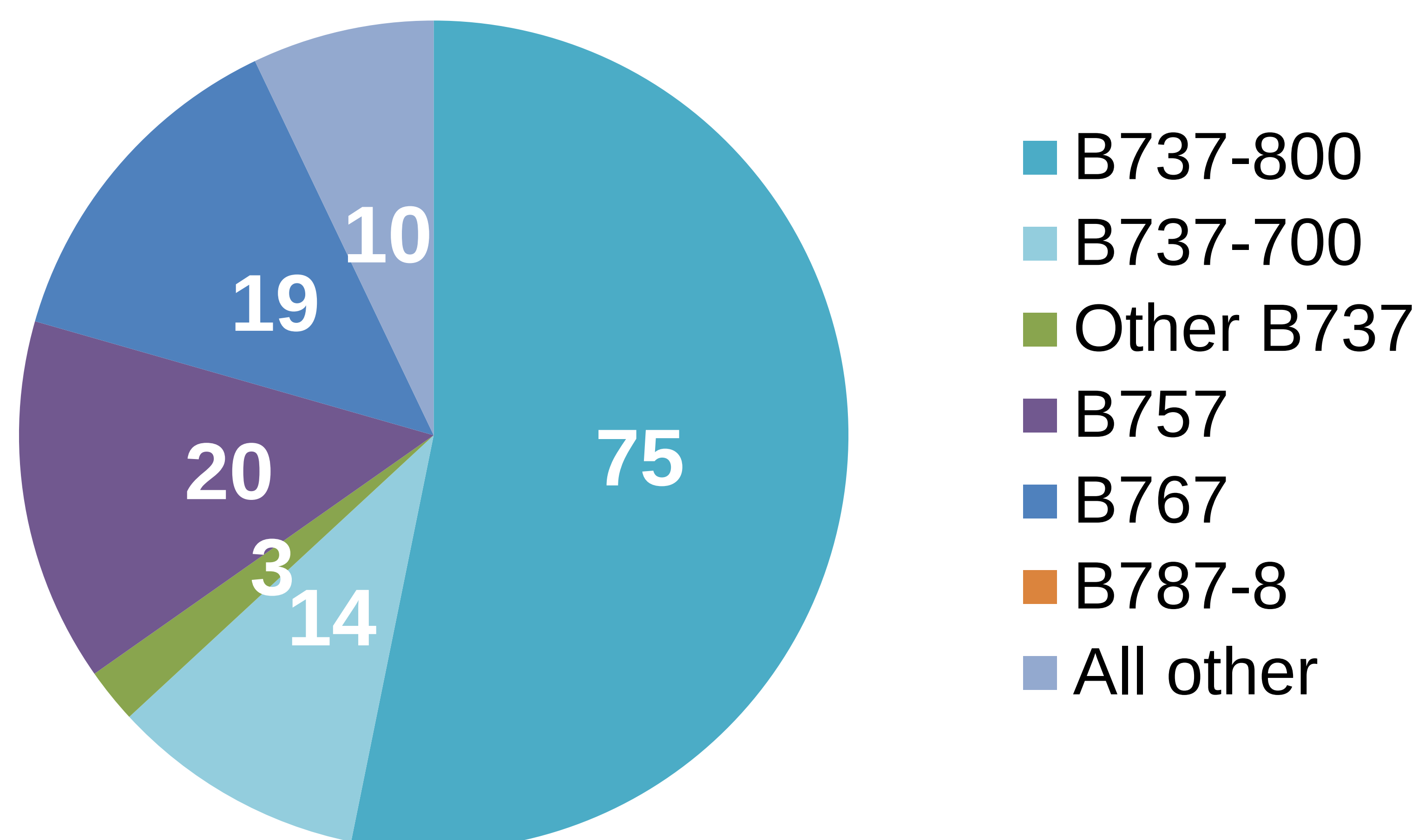
Progress in 2013

Digital Transformation Strategy

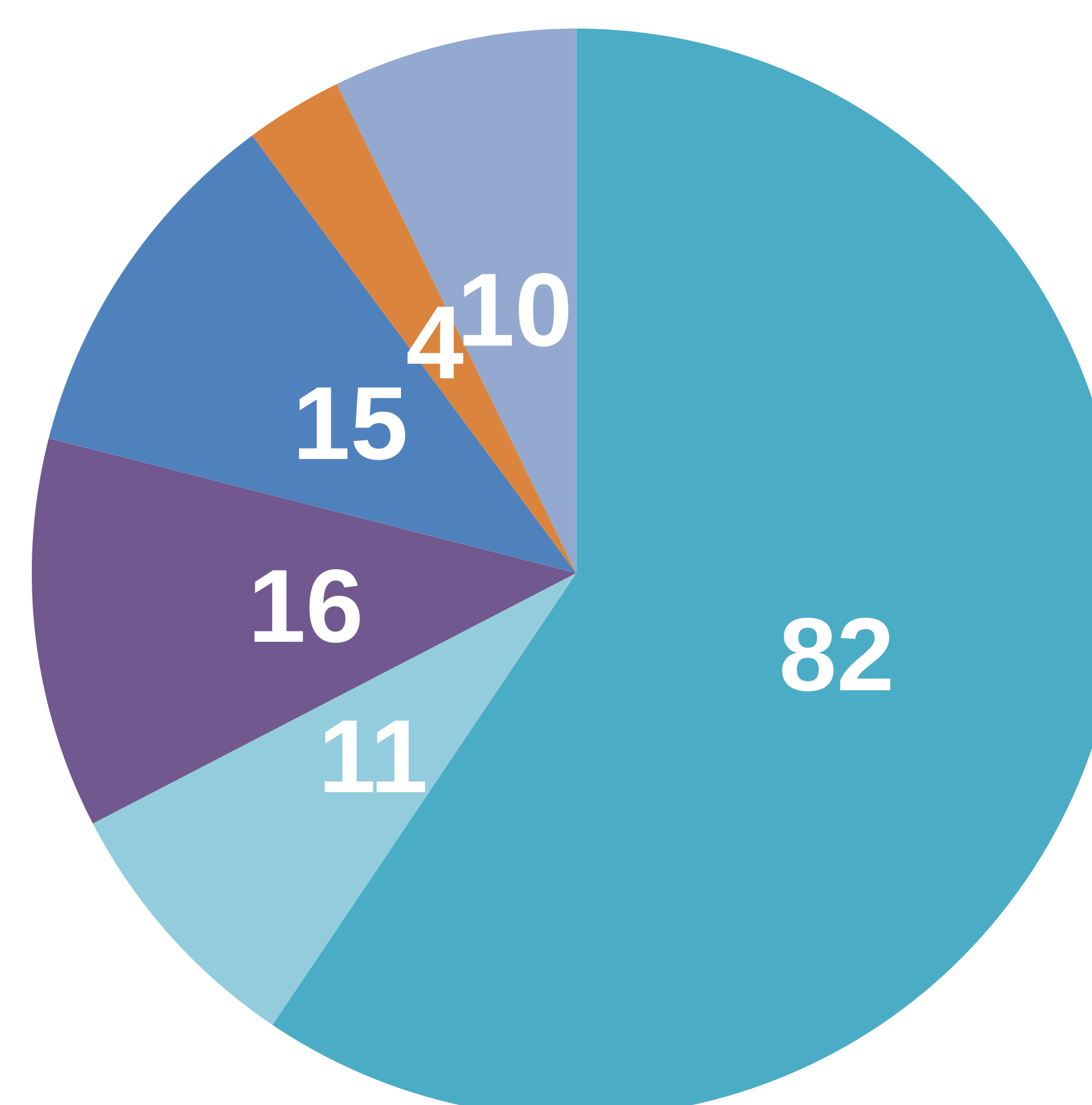
Airline Strategy

Delivering Mainstream Growth – Current Fleet

September 2012



September 2013

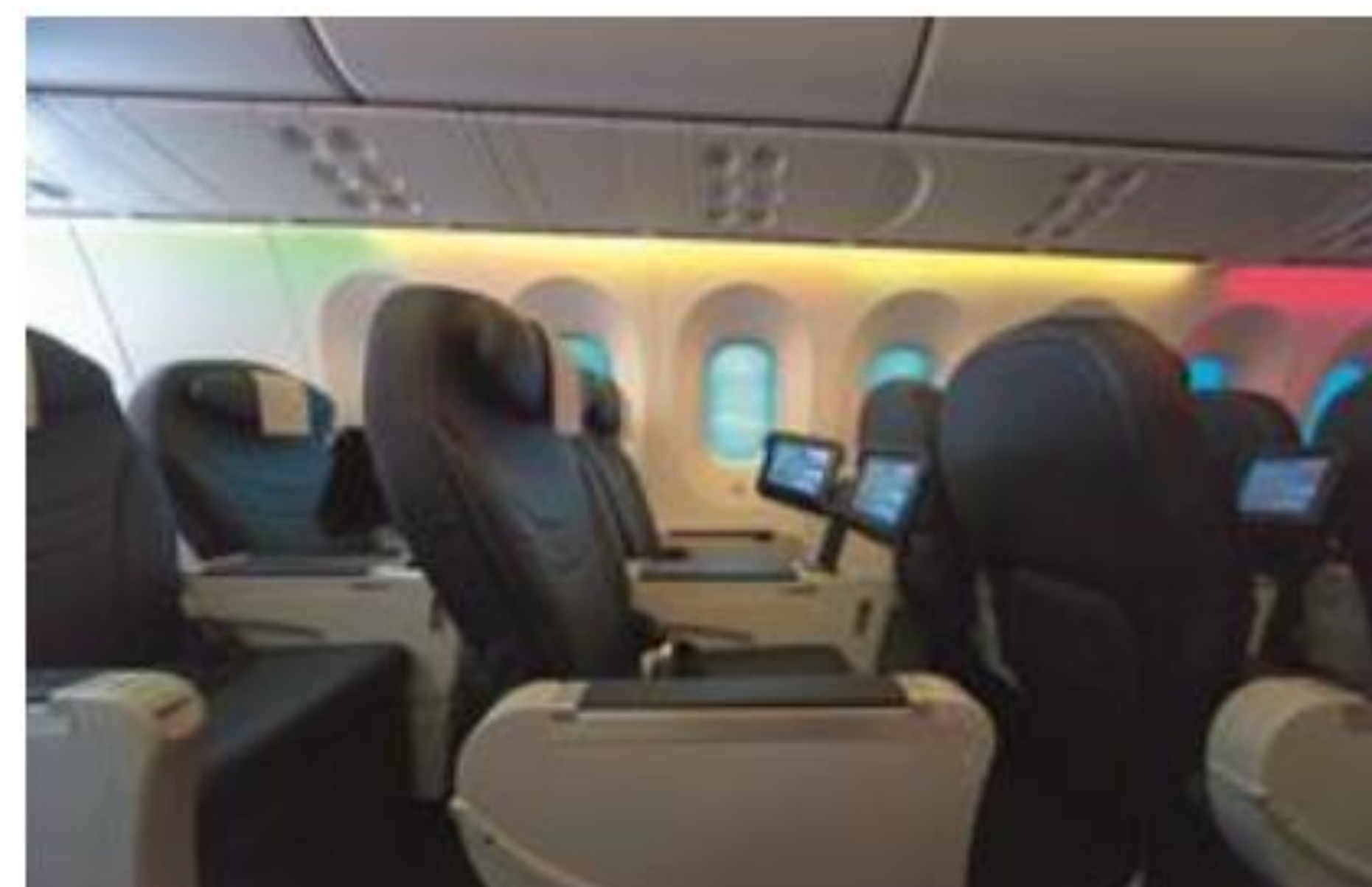
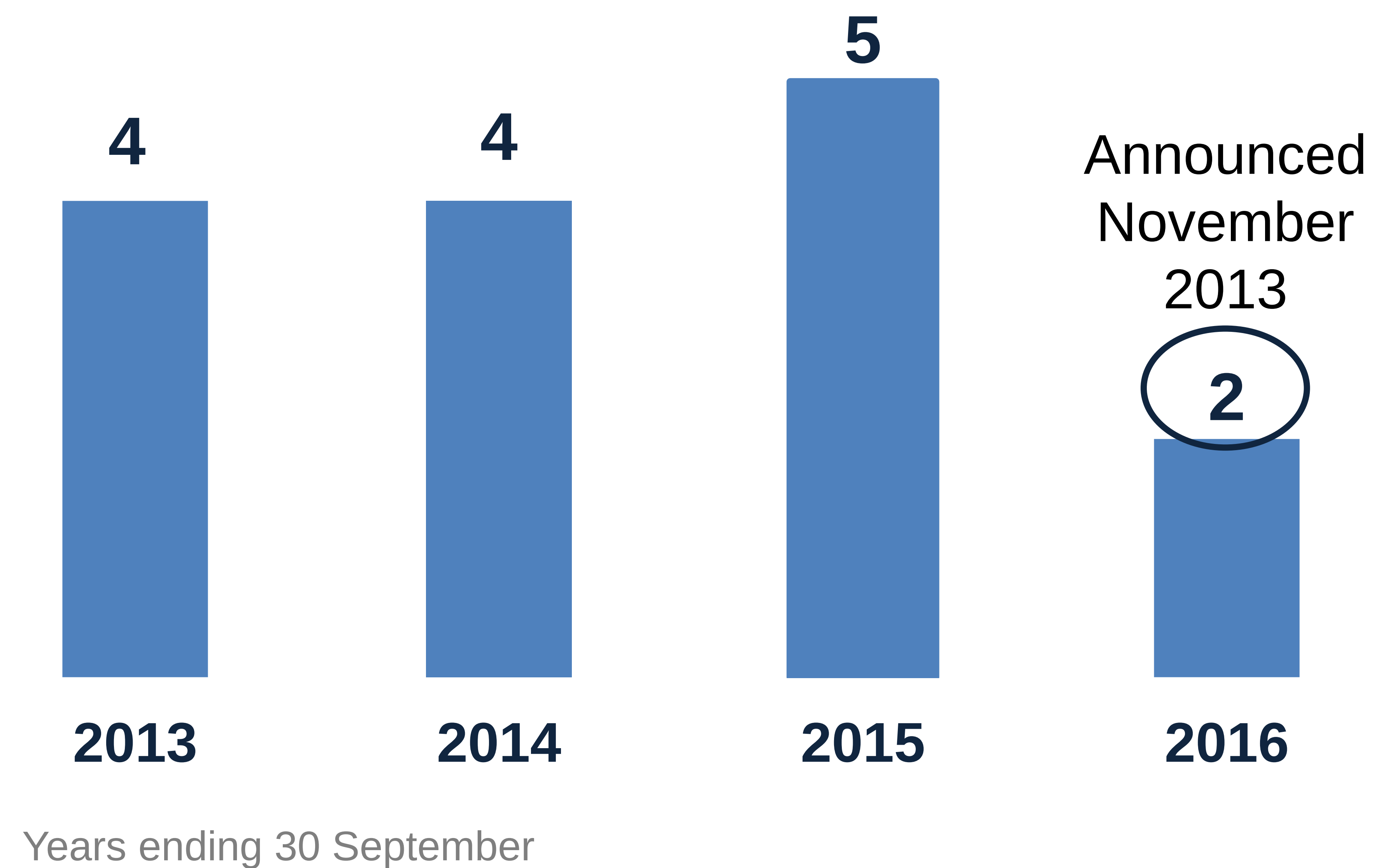


- **Short Haul** – now all B737NGs (700s and 800s)
- **B737-MAX** - 60 aircraft ordered for delivery from 2018 with options and right to purchase a further 90 aircraft
- **Long Haul** – moving to B787-8s
- Strongly positioned with a young fleet compared to other leisure airlines
 - **Average age of B737-800 fleet - 5.5 years**
- Average age will reduce further with delivery of B737-MAXs from 2018

Continuing to invest in aircraft to establish a more modern, flexible and efficient fleet

Delivering Mainstream Growth – B787-8 deliveries

B787-8 Deliveries : 15 aircraft



We are the only integrated tour operator with the 787

- Significant competitive advantage
- Supports unique holidays strategy
- Opens up new destinations
 - e.g. Thailand for UK
- Enhanced customer experience – exceptional feedback on B787s currently in operation
- Uses 20% less fuel than today's similarly sized aircraft
- Single set of standard operating procedures across engineering, maintenance and crew



Organic Specialist & Activity Growth

Peter Long

Specialist & Activity – Strategic Review Complete

- Large, **growing markets** exhibiting favourable demographic and consumer trends
- **Sector restructured and simplified**
- **Strong portfolio** of established Specialist & Activity businesses
- **Leadership positions**
- Unrivalled **product knowledge** and **superb customer experiences**
- Excellent **customer satisfaction**

Well
positioned
to
grow

Specialist & Activity – Business Model Overview

Tour Operator

UK & North American specialists

Marine



Experiential

Jets

Polar cruising

Adventure



**Two core
business
models**

Specialist & Activity – Case study : Marine

Current Position

- Global **market leader** in yacht charter
- **Strong brands**  
- High level of **customer satisfaction** and **repeat bookings**
- **Unique** product (catamarans)
- Superb **locations**

Roadmap for Growth

- **Re-shaping fleet** in favour of unique catamarans and larger mono-hulls
- Improving control of **pricing, distribution and occupancy**, deliver 100% direct distribution
- **Digitally enhanced** customer experience
- Restructuring bases and head office to **reduce operating costs**

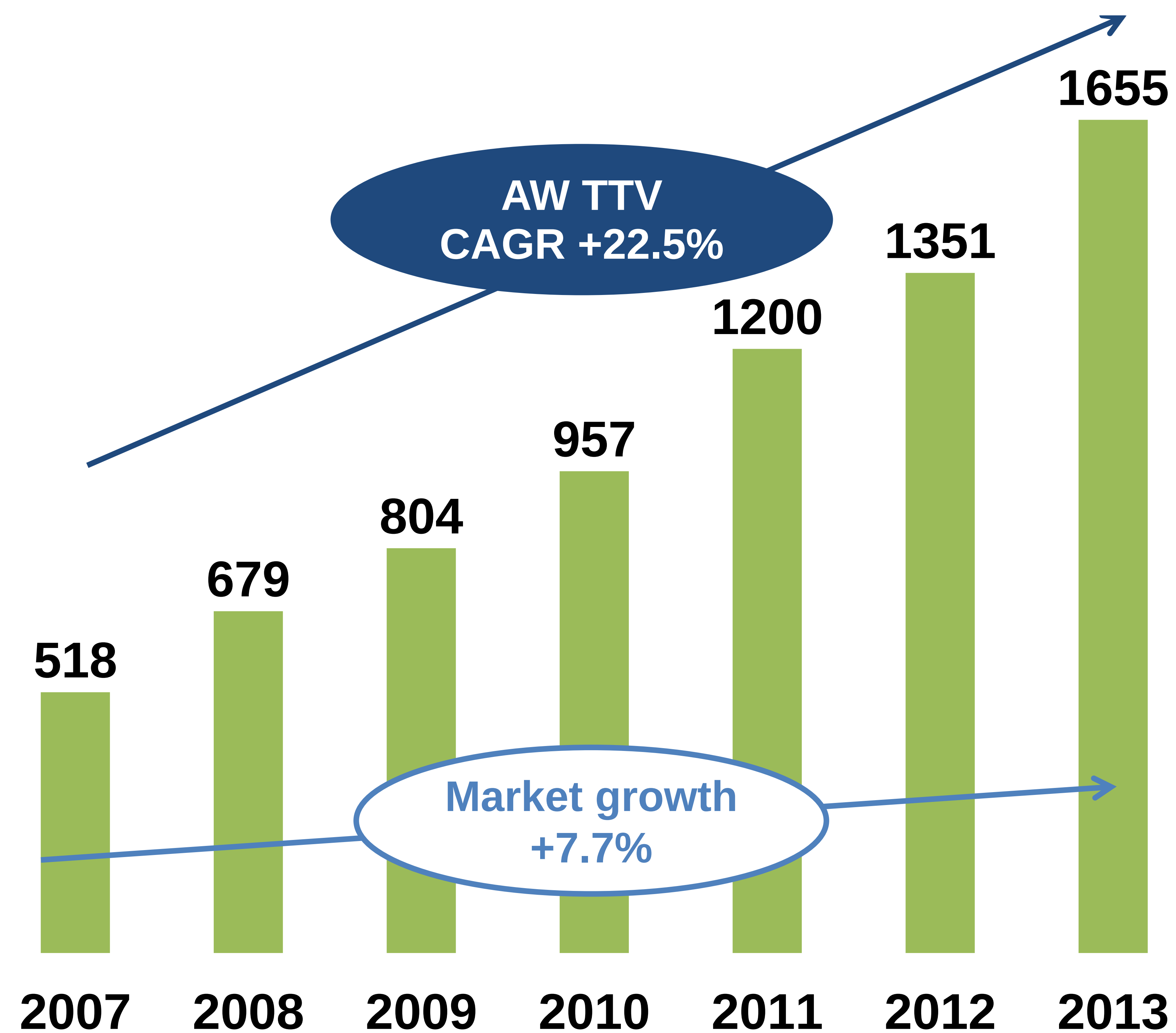
Repositioned
to **grow**

Leveraging our Position in Accommodation Wholesaler

Peter Long



Accommodation Wholesaler – Continued Growth



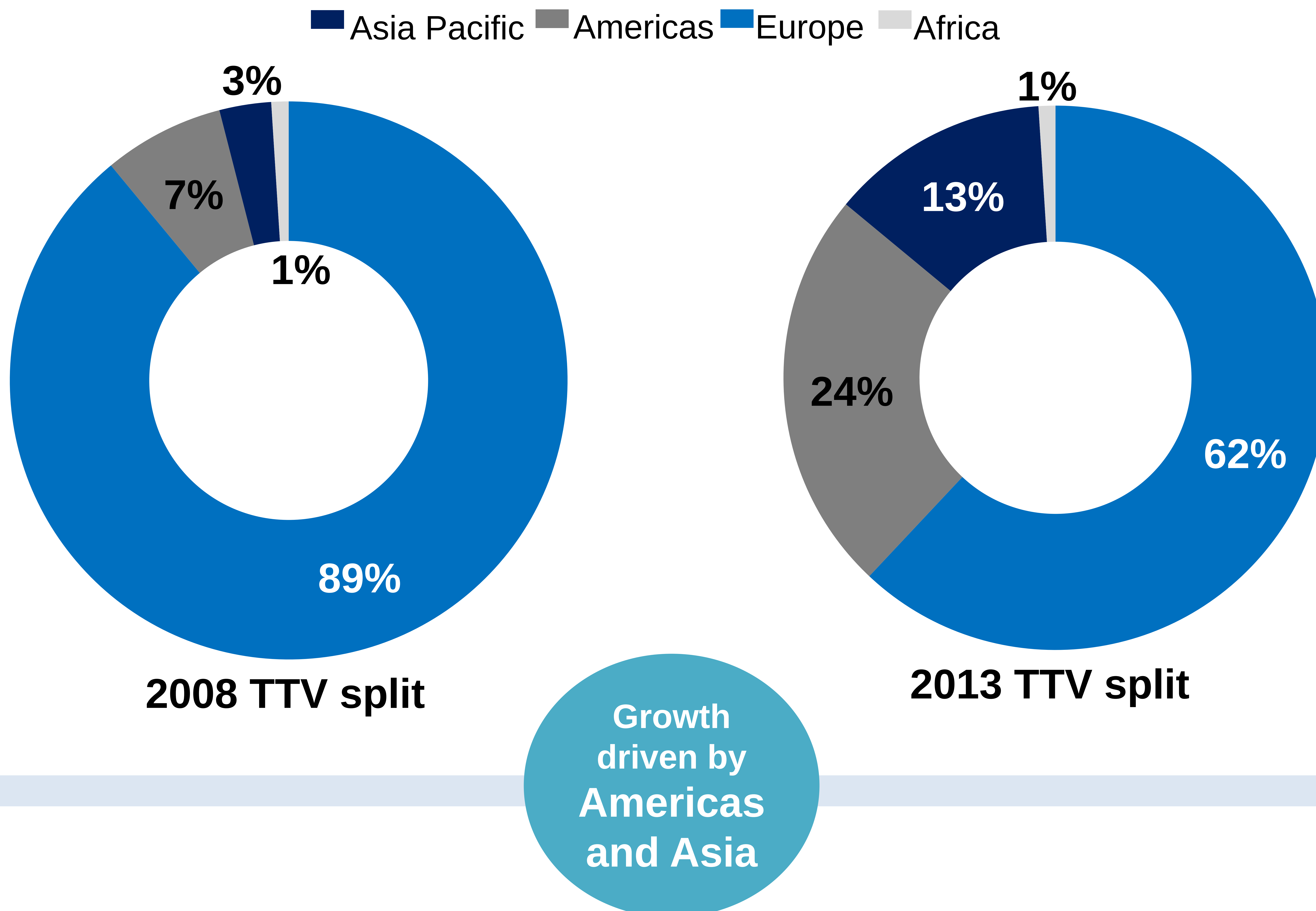
19.3m
roomnights in
2013, up 16%

62,000
hotels, up
16%

Significantly
out-
performing
the market

Market
leading
scale

Accommodation Wholesaler – Global Growth



Accommodation Wholesaler – Roadmap for Growth

CONTENT

Continued expansion in
Asia & South America

Develop **African** markets

Targeted growth in
Europe and **N. America**

CUSTOMERS

Increase share of
business with **existing**
customers

Acquire **new** OTA and
Airline customers

OPERATIONAL EFFICIENCY

One platform

Shared finance &
operational centres

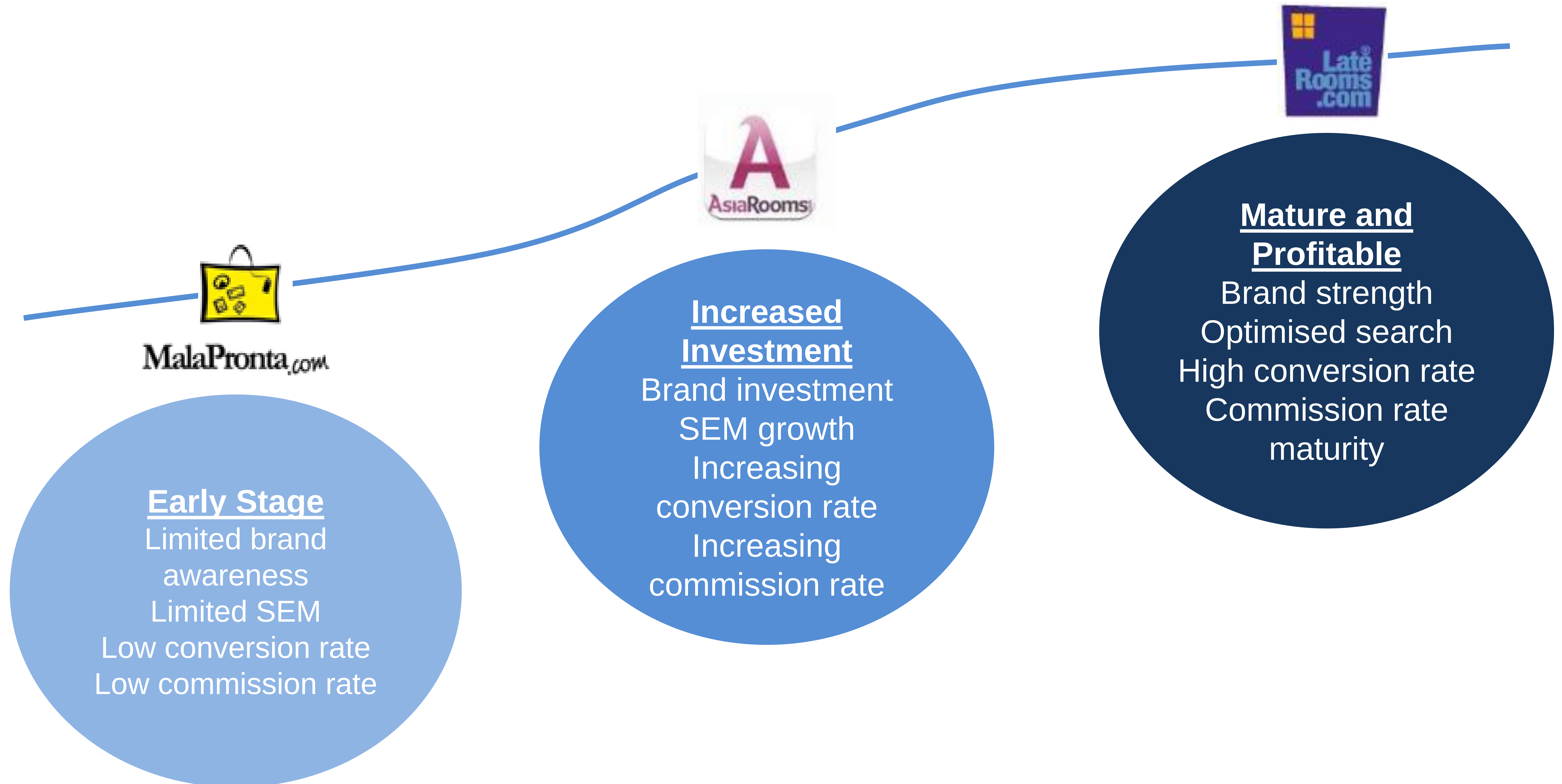
Targeting
continued
EBITA
growth of
15-20%pa

Investing in Accommodation OTA

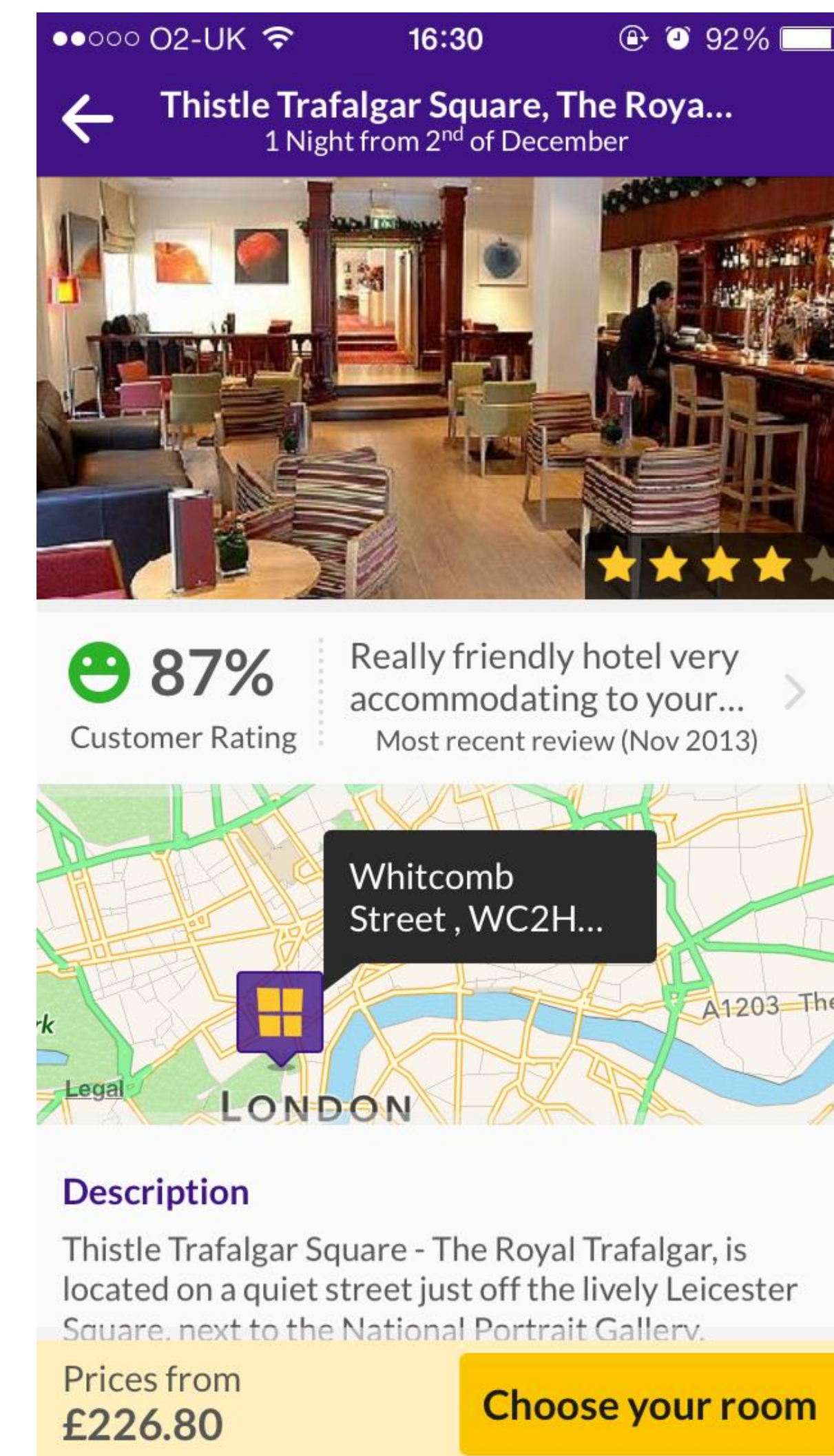
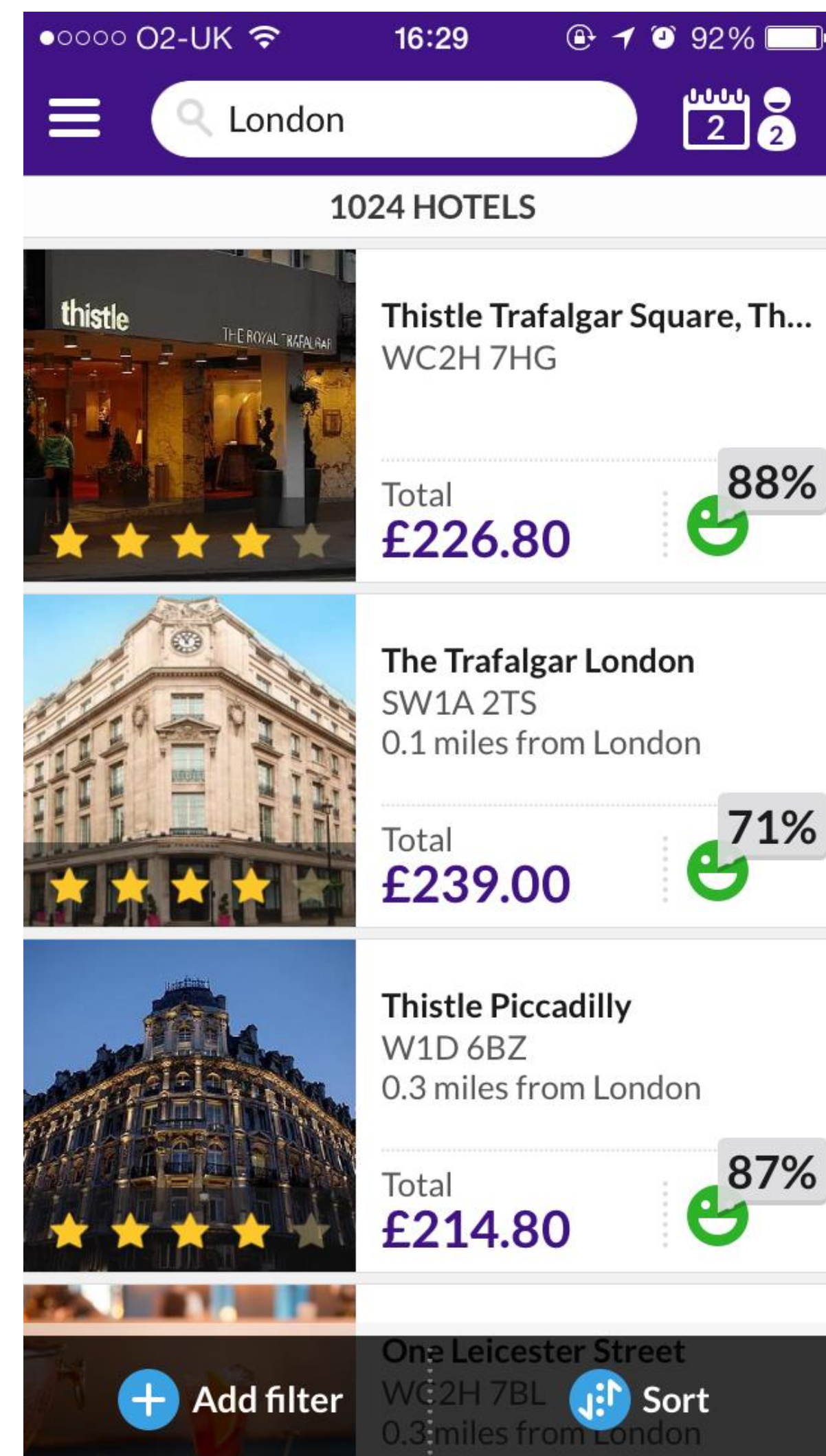
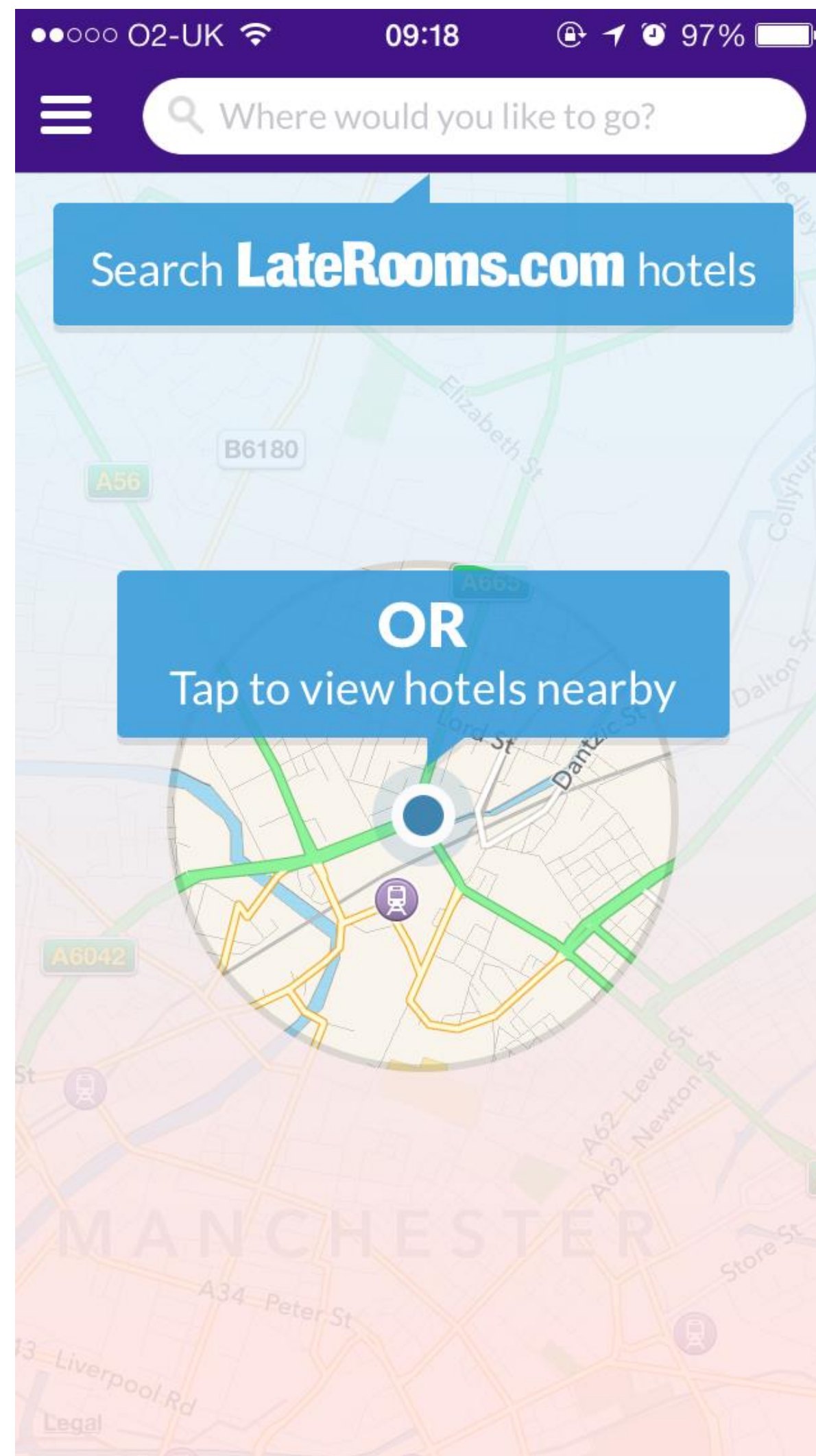
Peter Long



Accommodation OTA – Current Position



Accommodation OTA – Strategic Highlights



- New platform in place
- Mobile-optimised websites delivered
- App upgrades continually made
- Consolidation of back office functions

Building on
our strong
LateRooms
brand

Expanding
in Asia and
Brazil

Growth Roadmap Update

Will Waggott



Sensatori, Tenerife

Growth Roadmap Update

- 2012 results presentation – targeted 7-10% per annum growth in underlying operating profit at constant currency
- **2013 – have delivered 13% growth**, driven by outperformance in Mainstream and Accommodation Wholesaler
- Building on this, we **remain confident** that we will deliver **consistently** on our five year annualised growth target of between **7% to 10%** underlying operating profit growth*

Well
positioned
to
grow

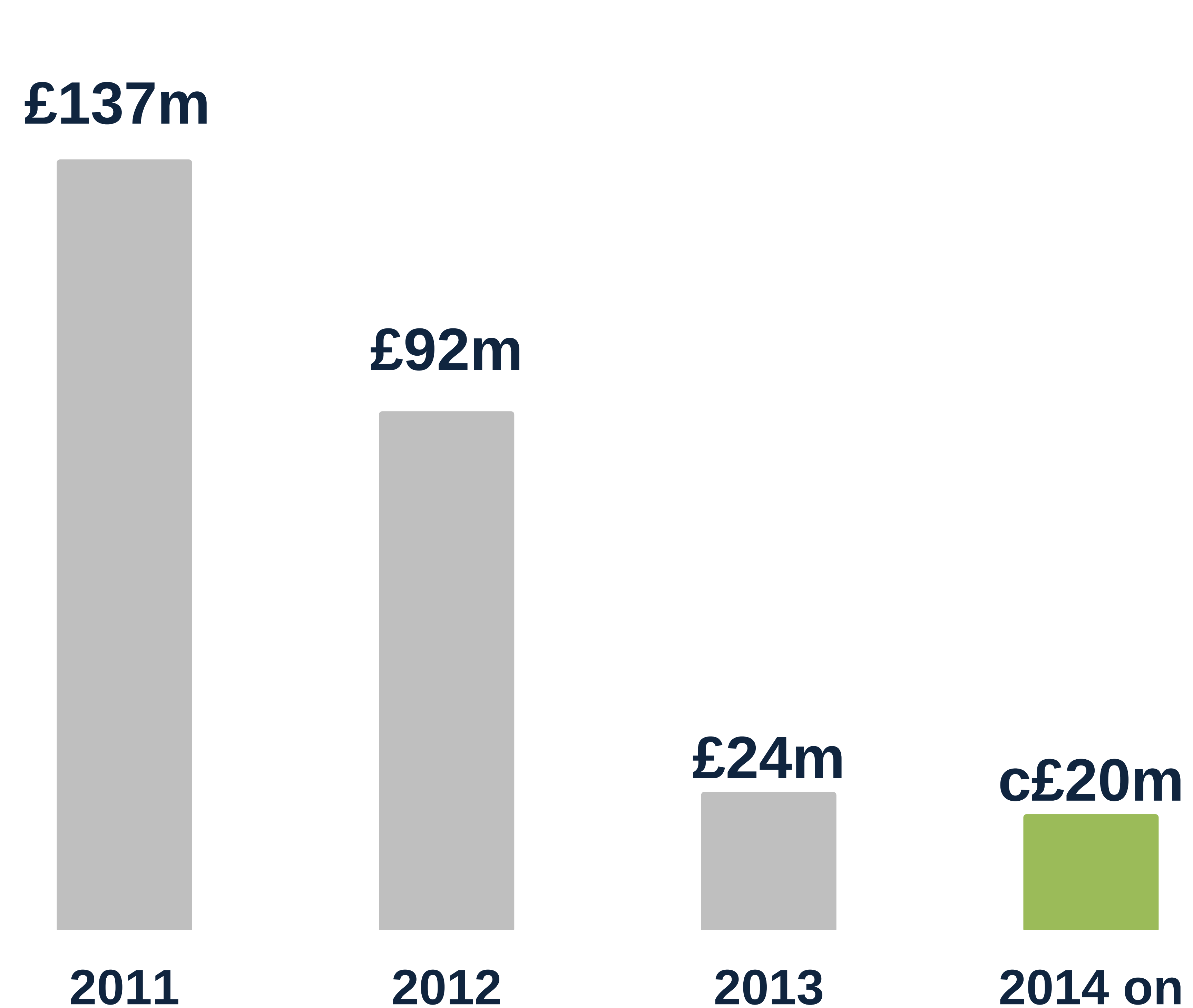
Growth Roadmap Update – Leveraging our Scale

- Business improvement programme will largely be complete by the end of next year
- Target already met on Mainstream overheads : <5% in 2013, expected to fall further as a % of sales as we hold overheads in absolute terms
- Our drive to improve efficiency does not stop here
- **One Organisation**
 - One Mainstream already in place and yielding tangible benefits
- **Single set of processes**
 - Moving from multiple online & back-end platforms to **one core platform**

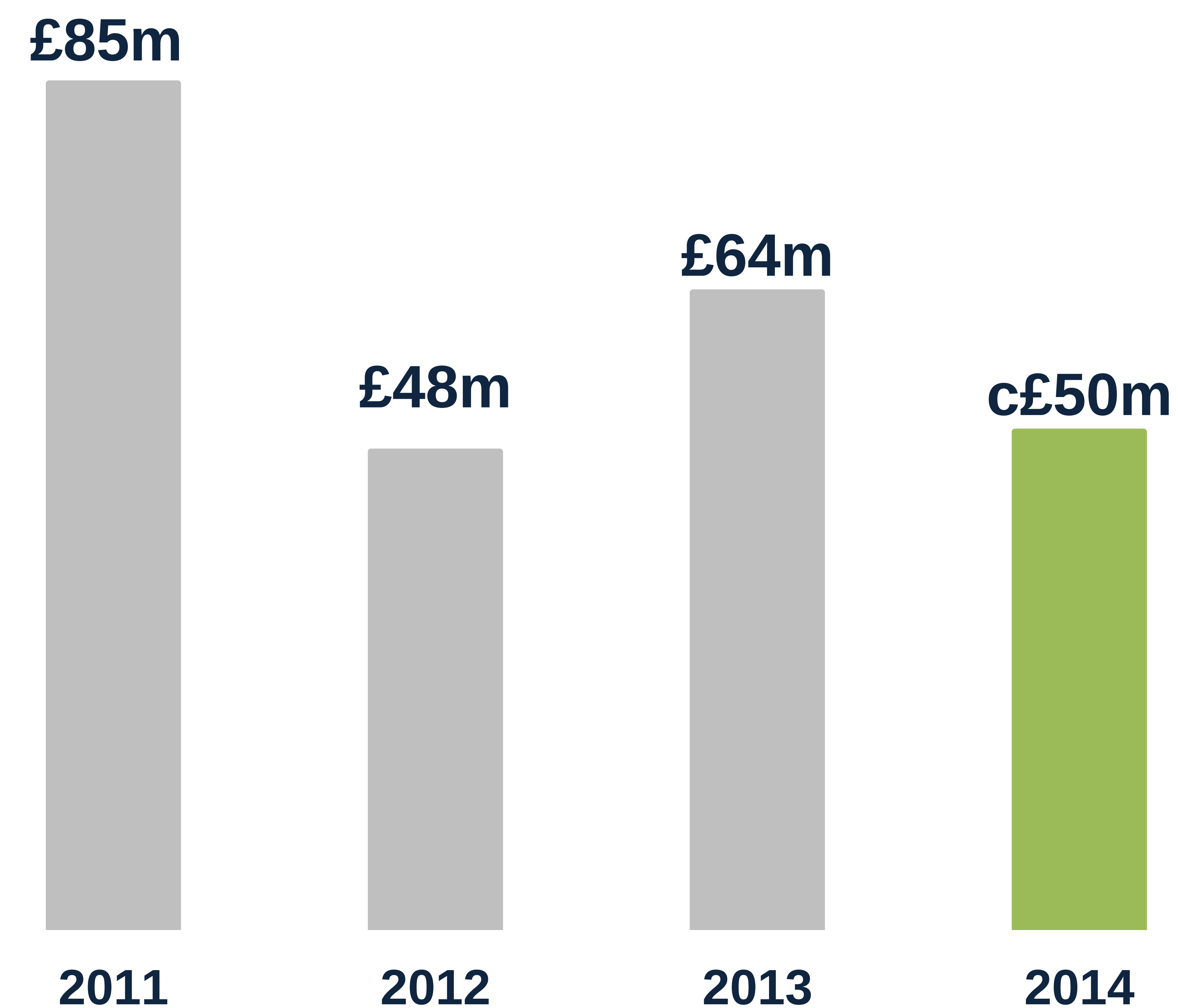
Continually
improving
efficiency

Growth Roadmap Update – SDIs

P&L SDIs



Cash SDIs



Growth Roadmap Update – Cash

Target – 70% conversion of underlying PBT to Free Cashflow

Capex

Capex in relation to Mainstream platform replacement and upgrading our digital capability

Dividend

Progressive dividend policy

Acquisitions

Invest in Accommodation Wholesaler
Focus on new high growth markets

Summary

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Puravida/Thomson Family Blue Lagoon Village, Kos

Summary

Roadmap for Growth

- Unique content – created by us – only available from us
- Significant online presence - £4bn of revenue
- Customer focused digital strategy
- Modern, efficient aircraft fleet
- Specialist & Activity positioned for growth
- Accommodation Wholesaler – global growth

The Strategy is Working

- Strong earnings growth & returns
- Strong cash generation resulting in increased shareholder value
- Flexible & resilient business model
- Remain confident in 5 year growth roadmap

**Structurally
well
positioned
to
outperform**

Q&A

Uniqueness of content

69%
of
Mainstream
holidays

At our
most
successful:
94%*

Scale

Direct distribution

£4bn of
online
revenue

12%
growth in
Mainstream
online
holiday
bookings

A robust business that will outperform the market

* 94% of Thomson holidays were unique in Summer 2013

Appendix

Delivering Mainstream Growth

Unique Holiday Mix by Key Source Market

	2012		2013		2017 Target	
	Unique	Commodity	Unique	Commodity	Unique	Commodity
UK	79%	21%	83%	17%	85%	15%
Nordics	92%	8%	93%	7%	97%	3%
Germany	47%	53%	51%	49%	66%	34%
France Tour Operators	74%	26%	81%	19%	89%	11%
Total Mainstream	65%	35%	69%	31%	76%	24%

Delivering Mainstream Growth

Distribution Mix by Key Source Market

	2012		2013		2017 Target	
	Direct / Online	Third Party	Direct / Online	Third Party	Direct / Online	Third Party
UK	87% / 44%	13%	89% / 47%	11%	95% / 60%	5%
Nordics	87% / 65%	13%	89% / 67%	11%	93% / 79%	7%
Germany	34% / 4%	66%	36% / 8%	64%	66% / 25%	34%
France Tour Operators	59% / 21%	41%	56% / 18%	44%	66% / 35%	34%
Total Mainstream	65% / 33%	35%	66% / 35%	34%	81% / 50%	19%

Balance Sheet

£m	30 Sept 2013	30 Sept 2012	Movement
Intangible assets	4,384	4,482	-98
Property, plant & equipment	1,238	1,096	+142
Investments	315	343	-28
Net cash / (debt)	147	(108)	+255
Net employee benefits	(661)	(648)	-13
Prepayments	742	688	+54
Client money received in advance	(1,768)	(1,669)	-99
Other net liabilities	(2,906)	(2,575)	-331
Net assets	1,491	1,609	-118

Sources of Debt Finance

£m	2014	2013	Status at 30 Sept 2013	Rate
Revolving credit facilities (excluding letters of credit facility)	1,120	1,120	Undrawn	<2% margin on average above LIBOR
Convertible bond 1	350	350	Fully drawn	6.0%
Convertible bond 2	400	400	Fully drawn	4.9%
Asset financing	c.420	367	Fully utilised	Various
Total*	c.2,290	2,237		

* Excludes £300m bank syndicated facility announced in July 2013, which expires April 2016; Convertible bond 1 matures 5 October 2014 at the latest

Leverage Ratios

£m	2013	2012
EBITDA	791	642
Operating rentals (excluding SDIs)	560	560
Adjusted operating profit	1,351	1,202
Debt related interest costs	97	87
Operating rentals (excluding SDIs)	560	560
Fixed charges	657	647
Net (cash) / debt	(147)	108
Fixed charges cover	2.1x	1.9x
Net debt to EBITDA	n/a	0.2x

Separately Disclosed Items

£m	2013	2012	Explanation for key items
Restructuring	54	102	£25m in France for the on going restructure of the tour operator and airline (including £19m in the final quarter for a voluntary redundancy programme); £18m in Specialist & Activity; £7m in Accommodation & Destinations
Pension	(25)	-	Credit relates to closure of defined benefit scheme in Netherlands and transfer of existing scheme assets and liabilities to an external company
Other	(5)	(10)	£18m credit in relation to aircraft; £13m litigation provision with respect to Spanish tax settlement
Total SDIs	24	92	

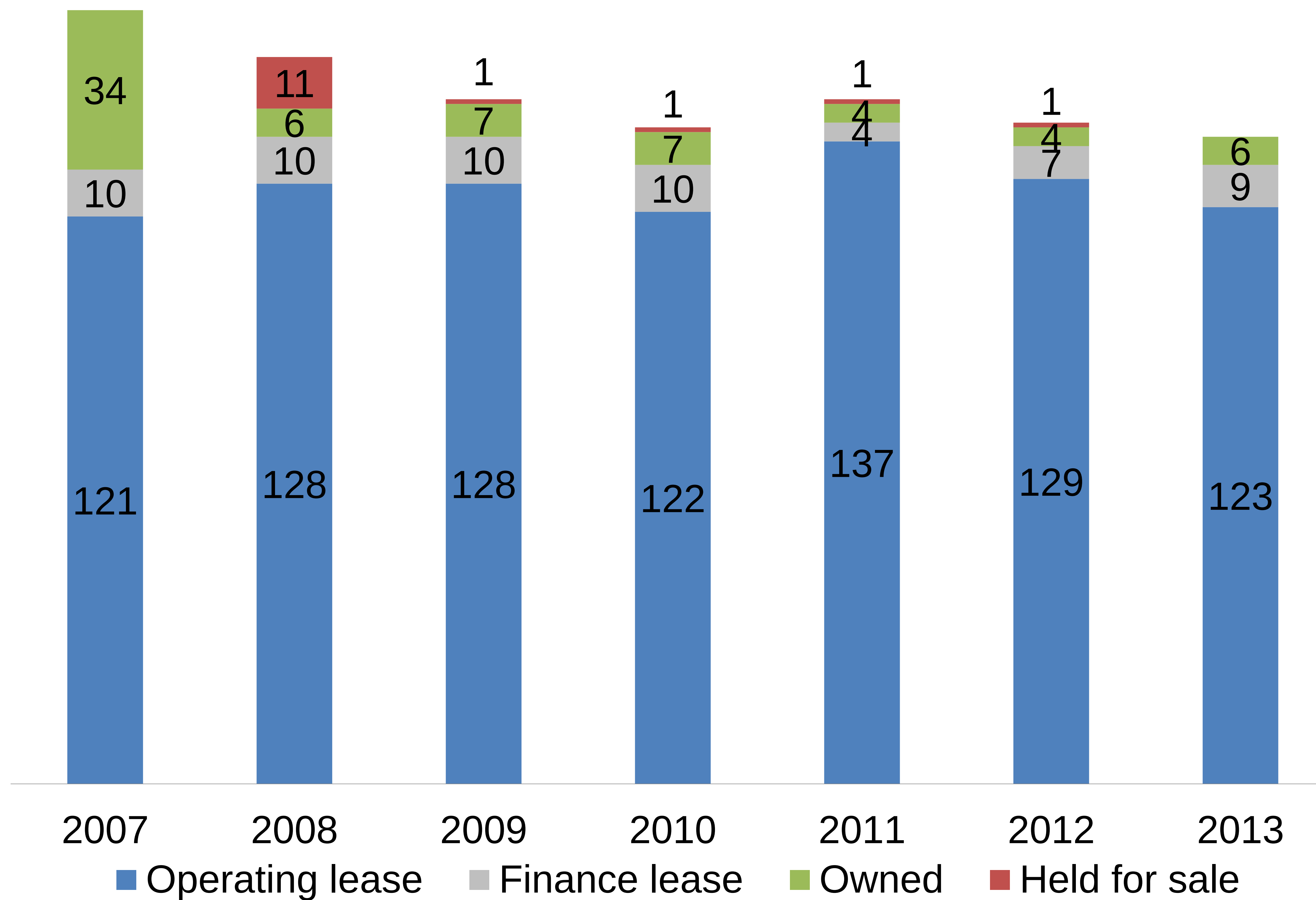
Aircraft

Committed aircraft entries & possible aircraft exits – next 3 years

Aircraft order book & run off	2014	2015	2016	Total
B737-800	5	5	-	10
B787-8	4	5	2	11
Planned order book deliveries 2014-2016	9	10	2	21
Aircraft lease expiry	(18)	(27)	(14)	(59)
Net	(9)	(17)	(12)	(38)

Aircraft – Fleet Profile and Movements

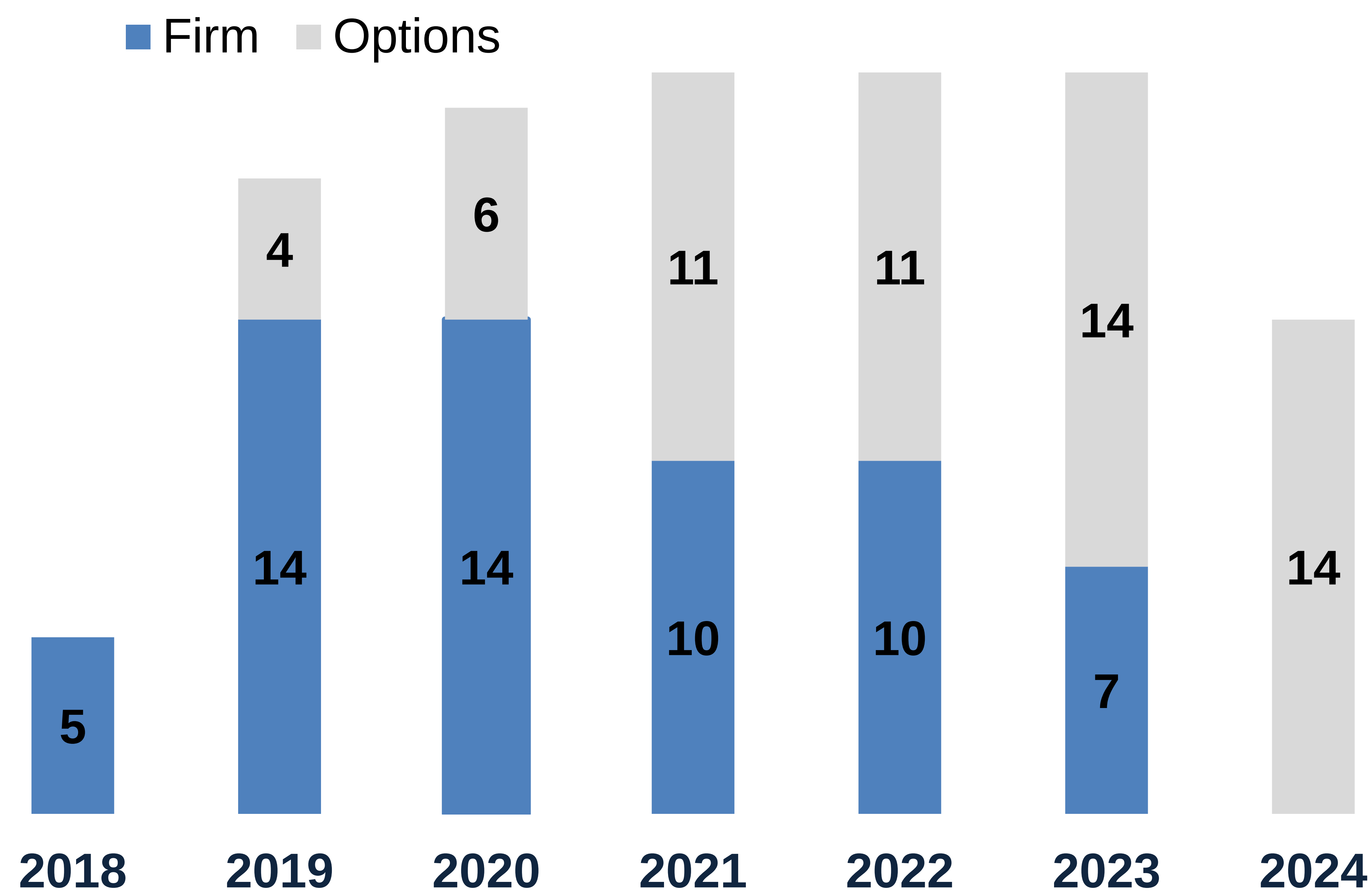
Fleet profile at 30 September 2013



Operating leases	
Returned to lessor	(19)
Reclassified from finance leases	n/a
Sales and leaseback	+9
External Lessor Deliveries	+4
Movement	(6)

Aircraft – B737-MAX order

B737-MAX Deliveries



Years ending 30 September

- Shareholder approval obtained July 2013
- Initial order 60 aircraft plus
 - option to acquire up to 60 further aircraft
 - purchase rights on a further 30 aircraft
- Well positioned to replace existing narrow-bodied fleet and grow capacity in line with growing customer demand
- Lower per seat costs than current generation products
- Results in significant reduction in the average fleet age of the narrow-bodied fleet