Thomas Cook Group

Interim Results

20 May 2015




Agenda

1 Highlights
Peter Fankhauser | Group CEO

2 Financial results and current trading

3 Progress against plan

4 Outlook

A new Thomas Cook Airbus A321-200

Highlights

Substantially improved performance in the first half

Seasonal loss from operations reduced by 22%, while like-for-like revenue increased

Summer trading is encouraging

UK and Airlines Germany are trading particularly well

Good progress in executing our strategy

Own-brand (concept) hotels developing well, to be accelerated through Fosun agreement

New, extended £800 million financing facility secured

Helping make our capital structure more efficient, reduce interest costs and increase flexibility

Dividend to be reinstated in respect of FY16 earnings

As a result of improving bottom-line profitability

Note: All comparisons on a like-for-like basis

Agenda

1 Highlights

2 Financial results and current trading

Michael Healy| Group CFO

3 Progress against plan

4 Outlook

Sunwing Kallithea Beach, Rhodes

Financial overview – continued improvement

Underlying EBIT improved by £18m

Loss from operations improved by £66m

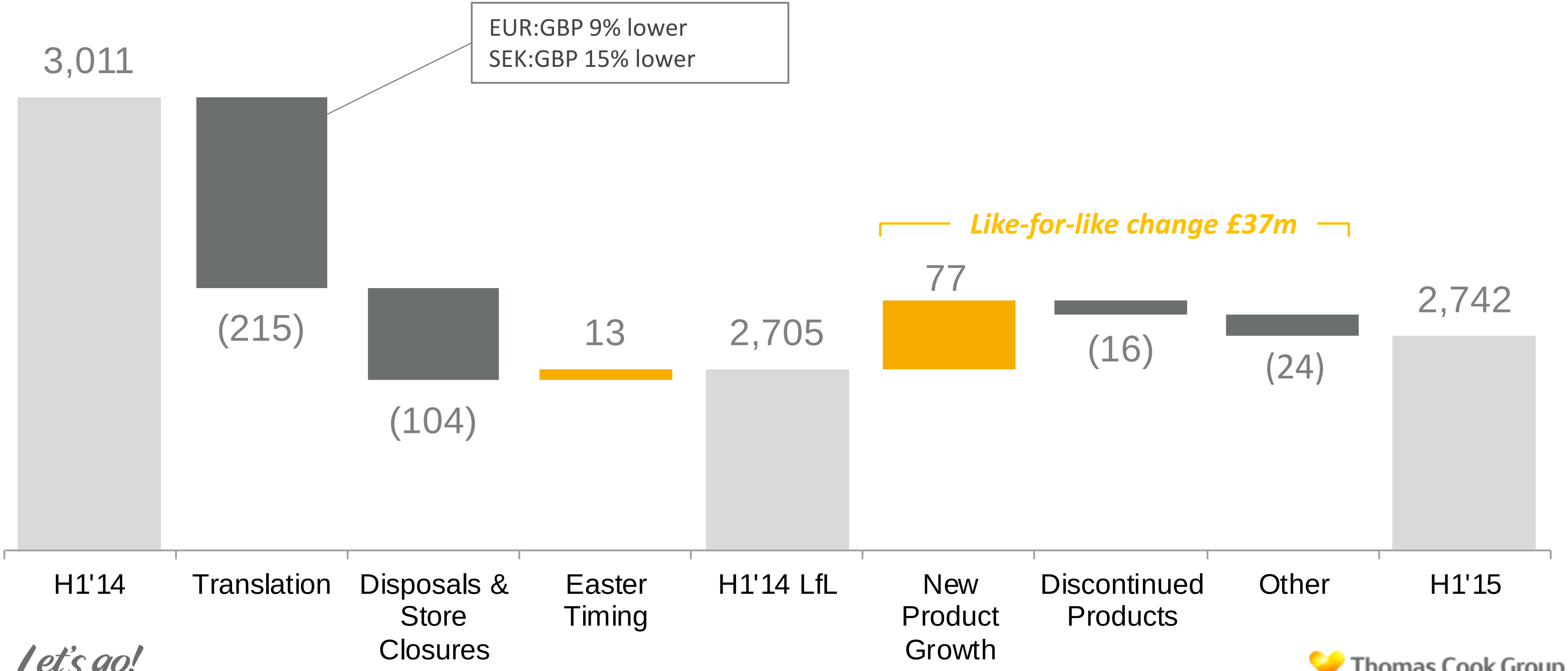
Like-for-like revenue growth of £37m (1.2%)

£m	H1'15	H1'14	Change	Like for like Change
Revenue	2,742	3,011	(269)	37
Gross Margin	21.3%	21.7%	(0.4)%	0.0%
Underlying EBIT	(173)	(187)	14	18
EBIT margin (LTM)	4.1%	3.0%	1.1%	1.4%
Loss from operations (EBIT)	(220)	(283)	63	66
Net Debt (at 31 March)	(700)	(811)	111	37

Group revenue bridge

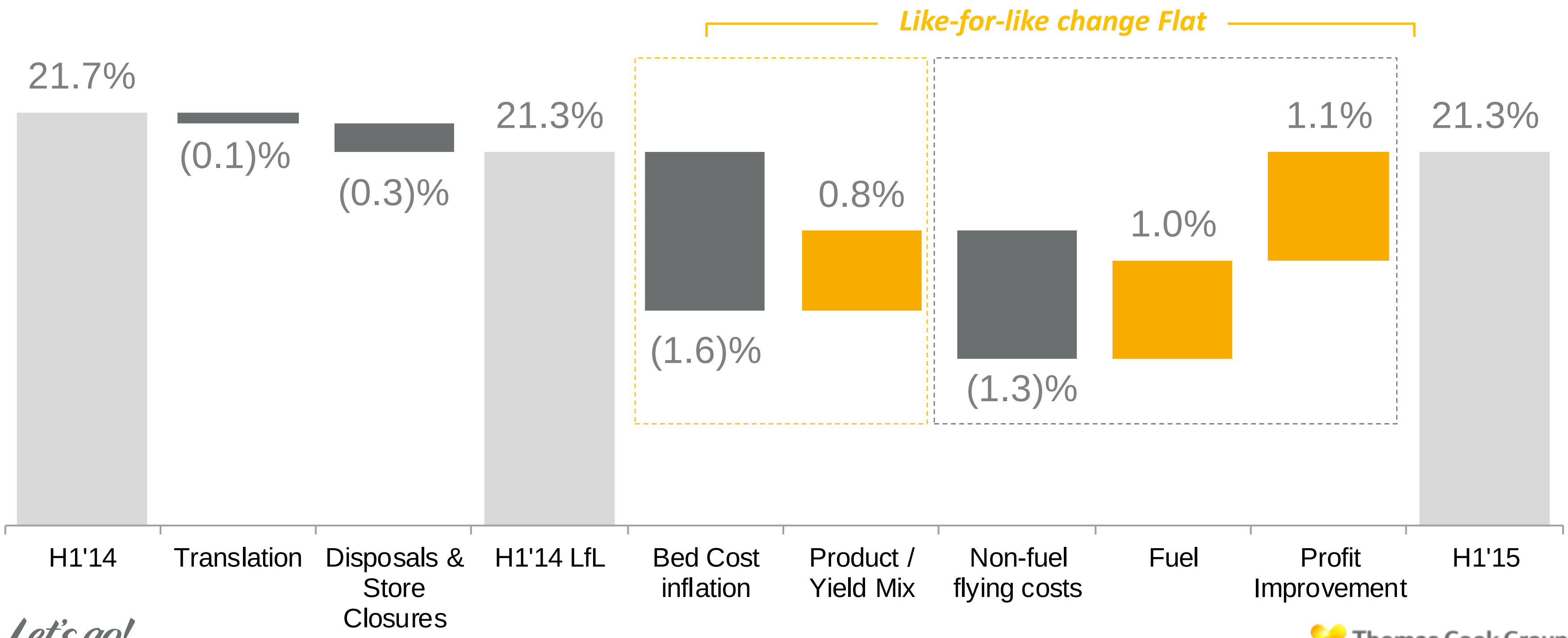
Like for like revenue grew £37m (1.2%) through increased new product sales

£m



Gross Margin bridge

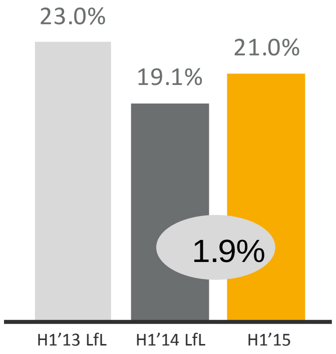
Gross margin maintained at last year's level



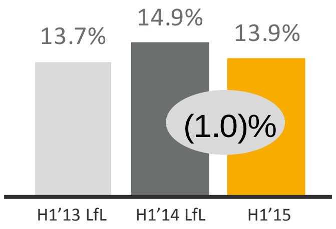
Gross Margin by business

Strong UK performance offset by weaker margins in Germany

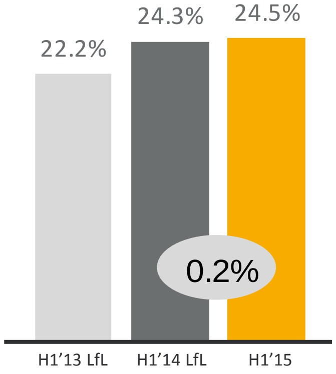
UK



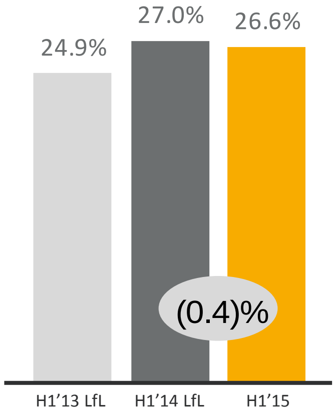
Continental Europe



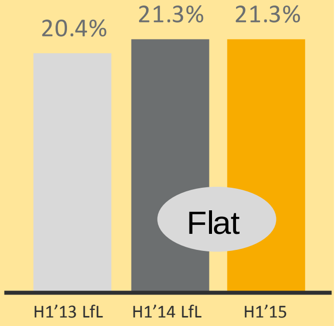
Northern Europe



Airlines Germany



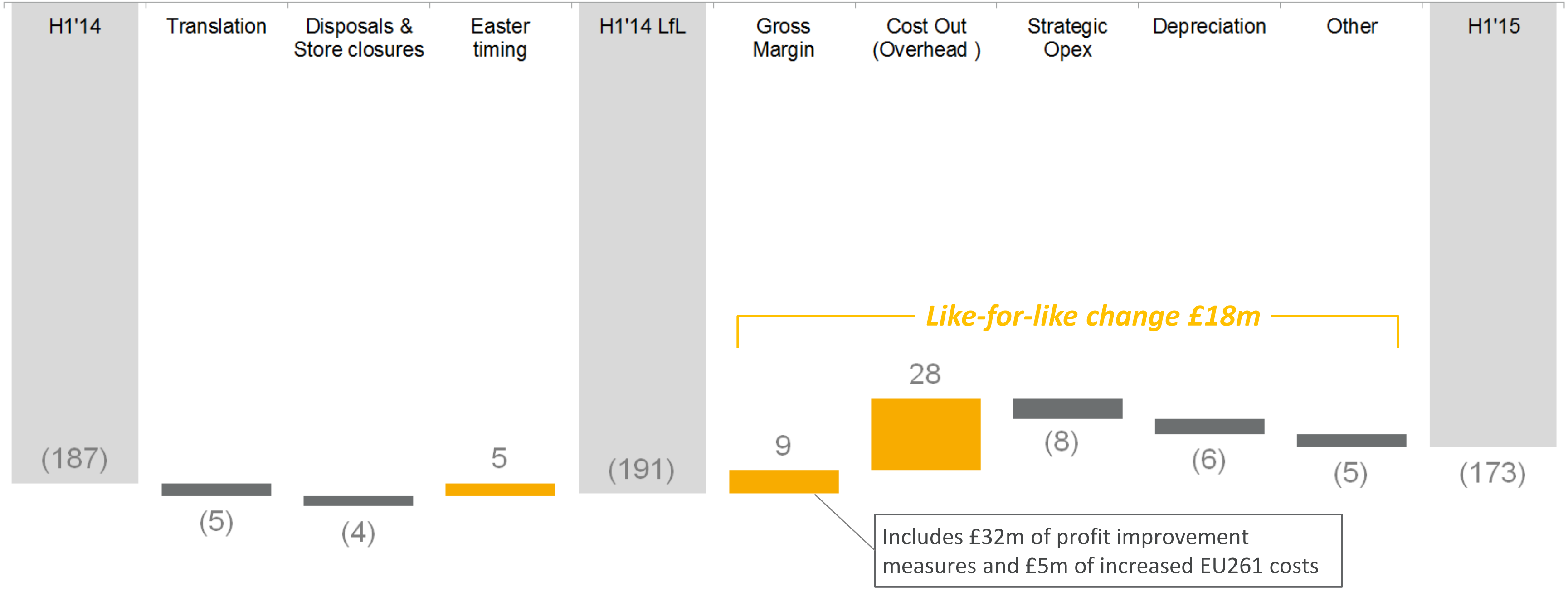
Group



Group EBIT bridge

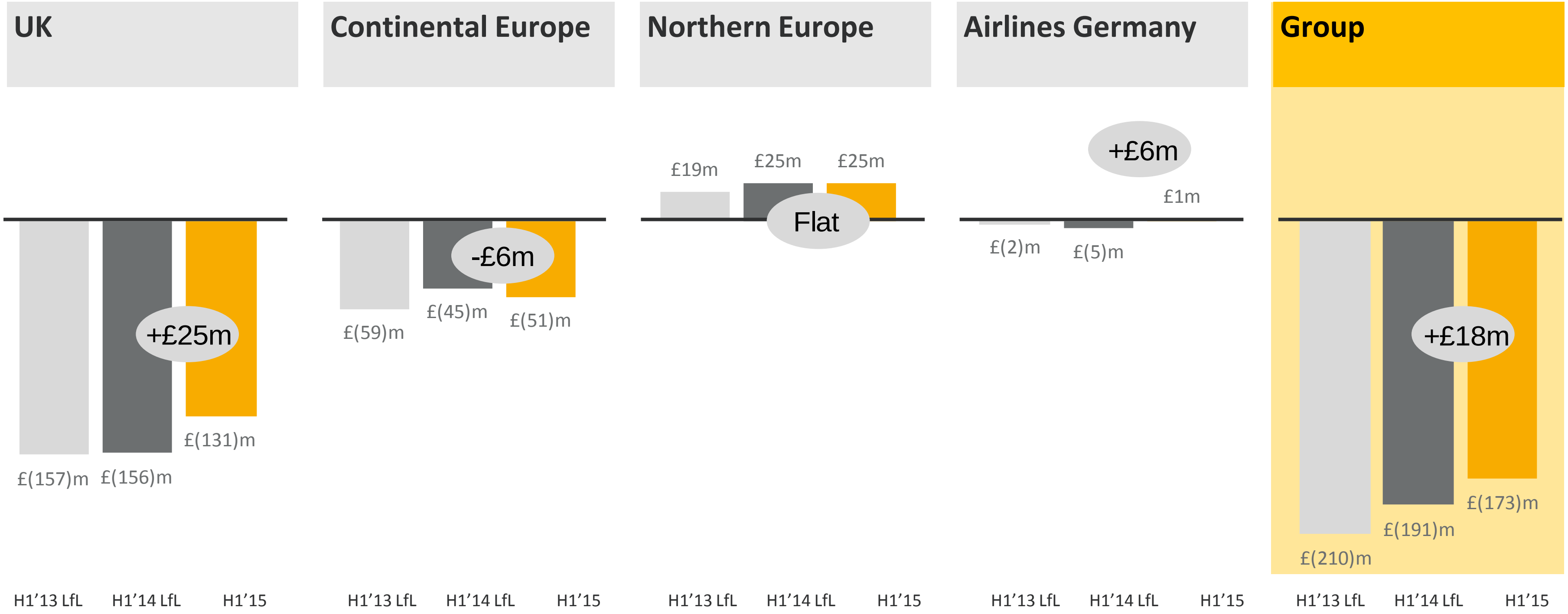
Like-for-like EBIT improvement of £18m

£m



EBIT by business

Like-for-like EBIT improvement of £18m mainly due to stronger performance in the UK



Note: Group includes corporate EBIT of £(17)m (H1'15), £(10)m H1'14 and £(11)m H1'13

Group cash flow

Seasonal cash flow £10m better than last year excluding disposal proceeds

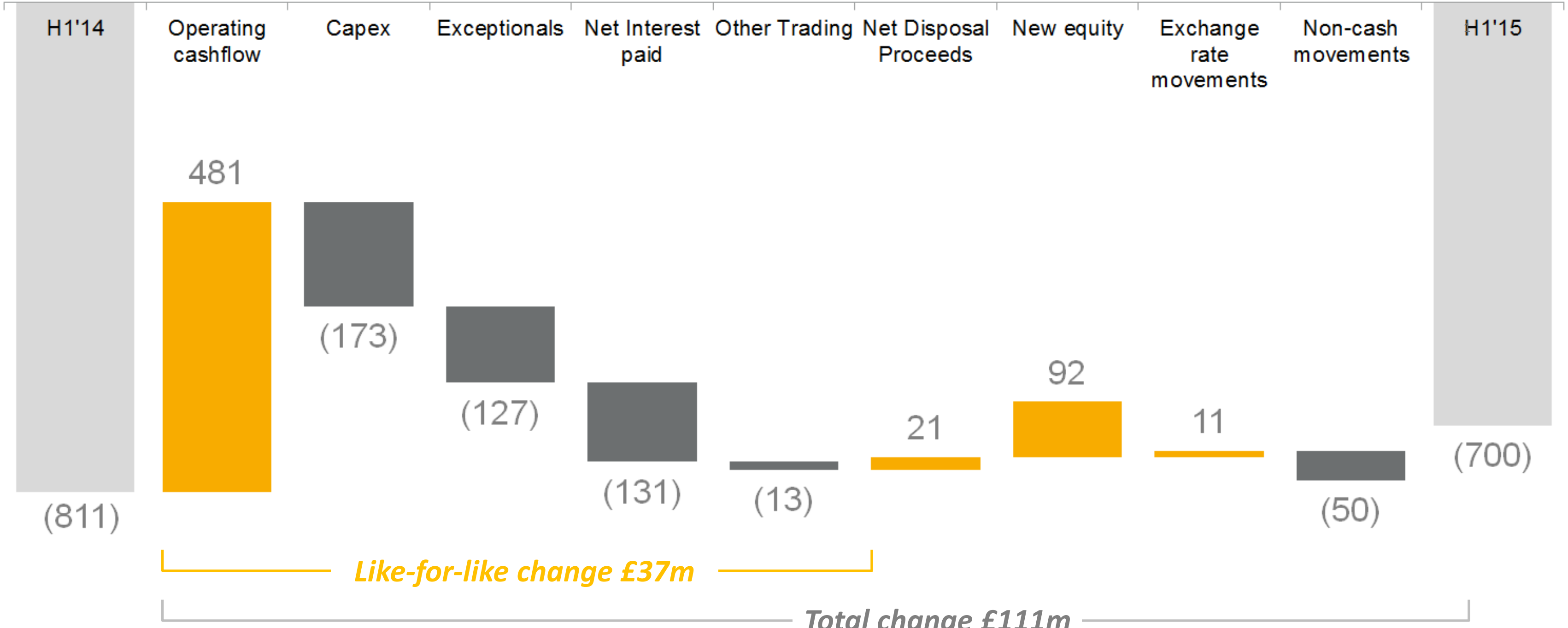
£m	H1 '15	H1 '14	Change
Underlying EBIT	(173)	(192)	19
Depreciation	85	84	1
EBITDA	**(88)**	**(108)**	**20**
Working Capital	(170)	(129)	(41)
Tax	(9)	(21)	12
Pensions & Other	(12)	(8)	(4)
Operating Cashflow	**(279)**	**(266)**	**(13)**
Exceptional Items[1]	(29)	32	(61)
Capital Expenditure	(83)	(83)	0
Aircraft Related Costs[2]	(6)	(35)	29
Net Interest Paid	(40)	(40)	0
Free Cash flow	**(437)**	**(392)**	**(45)**

1 Includes net proceeds from disposals of £19m in H1'15 and £74m in H1'14
2 Aircraft related costs reflect maintenance cash flow relating to aircraft financed under operating leases which would otherwise be treated as capital expenditure if financed under finance leases

Net debt

Net debt reduction of £111m; like for like reduction of £37m

£m



[1] Non-cash movements (£50)m - £26m relates to Finance Lease extensions and £24m relates to amortisation of fees and Fair Value adjustments to debt

New financing facilities

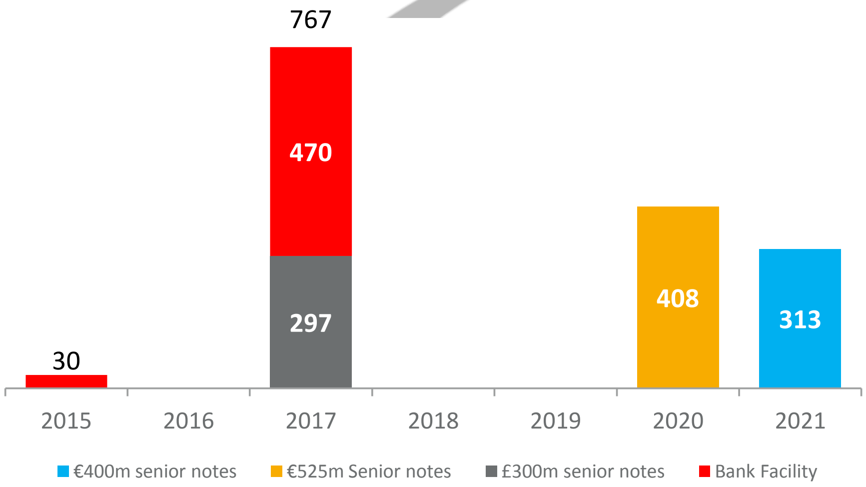
New facilities improves financial flexibility

- Signed new £800 million facility, including RCF and bonding facilities
- Substantially oversubscribed during syndication, attracting several new financial institutions
- Replaces our previous facility which provided £470 million of facilities until May 2017
- New facility runs to May 2019, providing enhanced liquidity throughout the next stage of our transformation
- Helps to make our capital structure more efficient, reduce interest costs and increase financial flexibility

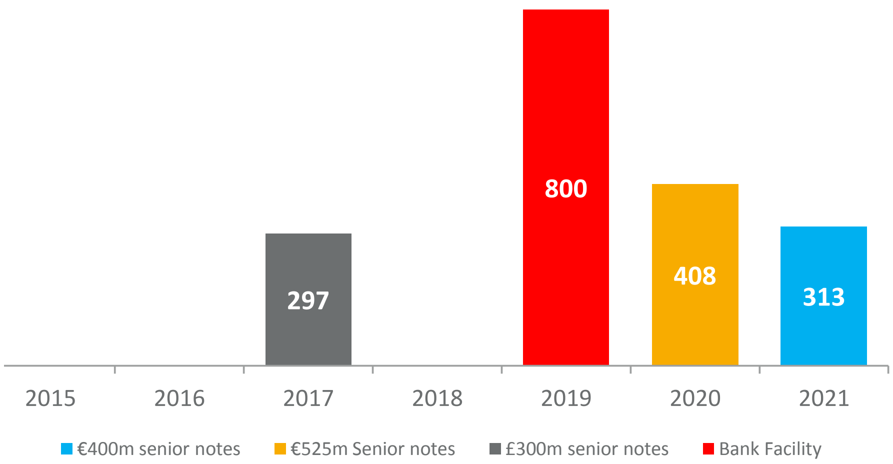
New debt and facility maturity profile

Increased and extended financial facilities

Maturity profile – Pre transaction



Maturity profile – Post transaction



Progress towards our FY15 targets and KPIs

		Actual				Target
		FY 12	FY 13	FY 14	H1 15	FY 15
Targets	New Product Revenue	-	£94m	£280m	£357m	> £700m
	Web Penetration[1]	34%	36%	38%	38%	> 50%
	Cost out / Profit Improvement (run-rate)	£60m	£194m	£400m	£460m	> £500m
KPIs	Sales CAGR[1]	-	-	(2.1%)	1.2%	> 3.5%[2]
	Underlying Gross Margin Improvement[3]	-	0.8%	1.5%	1.4%	> 1.5%
	UK underlying EBIT Margin[3]	0.1%	2.2%	3.5%	4.5%	> 5%
	Cash Conversion[4]	11%	51%	62%	43%	> 70%

Notes:
1. Measured on a last 12 months (LTM) departed basis
2. Compound annual growth rate from FY13 to FY15 including new product revenue
3. Underlying gross margin, adjusted for disposals and shop closures to make all periods from FY12 - FY15 like-for-like
4. Cash conversion ratio is defined as free cash flow after exceptional items and before capex as a % of EBITDA

Current trading – Summer 15

UK

- **Bookings:** **+3%**
- **ASP:** **-1%**

Continental Europe

- **Bookings:** **-4%**
- **ASP:** **Flat**

Northern Europe

- **Bookings:** **-4%**
- **ASP:** **Flat**

Airlines Germany

- **Bookings:** **+9%**
- **ASP:** **Flat**

Agenda

Sunwing Ocean Beach Club, Makrigialos, Crete

A reminder of our strategic objectives

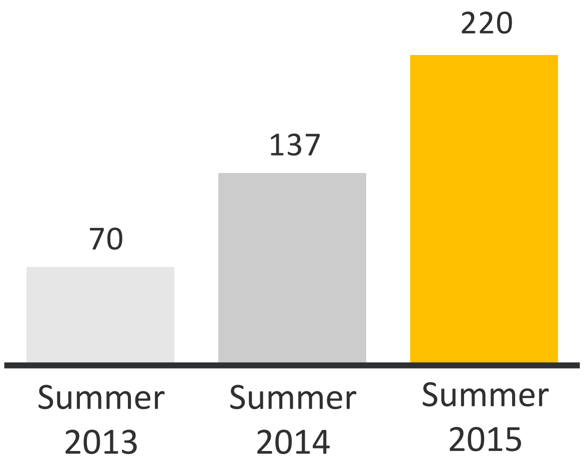
Develop our holiday offering	• Expand our differentiated and flexible holidays
Best utilise our assets and capacity	• Invest in, and make best use of, our own-brand hotels and aircraft
Enhance our omni channel proposition	• Build closer relationships with our customers through technology
Generate operating efficiencies	• Implement our New Operating Model

Enter partnerships **Strengthen our culture** **Improve our capital structure**

Develop our holiday offering

Expand our differentiated and flexible holidays

Number of own-brand hotels



Year-to-date own brand bookings

W14/15 **+30%**

S15 **+33%**

Own-brand hotel portfolio

SUNWING FAMILY RESORTS

SUNPRIME HOTELS

SunConnect RESORTS

SENTIDO HOTELS & RESORTS

smartline

Develop our holiday offering

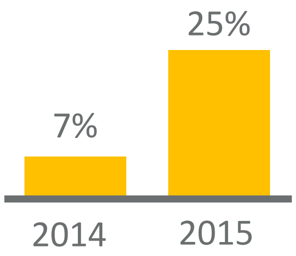
Expand our differentiated and flexible holidays

Leveraging the Group's scale to expand differentiated holidays

- More volume into less hotels
- Better hotel utilisation
- Deeper relationships with hoteliers
- More exclusivities
- More competitively resilient revenues

Ensuring we aggregate volume from the source markets

Partnership hotels sold in more than 1 market



Expanding in specialist growth areas

- **Luxury:** Signature
  - Signature re-launched in UK
  - YTD sales +15%
- **Long-haul:**
  - Capacity + 8%
  - Revenue + 12%

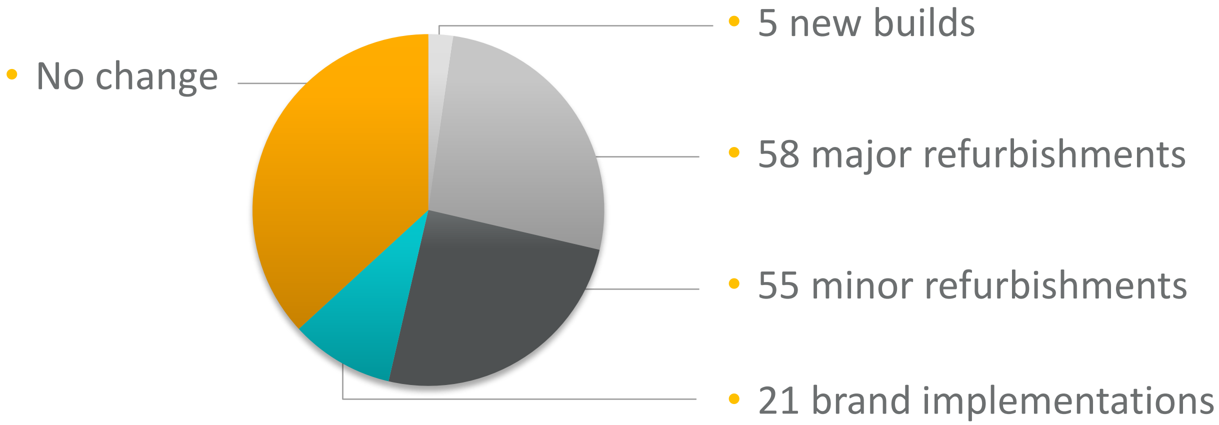
Best utilise our assets and capacity

Invest in, and make best use of, our own-brand hotels and aircraft

Out of 220 own-brand hotels, in Winter 14/15:

- Almost 2/3 underwent alterations or refurbishments
- Over 1/4 were major refurbishments or new builds

220 own-brand hotels



Best utilise our assets and capacity

Invest in, and make best use of, our own-brand hotels and aircraft

Refurbishment case study

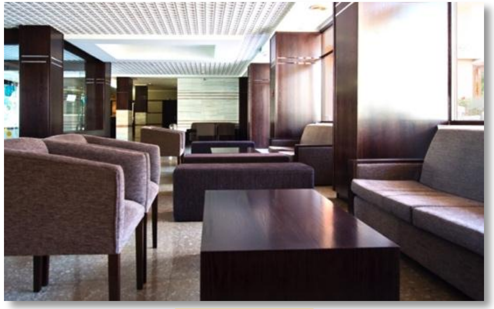
- 23 leased 3-star hotels that were in need of refurbishment
- **Thomas Cook de-risked revenues** by handing back 13 to lessor
- Remaining 10 high-potential properties in good beachfront locations
- **Co-funded €12m investment programme** in exchange for discounted lease rates
- Renovated to TC brand standards (upgraded to 4*) and brought into own-brand hotel programme

> 1,500 newly renovated rooms in 4* hotels available, on time & on budget, for Summer 15

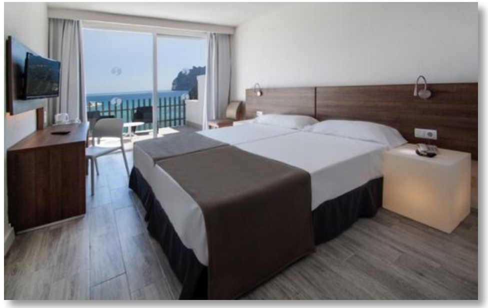
Best utilise our assets and capacity

Invest in, and make best use of, our own-brand hotels and aircraft

Before refurbish-ment



After refurbish-ment



Sentido Don Pedro, Majorca

Sunconnect Los Delfines, Minorca

Smartline Lancaster, Majorca

Best utilise our assets and capacity

Invest in, and make best use of, our own-brand hotels and aircraft

Airlines customer focus

25 new aircraft

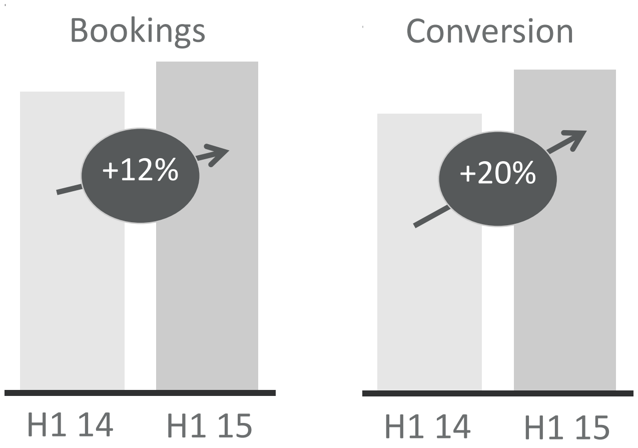
£100m investment in passenger comfort

53 new cabin interiors so far

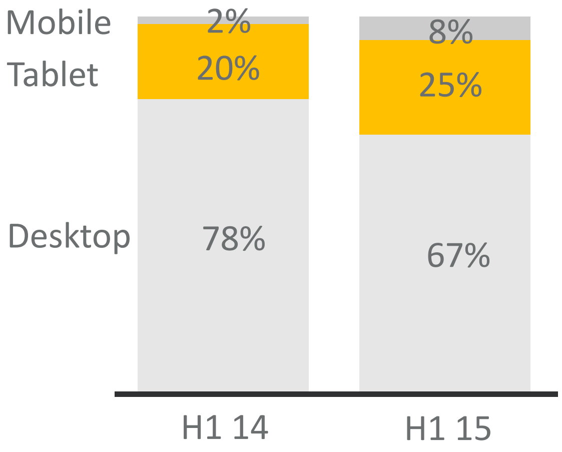
Enhance our omni channel proposition

Build closer relationships with our customers through technology

OneWeb performance



Share of bookings, by device type



Customer relationship opportunity in mobile

Bookings on mobile and tablet devices up 65% in H1 15

Note: Figures are for package bookings on thomascook.com

Enhance our omni channel proposition

Build closer relationships with our customers through technology

Digital “companion app” – gateway to your holiday

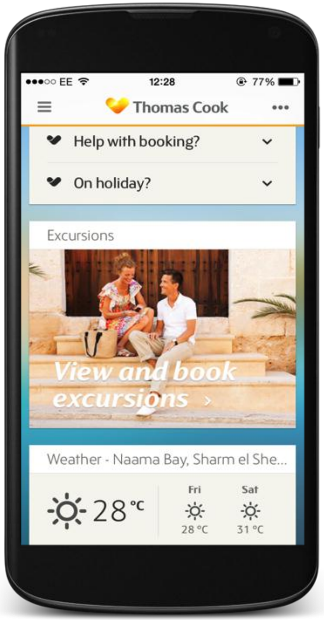
Access my booking

Balance payments

Holiday info

Tax free shopping

Book excursions



Virtual reality hotel tours

All reps have tablets

Helping them to resolve complaints, in destination, efficiently and quickly

Generate operating efficiencies

Implement our New Operating Model

Cost Out & profit improvement

- Further £60m of benefits delivered in H1
- Total now £460m on track to exceed target £500 million by end of FY15

New Operating Model

- The New Operating Model is the next phase of transformation, to move TC towards a single, integrated tour operator. It aims to:
  - Structure our business along 3 product lines: differentiated, specialist, commodity
  - Harmonise our processes
  - Deliver an organisational structure based on horizontal platforms
  - Simplify our IT-structure
  - Lower our cost base
- Includes Wave 2 initiatives – following re-evaluation, **we believe we can achieve £180 million risk-weighted benefits for approximately £100 million over 3 years**

Enter partnerships: Fosun

Thomas Cook Group

FOSUN 复星

Hotel investment platform

- Finalising model to build portfolio of hotel investments across key destinations
- Initial 30 hotels identified

China JV

- Key terms agreed – JV to be operational in the autumn, scale in medium term
- Appointed key management, JV entity being established

Club Med

- Evaluating in detail collaboration opportunities between the two companies in all common source markets

Agenda

Outlook

Focus on differentiated and flexible holidays is generating more demand for our products

Serving our customers better through technology

Operating efficiencies will deliver further benefits

More efficient capital structure

We expect to resume dividend payments in 2016

Q&A

Let's go!

Group income statement – 6 months ended March

£m	H1'15	H1'14 LfL	H1'13 LfL	H1'15 vs. H1'14 LfL
Revenue	2,742	2,705	2,807	37
Gross Profit	585	576	573	9
Overheads	(758)	(767)	(783)	9
EBIT	**(173)**	**(191)**	**(210)**	**18**
Separately disclosed items & other	(51)	(106)	(121)	55
Net Finance costs	(79)	(70)	(73)	(9)
Loss before Tax	**(303)**	**(367)**	**(404)**	**64**

Revenue by business – 6 months ended March

£m	H1'15	H1'14	H1'14 LfL	Headline Growth %	H1'15 vs. H1'14 LfL
UK & Ireland	708	783	690	(10)%	3%
Continental Europe	1,113	1,250	1,149	(11)%	(3)%
Northern Europe	511	567	502	(10)%	2%
Airlines Germany	563	576	529	(2)%	6%
Corporate	(153)	(165)	(165)	7%	7%
Total Revenue	2,742	3,011	2,705	(9)%	1%

EBIT by business – 6 months ended March

£m	H1'15	H1'14	H1'14 LfL	Headline Growth %	H1'15 vs. H1'14 LfL
UK & Ireland	(131)	(154)	(156)	15%	16%
Continental Europe	(51)	(51)	(45)	0%	(13)%
Northern Europe	25	34	25	(26)%	0%
Airlines Germany	1	(6)	(5)	117%	120%
Corporate	(17)	(10)	(10)	(70)%	(70)%
Total EBIT	(173)	(187)	(191)	7%	9%

Separately disclosed items – 6 months ended March

	1H15			1H14		
£m	**Cash**	**Non-cash**	**Total**	**Cash**	**Non-cash[1]**	**Total**
Restructuring	(21)	(1)	(22)	(41)	(1)	(42)
Goodwill impairment	-	-	-	-	(41)	(41)
Onerous contracts	-	(18)	(18)	(8)	(7)	(15)
Amortisation of intangibles	-	(3)	(3)	-	(5)	(5)
Profit/loss on disposal of assets	-	(5)	(5)	-	-	-
Pensions/Other	1	-	1	-	7	7
EBIT related items	**(20)**	**(27)**	**(47)**	**(49)**	**(47)**	**(96)**
Profit from disposal of associate		7	7			
Finance related charges	-	(12)	(12)	-	(13)	(13)
Total	**(20)**	**(32)**	**(52)**	**(49)**	**(60)**	**(109)**

Reconciliation of ‘like for like’ to underlying numbers – 6 months to March

“Underlying” refers to trading results after adjusting for separately disclosed items shown on slide 26 that are significant in understanding the on-going results. *“Like for like”* reflects the comparison in the underlying results after removing identifiable non-recurring items in the prior year.

	Revenue			Gross Margin			EBIT		
	H1'15 %	H1'14 %	Change %	H1'15 %	H1'14 %	Change %	H1'15 £m	H1'14 £m	Change £m
Underlying	**2,742**	**3,011**	**(269)**	**21.3%**	**21.7%**	**(0.4)%**	**(173)**	**(187)**	**14**
Disposals/Store Closures		(93)	93		(0.1)%	0.1%		(4)	4
Accounting		(11)	11		(0.3)%	0.3%		0	0
Easter timing		13	(13)		0.1%	(0.1)%		5	(5)
Currency impact		(215)	215		(0.1)%	0.1%		(5)	5
Like-for-Like	**2,742**	**2,705**	**37**	**21.3%**	**21.3%**	**0.0%**	**(173)**	**(191)**	**18**

Group income statement – 12 months ended March

£m	H1'15 LTM	H1'14 LfL LTM	H1'13 LfL LTM	LTM vs. LfL
Revenue	8,319	8,321	8,389	(2)
Gross Profit	1,849	1,838	1,798	11
Overheads	(1,512)	(1,615)	(1,620)	103
EBIT	**337**	**223**	**178**	**114**
Separately disclosed items & other	(237)	(246)	(218)	9
Net Finance costs	(152)	(143)	(149)	(9)
Loss before Tax	**(52)**	**(166)**	**(189)**	**114**

Revenue by business – 12 months ended March

£m	H1'15 LTM	H1'14 LTM	H1'14 LfL LTM	Headline Growth %	LTM vs. LfL
UK & Ireland	2,511	2,854	2,620	(12)%	(4)%
Continental Europe	3,821	4,140	3,836	(8)%	0%
Northern Europe	1,097	1,204	1,067	(9)%	3%
Airlines Germany	1,286	1,316	1,210	(2)%	6%
Corporate	(396)	(412)	(412)	4%	4%
Total Revenue	8,319	9,102	8,321	(9)%	0%

EBIT by business – 12 months ended March

£m	H1'15	H1'14	H1'14 LfL	Headline Growth %	LTM vs. LfL
UK & Ireland	112	59	47	90%	138%
Continental Europe	103	88	86	17%	20%
Northern Europe	91	117	82	(22)%	11%
Airlines Germany	57	46	45	24%	27%
Corporate	(26)	(37)	(37)	30%	30%
Total EBIT	337	273	223	23%	51%

EBIT % by business – 12 months ended March

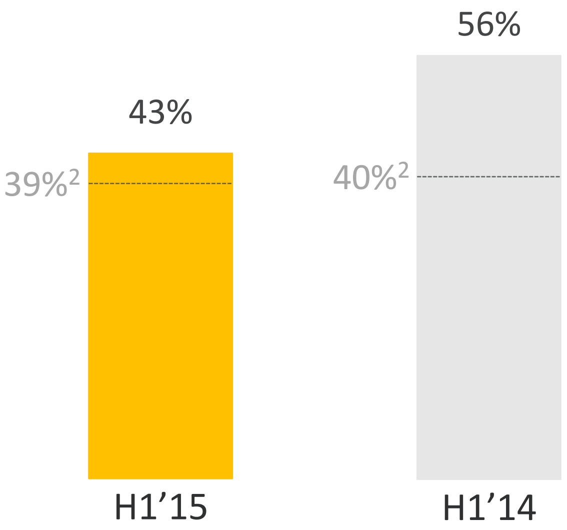
£m	H1'15	H1'14	H1'14 LfL	Headline Growth	LfL Growth
UK & Ireland	4.5%	2.1%	1.8%	2.4%	2.7%
Continental Europe	2.7%	2.1%	2.2%	0.6%	0.5%
Northern Europe	8.3%	9.7%	7.7%	(1.4)%	0.6%
Airlines Germany	4.4%	3.5%	3.7%	0.9%	0.7%
Corporate	6.6%	9.0%	9.0%	(2.4)%	(2.4)%
EBIT %	4.1%	3.0%	2.7%	1.1%	1.4%

Cash conversion

Cash Conversion excluding disposal proceeds of 39%

LTM (£m)	H1'15	H1'14
Operating Cash Flow	466	418
Interest	(130)	(129)
Cash Exceptionals	(133)	(84)
Disposal Proceeds	21	80
Converted Cash	**224**	**285**
EBITDA	516	509
Cash Conversion	43%	56%
Excluding Disposal Proceeds	39%	40%

Cash conversion ratio %[1]



[1] Cash conversion ratio is defined as free cash flow after exceptional items and before capital expenditure as a percentage of EBITDA
[2] Cash conversion shown excluding disposal proceeds

Reconciliation of ‘like for like’ to underlying numbers – 12 months to March

“Underlying” refers to trading results after adjusting for separately disclosed items shown on slide 14 that are significant in understanding the on-going results. *“Like for like”* reflects the comparison in the underlying results after removing identifiable non-recurring items in the prior year.

A reconciliation of “like for like” to “underlying” numbers for EBIT and gross margin is as follows:

	Revenue			Gross Margin			EBIT		
	LTM H1'15 %	LTM H1'14 %	Change %	LTM H1'15 %	LTM H1'14 %	Change %	LTM H1'15 £m	LTM H1'14 £m	Change £m
Underlying	**8,319**	**9,101**	**(782)**	**22.2%**	**22.4%**	**(0.2)%**	**337**	**273**	**64**
Disposals/Store Closures		(229)	229		(0.2)%	0.2%		(19)	19
Accounting		(37)	37		(0.3)%	0.3%		(7)	7
Easter timing		53	(53)		0.0%	0.0%		20	(20)
Currency impact		(567)	567		(0.1)%	0.1%		(44)	44
Like-for-Like	**8,319**	**8,321**	**(2)**	**22.2%**	**21.8%**	**0.4%**	**337**	**223**	**114**

Underlying Finance Costs

Assumes all bonds are repaid on maturity

				Actual	Pro Forma						
£m	Coupon	H1'15	H1'14	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Interest on bank facilities	LIBOR +3.50%	1	1	2	3	6	-	-	-	-	-
Interest on 2015 €400m bond	6.75%	10	11	24	16	-	-	-	-	-	-
Interest on 2017 €300m bond	7.75%	12	12	24	24	24	17	-	-	-	-
Interest on 2020 €525 bond	7.75%	16	17	33	32	32	32	32	32	24	-
Interest on 2021 €400m bond	6.75%	3	-	-	15	21	21	21	21	21	16
Bank and bond interest and related charges		**42**	**41**	**83**	**90**	**83**	**70**	**53**	**53**	**45**	**16**
Commitment fees		3	3	6	Assumed at £60m (same level as FY14)						
Letters of credit & bonding		10	10	17							
Other interest costs		6	6	8							
Interest & finance costs before aircraft financing		**61**	**60**	**113**							
Interest income		(2)	(3)	(1)							
Net interest & finance costs before aircraft financing		**59**	**57**	**112**							
Aircraft financing		9	11	21							
Fee amortisation		11	3	9							
Net Interest Expense		**79**	**71**	**143**	**150**	**143**	**130**	**113**	**113**	**105**	**76**

Net debt composition

£m	Maturity	Mar'15	Mar'14
2015 Euro Bond	June '15	(206)	(330)
2017 GBP Bond	June '17	(298)	(298)
2020 Euro Bond	June '20	(394)	(438)
2021 Euro Bond*	June '21	(290)	0
Commercial Paper	Apr/May '15	(99)	(91)
Revolving Credit Facility	May '17	0	0
Finance Leases	Various	(191)	(201)
Aircraft related borrowings		(102)	(84)
Other external debt	Various	(12)	(14)
Arrangement fees		25	31
Total Debt		**(1,567)**	**(1,424)**
Cash		867	613
Net Debt		**(700)**	**(811)**

** Issued in January 2015*

Performance of Wave 1 cost out programme versus targets

£m	FY 12 Actual	FY13 Actual	FY14 Actual	H1'15 Actual	FY15 Target
UK Turnaround	**60**	**124**	**140**	140	**140**
Group-wide cost out and profit improvement	-	70	260	320	360
Integrated Air Travel	-	27	100	130	134
Organisational Structure	-	30	91	103	111
Product, Infrastructure, Technology and other	-	13	69	87	115
Total Targeted Benefits	**60**	**194**	**400**	460	**500**
Expected costs to achieve					
Income Statement	36	47	30	6	11
Cash Flow - Operating expenditure	30	29	33	13	24
- Capital expenditure	-	8	21	17	31

FX and fuel hedging (30 April 2015)

	Winter 14/15	Price	Summer 2015	Price	FY15	Price	Winter 2015/16	Price	Summer 2016	Price	FY16	Price
USD	97%		96%		97%		88%		36%		59%	
EUR	97%		90%		92%		73%		26%		38%	
Jet Fuel	97%	$953	100%	$893	100%	$917	90%	$744	47%	$648	68%	$702

- Transactional USD exposures against EUR, GBP and SEK have been hedged in line with Fuel hedges. A 1% variance in FY15 would have a £0.2m impact.
- Transactional EUR exposures against GBP and SEK hedged in line with policies. A 1% variance in FY15 would have a £0.6m impact.

It is our policy not to hedge EUR and SEK profits, at current rates, If current spot rates* prevail until September 2015 , the year-on-year translational impact will be c.£25m adverse

- Every 1% move in Euro has a £1.9m impact on EBIT
- Every 1% SEK movement has a £0.6m impact on EBIT

* Spot rates as at 30 April 2015

Let's go!

Thomas Cook Group