

INFORMATION

Zurich, 21 August 2014

Kuoni improved net result despite a challenging environment - cash flow remains strong

First half of 2014

- **Operating environment made challenging by geopolitical events in Egypt, Kenya, Thailand, and the Ukraine**
- **Currency trends in Japan, India, Indonesia, Australia, Russia and Scandinavia had a negative effect on consumer sentiment**
- **Organic turnover growth of -1.0%**
- **Operating earnings similar to prior-year:
EBITA CHF 1.2 million (2013¹: CHF 0.8 million)
EBIT CHF -17.1 million (2013¹: CHF -18.0 million)**
- **Significant increase in net result: CHF -14.0 million (2013¹: CHF -74.3 million), First-half loss due to seasonal factors**
- **Proportion of turnover from non-European source markets at 42%**
- **Group Travel maintains strong competitive position in difficult market environment**
- **FIT sees strong growth in booked hotel room nights in Asia (ex-Japan) of 15%**
- **Price and margin erosion in Outbound Nordic**
- **Continued profitable growth at visa services provider VFS Global**
- **Strong free cash flow: CHF 141.8 million**

Outlook for 2014

- **Expected full-year operating earnings (EBIT) in the range of CHF 85-95 million**
- **Expected net result around prior-year level**

Key figures

CHF million	1.1.- 30.6.2014	1.1.- 30.6.2013	1.1.- 30.6.2013 adjusted ¹	Change in %
Turnover	2 479.5	2 639.8	2 639.8	-6.1
Gross profit	444.2	487.9	487.9	-9.0
Gross profit margin (%)	17.9	18.5	18.5	
Operating earnings before amortisation (EBITA)	1.2	35.0	0.8	50.0
EBITA margin (%)	0.0	1.3	0.0	
Operating earnings (EBIT)	- 17.1	16.2	- 18.0	5.0
EBIT margin (%)	- 0.7	0.6	- 0.7	
Net result	- 14.0	- 47.4	- 74.3	81.2
Free cash flow	141.8	167.0	167.0	-15.1

¹ excluding effect of change to Swiss pension plan of CHF 34.2 million

Peter Meier, CEO of Kuoni Group, made the following comments on the results:

“With all the negative geopolitical developments in Egypt, Kenya, Thailand, and the Ukraine, the operating environment has been challenging. We expect it to remain so for the rest of this year. Currency trends in Japan, India, Indonesia, Australia, Russia and Scandinavia had a negative effect on consumer sentiment. In Scandinavia price and margin erosion prevented an increase in operating earnings in the first half of 2014. The measures we introduced will start to take effect only towards the end of the year. The FIT business reported strong organic growth in online hotel bookings in Asian source markets. Visa services provider VFS Global continues to perform well, with a significant rise in earnings.

The medium-term financial goals for 2016 remain the same despite the fact that the current business environment has become more challenging.”

Current trading 2014

As at 17 August 2014, changes in booking levels and turnover at the different business units compared with the equivalent prior-year period were as follows, in Swiss franc (CHF) and local currency (LC) terms:

	CHF	LC
Global Travel Services		
Group Travel	-10%	-9%
FIT (Fully Independent Traveller)	+2%	+5%
Outbound & Specialists		
Outbound Nordic	-14%	-9%
Outbound Europe /Asia	-2%	-1%
Destination Management Specialists	-11%	-3%
VFS Global		
Number of visa applications processed		0%

Outlook 2014

For 2014 as a whole the Kuoni Group expects operating earnings (EBIT) in the range of CHF 85-95 million and a net result at around the prior-year level.

Conference calls on Kuoni Group's 2014 interim figures

The following conference calls will be held today for analysts and journalists: analysts 9.30 a.m. CEST (in English); media 11.00 a.m. CEST (in German). CEO Peter Meier and CFO Thomas Peyer will comment on the 2014 interim results. All information and the investor presentations are available for download today from 7 a.m. CEST at www.kuoni.com.

Kuoni Group figures

The Kuoni Group generated **turnover** of CHF 2 479 million in the first half of 2014 (2013: CHF 2 640 million), giving an organic turnover development of -1.0%. This reduction is mainly due to lower sales at Group Travel and Outbound Nordic. FIT and VFS Global posted positive organic growth of 5.1% and 14.5% respectively. The net effect of acquisitions/divestments came to -2.1% as a result of the withdrawal from loss-making European tour operating activities in the prior-year. Currency changes had a -3.0% effect on the presentation currency.

Gross profit was CHF 444 million (2013: CHF 488 million). The **gross profit margin** came to 17.9% (2013: 18.5%). This reduction is mainly due to the performance of Outbound Nordic, Group Travel and Destination Management Specialists.

Operating earnings before amortisation (EBITA) came to CHF 1.2 million (2013: CHF 35.0 million). After adjusting for the one-time positive effect of the change to the Swiss pension plan in 2013, EBITA was slightly higher than in the prior-year (2013 adjusted¹: CHF 0.8 million).

Operating earnings (EBIT) stood at CHF -17.1 million (2013: CHF 16.2 million, 2013 adjusted¹: CHF -18.0 million).

The **net result** improved to CHF -14.0 million (2013: CHF -47.4 million, 2013 adjusted¹: CHF -74.3 million). Prior-year's costs of CHF 47.5 million associated with the withdrawal from loss-making European tour operating activities, mainly charged against the financial result in 2013, led in 2014 to a positive increase in the result. The loss posted for the first half-year is due to normal seasonal factors.

Cash flow from operating activity came to CHF 144.2 million (2013: CHF 182.9 million). **Free cash flow** was CHF 141.8 million (2013: CHF 167.0 million). The inflow of cash is due mainly to a seasonal improvement in net working capital that was fuelled largely by customer prepayments.

Kuoni Group's **equity** as at 30 June 2014 was CHF 727 million (31.12.2013: CHF 779 million). The **equity ratio** was 27.1% (31.12.2013: 32.6%). The fall compared with the end of 2013 was due to the seasonal effect. Compared to 30 June 2013 the equity ratio increased.

In the first half of 2014 the Kuoni Group had an average of 11 623 **employees** (FTE). During same period in 2013 the figure was 11'720 employees (FTE). Visa services provider VFS Global increased headcount in line with its growth strategy, while most other areas reduced the size of their workforce.

¹ excluding effect of change to Swiss pension plan of CHF 34.2 million

Property disposals

In consequence to free office capacity and the aim to exploit synergies at Kuoni's head office in Zurich, the specialist Swiss tour operators' business activities were relocated from the "Geroldstrasse" premises to the "Neue Hard" building. Subsequently, on 30 June 2014, the Kuoni Group sold the "Geroldstrasse" property, which was no longer needed, to Zürcher Kantonalbank. This sale added CHF 10.1 million to operating earnings (EBIT).

Adjustment to holding structure

Kuoni Group is currently assessing whether to introduce a double holding structure as at 1.1.2015 in order to organise more efficiently its worldwide activities. This primarily involves a change in the legal structure that would only influence Kuoni Travel Holding Ltd's statutory reporting requirement. It would have no effect on the consolidated financial statements or the governance structure.

Kuoni Group figures
Income Statement (condensed)

CHF million	1.1.- 30.6.2014	1.1.- 30.6.2013	Change in %	1.1.- 31.12.2013
Turnover	2 479.5	2 639.8	- 6.1	5 668.9
Direct costs	- 2 035.3	- 2 151.9	5.4	- 4 563.4
Gross profit	444.2	487.9	- 9.0	1 105.5
Personnel expense	- 276.7	- 266.1	- 4.0	- 548.5
Marketing and advertising expense	- 32.5	- 35.4	8.2	- 64.4
Other operating expense	- 109.0	- 125.3	13.0	- 250.1
Share in result from joint ventures	- 0.8	- 2.1	61.9	- 2.7
Depreciation	- 24.0	- 24.0	0.0	- 48.4
Operating earnings before amortisation (EBITA)	1.2	35.0	- 96.6	191.4
Amortisation	- 18.3	- 18.8	2.7	- 37.2
Operating earnings (EBIT)	- 17.1	16.2	n.a.	154.2
Financial income	4.6	3.4	35.3	6.1
Financial expense	- 3.2	- 50.1	93.6	- 58.2
Result before taxes	- 15.7	- 30.5	48.5	102.1
Income taxes	1.7	- 16.9	n.a.	- 32.9
Net result	- 14.0	- 47.4	70.5	69.2
Of which:				
Attributable to non-controlling interests	0.3	0.3		1.1
Attributable to shareholders of Kuoni Travel Holding Ltd.	- 14.3	- 47.7		68.1
Basic earnings per registered share A in CHF	- 0.74	- 2.49		3.55
Diluted earnings per registered share A in CHF	- 0.74	- 2.49		3.55
Basic earnings per registered share B in CHF	- 3.69	- 12.44		17.77
Diluted earnings per registered share B in CHF	- 3.69	- 12.44		17.77

Breakdown of turnover

CHF million	1.1.- 30.6.2014	1.1.- 30.6.2013	Change in %	1.1.- 31.12.2013
Global Travel Services				
Group Travel	382	431	- 11.4	943
FIT (Fully Independent Traveller)	848	828	2.4	1 802
Outbound & Specialists				
Outbound Nordic	398	457	- 12.9	982
Outbound Europe/Asia	592	665	- 11.0	1 414
<i>remaining activities</i>	592	607	- 2.5	1 355
<i>sold/closed activities</i>	0	59	- 100.0	59
Destination Management Specialists	189	208	- 9.1	417
VFS Global	127	117	8.5	244
Less turnover elimination between segments	- 57	- 66	13.6	- 133
Kuoni Group	2 479	2 640	- 6.1	5 669

Breakdown of operating earnings before amortisation (EBITA)

CHF million	1.1.- 30.6.2014	1.1.- 30.6.2013	1.1.- 30.6.2013 adjusted ¹	1.1.- 31.12.2013 adjusted ²
Global Travel Services				
Group Travel	0.5	8.3	5.3	23.2
FIT (Fully Independent Traveller)	25.9	25.8	24.5	73.0
Acquisition and integration cost	0.0	- 2.9	- 2.9	- 4.7
Outbound & Specialists				
Outbound Nordic	- 32.1	- 5.9	- 5.9	37.8
Outbound Europe/Asia	- 12.1	- 1.3	- 24.9	5.6
<i>remaining activities</i>	- 12.1	1.9	- 21.7	8.6
<i>sold/closed activities</i>	0.0	- 3.2	- 3.2	- 3.0
Destination Management Specialists	- 7.0	1.5	1.5	6.4
VFS Global	26.5	20.3	20.3	40.2
Corporate	- 0.5	- 10.8	- 17.1	- 31.4
Kuoni Group	1.2	35.0	0.8	150.1

1 excluding effect of change to Swiss pension plan of CHF 34.2 million

2 excluding effect of change to Swiss pension plan and a curtailment of CHF 41.3 million

Breakdown of operating earnings (EBIT)

CHF million	1.1.- 30.6.2014	1.1.- 30.6.2013	1.1.- 30.6.2013 adjusted ¹	1.1.- 31.12.2013 adjusted ²
Global Travel Services				
Group Travel	- 1.7	6.0	3.0	18.7
FIT (Fully Independent Traveller)	15.1	15.0	13.7	51.5
Acquisition and integration cost	0.0	- 2.9	- 2.9	- 4.7
Outbound & Specialists				
Outbound Nordic	- 32.6	- 6.4	- 6.4	36.8
Outbound Europe/Asia	- 15.2	- 4.6	- 28.2	- 0.7
<i>remaining activities</i>	- 15.2	- 1.3	- 24.9	2.4
<i>sold/closed activities</i>	0.0	- 3.3	- 3.3	- 3.1
Destination Management Specialists	- 8.7	- 0.4	- 0.4	2.5
VFS Global	26.5	20.3	20.3	40.2
Corporate	- 0.5	- 10.8	- 17.1	- 31.4
Kuoni Group	- 17.1	16.2	- 18.0	112.9

Group Travel

Turnover at Group Travel came to CHF 382 million (2013: CHF 431 million). The decline of 11.4% (organic -10.7%) can be attributed mainly to lower demand in the important Japanese market following the increase in Japanese consumption tax and the yen's loss of value. In China a new travel law led temporarily to a lower demand, while currency movements and the presidential elections put a short-term damper on demand in Indonesia. Group Travel was nevertheless able to maintain its leading competitive position in the key Asian markets. Owing to the lower turnover and margins, operating earnings before amortisation (EBITA) fell to CHF 0.5 million (2013¹: CHF 5.3 million). Operating earnings (EBIT) came to CHF -1.7 million (2013¹: CHF 3.0 million). The number of hotel room nights booked fell by 7.8% to 1.35 million.

FIT (Fully Independent Traveller)

This business segment saw turnover increase to CHF 848 million (2013: CHF 828 million). This growth of 2.4% (organic 5.1%) was achieved primarily in Asian markets, in Germany, the UK, and the Middle East/Africa. In Asia (ex-Japan), there was an organic increase of around 15% in the number of booked hotel room nights compared to the equivalent period of the previous year. Further excellent growth is expected in Asia, and the Middle East/Africa in the months to come. By contrast, Japan, Australia and South America suffered from currency devaluations and a subdued economic environment in the first half of 2014. Political unrest in Turkey and the conflict between Ukraine and Russia had negative effects on hotel bookings in these regions. Despite the increase in the gross profit and gross profit margin, operating earnings rose only slightly. This was due to expenses for new booking systems and higher staff cost related to the growth strategy. Operating earnings before amortisation (EBITA) stayed at CHF 25.9 million (2013¹): CHF 24.5 million). Operating earnings (EBIT) came to CHF 15.1 million (2013¹): CHF 13.7 million). The number of booked hotel room nights rose by 4.2% to 6.2 million.

¹ excluding effect of change to Swiss pension

² excluding effect of change to Swiss pension plan and a curtailment of CHF 41.3 million

Outbound Nordic

Market environment had a strong influence on this business segment. Continuing political upheavals in Egypt and Thailand in the winter and spring led overall to a lower demand and a higher focus on destinations in the Canary Islands. The economic downturn and negative currency changes led to a reduction in travel activity. The very good spring weather also undermined demand. This combination of factors led to a supply overhang in the Scandinavian markets, which in turn caused a sharp drop in achievable prices and margins. Outbound Nordic posted turnover of CHF 398 million in the first half of 2014 (2013: CHF 457 million), a reduction of 12.9% (organic -7.6%). Operating earnings before amortisation (EBITA) fell to CHF -32.1 million (2013: CHF -5.9 million). Operating earnings (EBIT) went down to CHF -32.6 million (2013: CHF -6.4 million).

Various measures were initiated, including a new agreement with flight crews at the unit's own airline Novair, the withdrawal from some destinations and a reduction in headcount. These measures will start to take effect only towards the end of the year. Negative operating earnings are expected for the year as a whole, followed by an improvement in 2015.

Outbound Europe/Asia

Tour operating activities significantly improved their operating earnings. The Switzerland and India markets made particularly positive contributions as well as the withdrawal from loss-making European tour operating activities in the prior-year. The UK market, by contrast, suffered from the travel warning to the important holiday destination of Kenya and from the political turmoil in Thailand. In the Swiss market, results were improved by the reduction in pre-purchased flight capacities in the winter months and by an increase in online bookings. In India turnover increased for all business areas. Higher gross profit margins and cost savings led to an improvement in operating results.

During the first six months of 2014 the remaining activities in Outbound Europe/Asia achieved turnover of CHF 592 million (2013: CHF 607 million), which is equivalent to a reduction of 2.5 % (organic -1.1%). Operating earnings before amortisation (EBITA) improved to CHF -12.1 million (2013¹: CHF -21.7 million). Operating earnings (EBIT) came to CHF -15.2 million (2013¹: CHF -24.9 million).

¹ excluding effect of change to Swiss pension plan

Destination Management Specialists

Business activities in this segment varied greatly depending on the destination. The Destination Management Specialist operations in East Africa suffered badly after a collapse in demand was triggered by the travel warnings that many governments issued for Kenya. Measures were taken to reduce personnel. These will start to take effect towards the end of the year. Political turmoil in Thailand also caused uncertainty among travellers in the winter and spring months and thus to lower demand. Destinations in India and the USA performed better, though not well enough to compensate for the lost business in East Africa and the Middle East. Turnover at Destination Management Specialists fell by 9.1% (organic -0.4%) to CHF 189 million (2013: CHF 208 million). Operating earnings before amortisation (EBITA) came to CHF -7.0 million (2013: CHF 1.5 million). EBIT stood at CHF -8.7 million (2013: CHF -0.4 million).

VFS Global

The visa services provider posted continued growth and a significant increase in earnings in the first half of 2014. Turnover rose to CHF 127 million (2013: CHF 117 million). Operating earnings before amortisation (EBITA) and EBIT increased 30.5% to CHF 26.5 million (2013: CHF 20.3 million). This positive result is due primarily to the higher number of visa applications in Asia. At the same time, lower-margin business activities were dropped. VFS Global's worldwide presence meant it was influenced by geopolitical developments. Activities in the Ukraine and Russia were affected during the first half-year, with a significant fall in visa applications, though this was offset by growth in other areas. During the first half-year of 2014, 9.3 million visa applications were processed by VFS Global around the world, -0.9% compared to the previous year. In the first half of 2014, 239 new application centres opened worldwide. As at 30 June 2014, VFS Global operated 1'327 application centres worldwide.

The joint venture for visa services for Saudi Arabia led to further growth in the number of application centres.

The interim results are also available in German. The German original shall prevail.

Agenda 2014/2015

Kuoni Group will report on its business performance on the following dates:

Nine-month business update	6 November 2014
Annual report 2014	17 March 2015

The General Meeting of Shareholders will be held in Zurich on 20 April 2015.

About Kuoni Group

Kuoni Group (Zurich Stock Exchange SIX: KUNN) is a **global travel-related service provider** with leading positions in its areas of activity and sustainable growth prospects. Kuoni Group generated turnover of CHF 5.7 billion in the 2013 financial year and employed 11 478 people (FTE) at the end of 2013.

Kuoni Group is engaged in three main activities: **Destination & Accommodation Services, Tour Operating and Visa Processing Services.**

Destination & Accommodation Services involve procurement and supply of services as a specialised wholesaler and supplier. As a wholesaler Kuoni Group provides a broad selection of self-contracted and availability-secured hotel accommodation and land components to online & offline travel agencies, tour operators, and aggregators via its efficient, worldwide, online distribution system. In addition Kuoni Group provides a specialised comprehensive portfolio of travel services at selected key destinations to online & offline travel agencies and tour operators handling their group and individual traveller clients, with its dedicated employees on site.

Tour Operating activities focus on outbound leisure travel from European and Asian source markets and offer a variety of tailor-made, individual and packaged holidays to end consumers and online & offline travel agencies.

Visa Processing Services leverage their expertise and scale as the world's largest outsourcing and technology services specialist for diplomatic missions and governments worldwide that outsource the non-judgemental, administrative parts of the visa application, and other consular processes.

Disclaimer

This communication contains statements that constitute “forward-looking statements”. In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives. Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Kuoni Travel Holding’s and/or its affiliates’ (referred to as “Kuoni”) ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the actions of governmental regulators and other risk factors detailed in Kuoni’s past and future filings and reports, including press releases, reports and other information posted on Kuoni’s websites or in other form.

Readers are cautioned not to put undue reliance on forward-looking statements which speak only of the date of this communication.

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