FY19 Q1 Results

12 FEBRUARY 2019

FORWARD-LOOKING STATEMENTS

This presentation contains a number of statements related to the future development of TUI. These statements are based both on assumptions and estimates. Although we are convinced that these future-related statements are realistic, we cannot guarantee them, for our assumptions involve risks and uncertainties which may give rise to situations in which the actual results differ substantially from the expected ones. The potential reasons for such differences include market fluctuations, the development of world market fluctuations, the development of world market commodity prices, the development of exchange rates or fundamental changes in the economic environment. TUI does not intend or assume any obligation to update any forward-looking statement to reflect events or circumstances after the date of these materials.

RECENT DEVELOPMENTS

FRITZ JOUSSEN

Update on expected earnings for FY19

"TUI updates on expected earnings for financial year ending 30 September 2019 – now expecting underlying EBITA rebased to be broadly stable compared with record year FY18 – based on early visibility of Summer 2019 margins in Markets & Airlines – growth strategy intact"

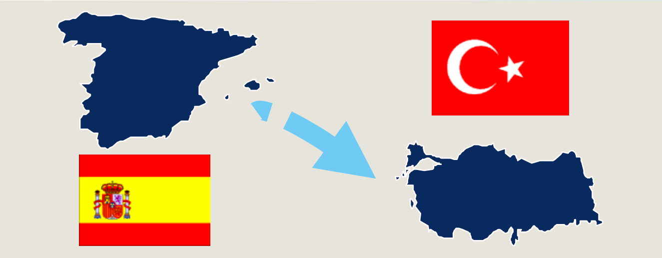
TUI AG Ad-hoc announcement 06 February 2019

Current sector challenges

EXTRAORDINARY HOT SUMMER

- Knock-on impact to both Winter 2018/19 and Summer 2019 bookings
- Resulting in later bookings and weaker margins

CAPACITY SHIFT FROM WESTERN TO EASTERN MED



- Markets & Airlines not benefitting from shift to Turkey
- Overcapacities in Spain
- Impact on margins

FX HEADWIND

£/€ ↓

- Continued GBP weakness
- Brexit uncertainty

Impact for TUI

- FY18 most successful year for TUI Group despite a year of sector related headwinds
- 70% of our underlying EBITA comes from Holiday Experiences
- Leisure travel remains a growth industry
- FY19 Q1 Markets & Airlines weak, as flagged
- S19 bookings indicate a weaker margin trend
- High volumes but lower pricing
- Competitive environment may trigger market consolidation
- TUI's strong positioning means we will continue to benefit

How will we react - specific measures for our Markets & Airlines business and entry into New Markets

MARKETS & AIRLINES

Business harmonisation

Markets & Airlines CEO

Northern	Central	Western

- Standardised processes to drive cost savings and innovation
- One single leadership

Reduce distribution costs

- Distribution shift to more direct (FY18: 74%), more online (FY18: 48%), more mobile to reduce distribution costs

Activities & excursions upselling

- €150bn market opportunity
- Fragmented market
- TUI with digitalised end-to-end solution
- 21m customer base, 150K products

NEW MARKETS

TUI 2022

+1m Customers

+€1bn Sales

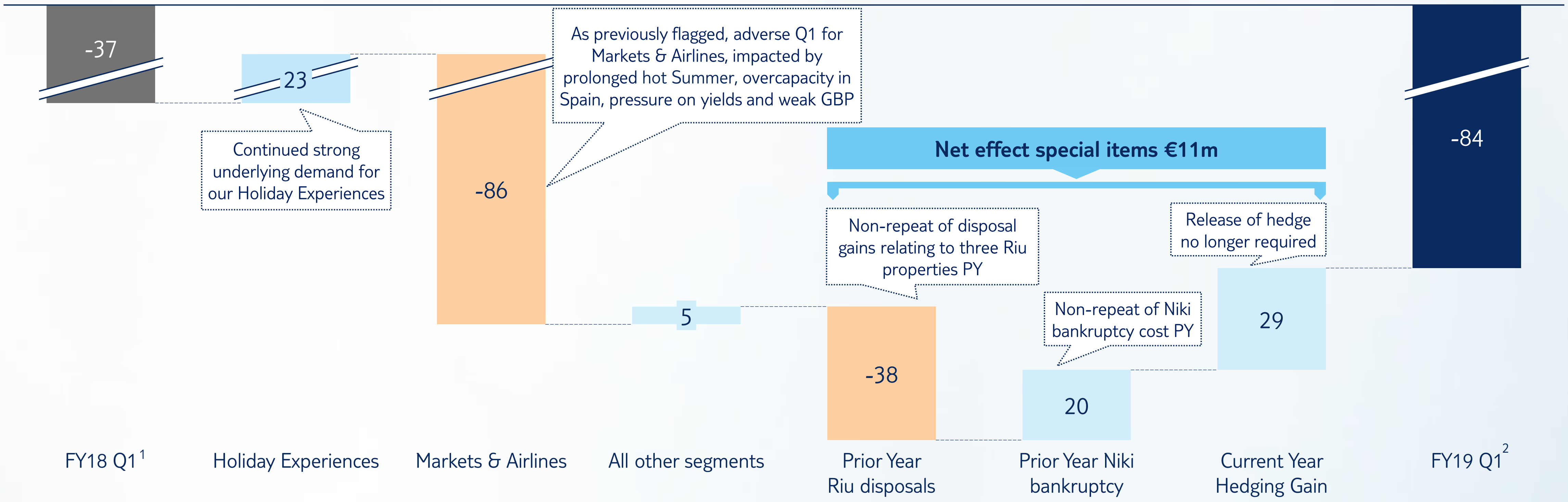
- TUI 2022:
  - 1m Customers
  - €1bn Sales
  - Drive demand for own risk capacity

FY19 Q1 RESULTS

FRITZ JOUSSEN

TUI Group: As flagged, Q1 Markets & Airlines was weak, partly offset by Holiday Experiences underlying growth

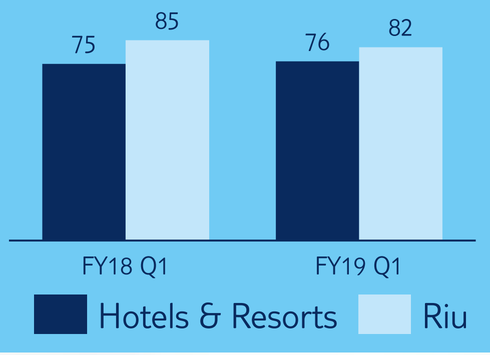
FY19 Q1 UNDERLYING EBITA IN €M



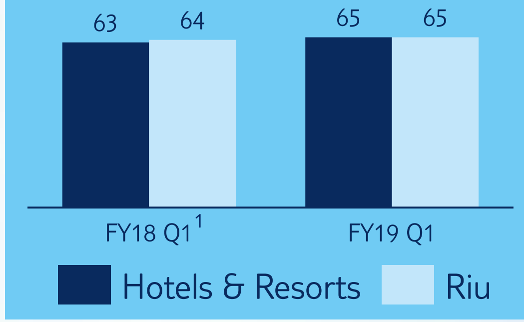
1 PY reported (€25m) adjusted for retrospective application of IFRS 15 2 Includes FX translation impact of less than €1m

Holiday Experiences: Hotels & Resorts
Continued improvement in underlying earnings driven by Turkey and North Africa

AVERAGE OCCUPANCY %



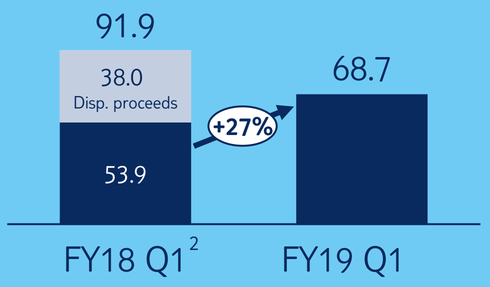
AVERAGE REVENUE PER BED €



57 NEW HOTEL OPENINGS SINCE MERGER

of which ~65% are lower capital intensity

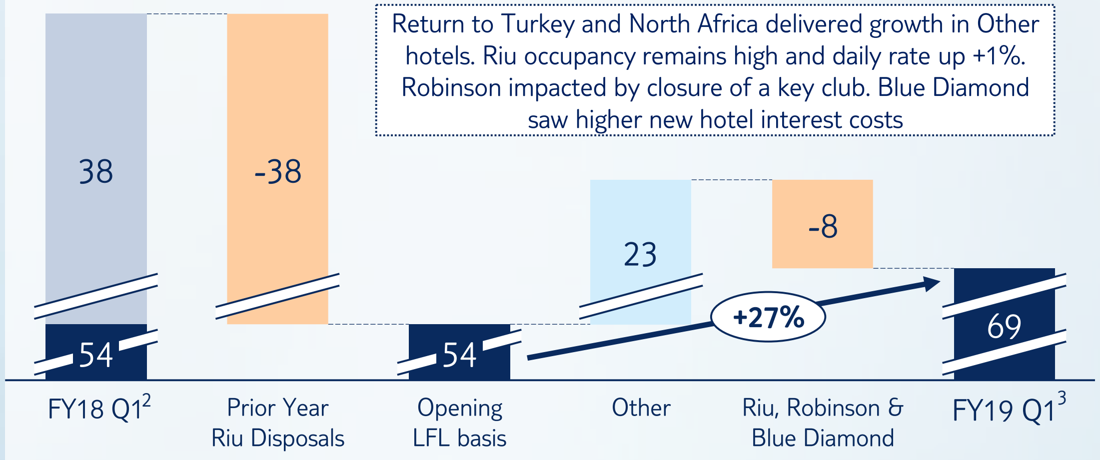
UNDERLYING EBITA €M



UNDERLYING EBITA (€M)

	FY19 Q1	FY18 Q1[2]	%
Underlying EBITA	68.7	91.9	-25.2
Like-for-like Underlying EBITA	68.7	53.9	27.4

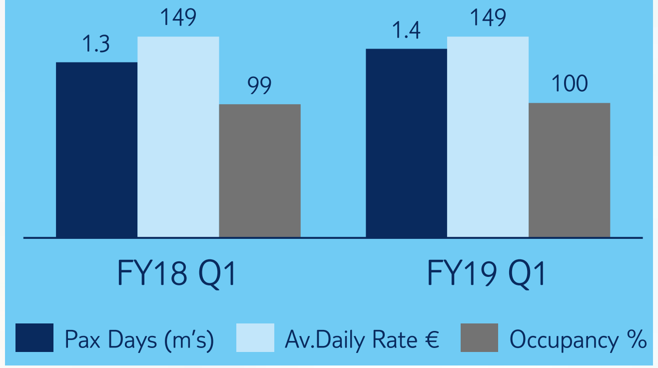
BRIDGE UNDERLYING EBITA (€M)



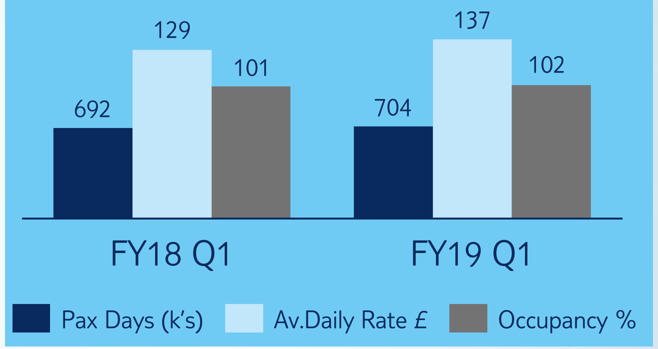
1 FY18 Q1 Total H&R average revenue per bed restated to reflect revised PY rate at Blue Diamond 2 PY reported adjusted for retrospective application of IFRS 15 3 Includes FX translation impact of less than €1m

Holiday Experiences: Cruises
Earnings growth and positive outlook across all three brands

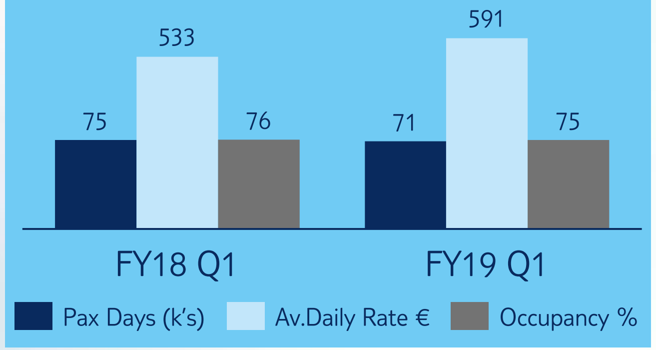
TUI CRUISES



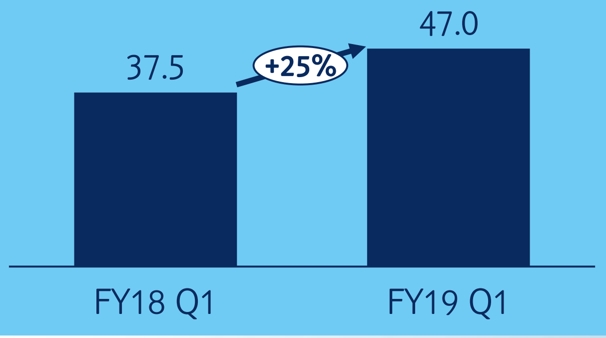
MARELLA CRUISES



HAPAG-LLOYD CRUISES



UNDERLYING EBITA €M

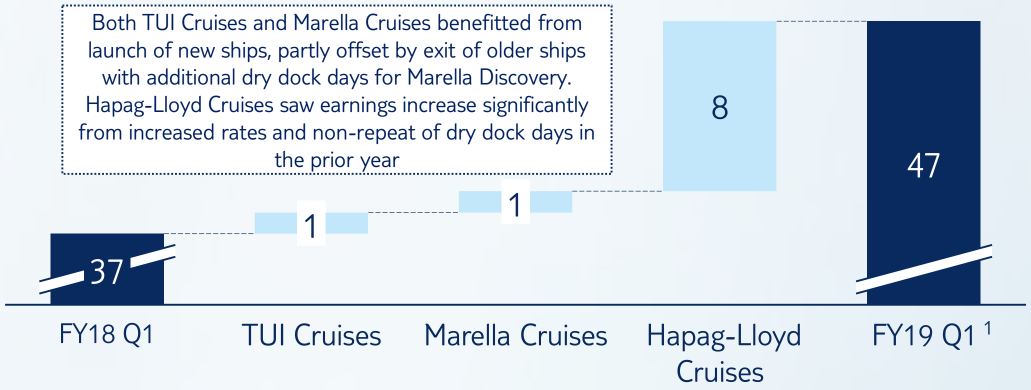


UNDERLYING EBITA (€M)

	FY19 Q1	FY18 Q1	%
Underlying EBITA	47.0	37.5	25.3
o/w fully consolidated	20.8	12.3	69.1
o/w equity result	26.2	25.2	3.9

* TUI Cruises joint venture (50%) is consolidated at equity

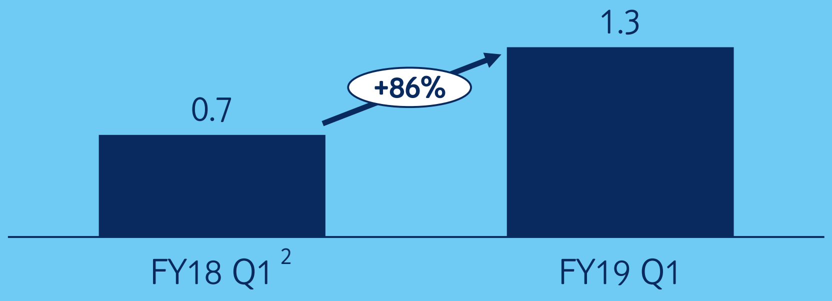
BRIDGE UNDERLYING EBITA (€M)



1 Includes FX translation impact of less than €1m

Holiday Experiences: Destination Experiences
Growth from strategic acquisitions

EXCURSIONS & ACTIVITES SOLD (M's)



TURNOVER AND EARNINGS (€M)

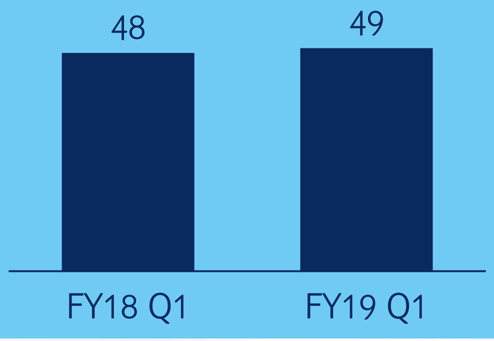
	FY19 Q1	FY18 Q1[1]	%
Total Turnover	226.3	83.2	+172.0
o/w Turnover 3rd Party	158.3	39.2	+303.8
Underlying EBITA	-4.7	-3.5	-34.3

- Result reflects positive impact from the acquisition of Destination Management, offset by start-up losses in our Musement acquisition
- Integration of Destination Management on-track; synergies to be delivered during FY19. Musement platform live and rolled out to UK retail

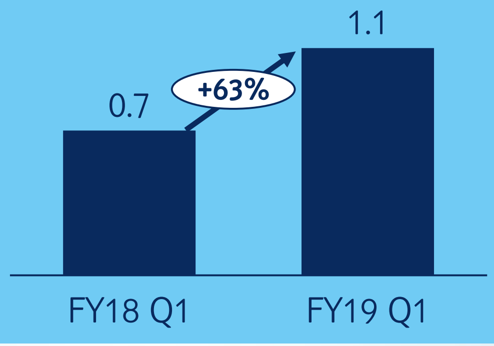
1 PY restated for reclassification of TUI DX Crystal previously reported in Markets & Airlines Northern Region 2 FY18 excludes Destination Management (acquired August2018) and Musement (completed October 2018)

Markets & Airlines
Challenging backdrop as flagged for Q1

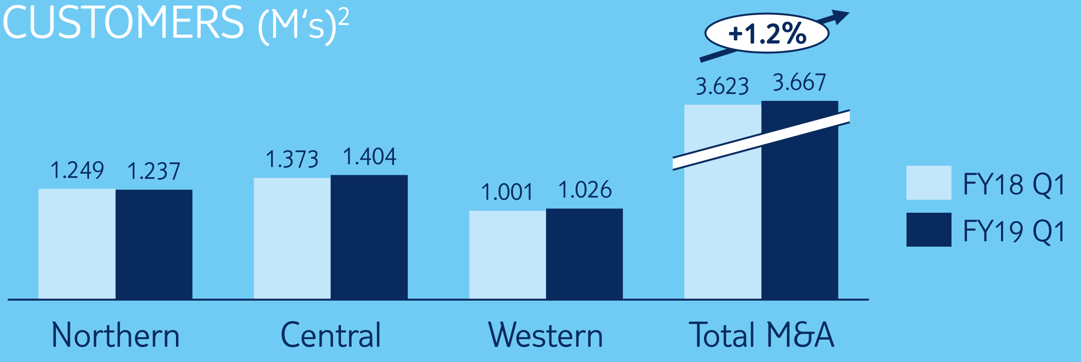
ONLINE DISTRIBUTION %



APP DISTRIBUTION %[1]



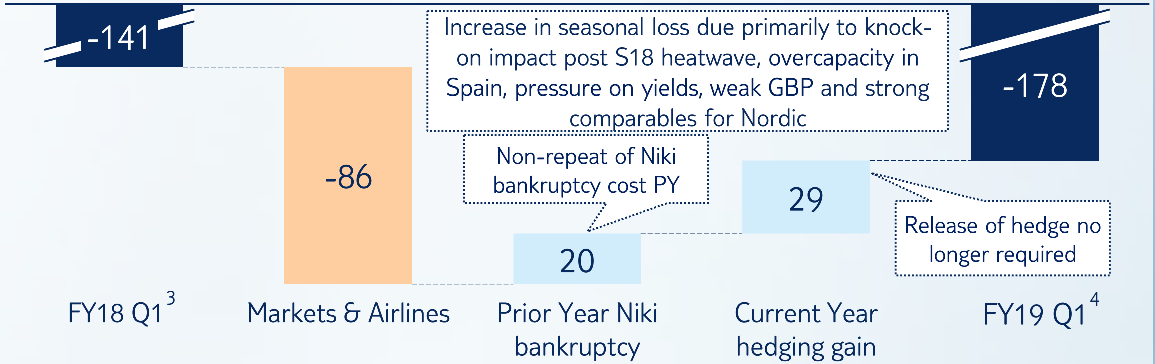
CUSTOMERS (M's)[2]



TURNOVER AND EARNINGS (€M)

	FY19 Q1	FY18 Q1[3]	%
Turnover	3,061.0	3,035.3	0.8
Underlying EBITA	-178.1	-140.8	-26.5

BRIDGE UNDERLYING EBITA (€M)



1 Percentage of Markets & Airlines pax by booking channel 2 Central now includes Italy. Total Markets & Airlines customers excludes Cruise and strategic joint ventures in Canada and Russia 3 PY reported adjusted for retrospective application of IFRS 15
4 Includes FX translation impact of less than €1m

Outlook – Headwinds in Markets & Airlines but still expect to repeat record FY18[1]

HOLIDAY EXPERIENCES

HOTELS & RESORTS - +27% LFL Q1 EARNINGS GROWTH

- 28 new hotel openings in FY19 mostly in year-round destinations
- Turkey and North Africa continue to grow in popularity
- Demand for Spain normalising

CRUISES - +25% Q1 EARNINGS GROWTH

- Mein Schiff 2 launched in Feb 2019, 2 further ships scheduled for FY19
- Strong demand continues across all three brands
- Load factor and yield performance in line with our expectations and reflects new capacity

DESTINATION EXPERIENCES - +86% Q1 EXCURSIONS & ACTIVITES GROWTH

- Acquisitons enhance geographic coverage and excursions products

MARKETS & AIRLINES

- 34%[2] of Summer 2019 programme booked to date
- Bookings are broadly in line with prior year, however margins are not
- Continuation of the sector headwinds previously highlighted:
  - negative impact from the extraordinary hot Summer 2018, resulting in later bookings and weaker margins
  - shift in demand from Western to Eastern Mediterranean, creating overcapacities in Spain, particularly Canaries, negatively impacting margins
  - continued weakness of GBP; pressure on UK margins

1 Based on constant currency 2 These statistics are up to 3 February 2019 and shown on a constant currency basis and relate to all customers whether risk or non-risk

FY19 Q1 RESULTS

BIRGIT CONIX

Income Statement
Less significant quarter – winter losses as expected

In €m	FY19 Q1	FY18 Q1[1]
Turnover	3,704.8	3,548.9
Underlying EBITA	**-83.6**	**-36.7**
Adjustments (SDI's and PPA)	-22.0	-20.2
EBITA	**-105.6**	**-56.9**
Net interest expense	-29.4	-27.4
EBT	**-135.0**	**-84.3**
Income taxes	23.1	16.0
Group result continuing operations	**-111.9**	**-68.3**
Minority interest	-27.2	-40.9
Group result after minorities	**-139.1**	**-109.2**
Basic EPS (€)	-0.24	-0.19

ADJUSTMENTS
Includes PPA of €8m and one-off payment relating to the conversion of a UK pension plan. No change to full-year guidance of ~€125m

INTEREST
Small increase as expected due to utilisation of RCF, increase in finance leases and Schuldschein issuance in H2 prior year

TAX
Full-year guidance for underlying ETR remains at ~20%

MINORITY INTEREST
Lower due to non-repeat of disposal gains in Riu prior year

1 PY reported adjusted for retrospective application of IFRS 15

Cash Flow & Movement in Net Debt

In €m	FY19 Q1	FY18 Q1
EBITDA reported	**11.9**	**43.6**
Working capital	-1,398.0	-1,175.2
Other cash effects	-78.8	-55.7
At equity income	-34.4	-40.8
Dividends received from JVs and associates	8.6	1.6
Tax paid	-58.4	-68.7
Interest (cash)	-22.5	-23.3
Pension contribution	-40.8	-31.4
Operating Cash flow	**-1,612.4**	**-1,349.9**
Net capex	-268.9	-143.2
Net investments	-57.9	43.0
Net pre-delivery payments	32.0	-40.5
Free Cash flow	**-1,907.2**	**-1,490.6**
Dividends	-	-
Free Cash flow after Dividends	**-1,907.2**	**-1,490.6**

OPERATING CASH FLOW

- Higher seasonal operational outflow driven by growth in capacity in S18, particularly within Central Region

NET CAPEX AND INVESTMENTS

- Driven by acquisition of Marella Explorer 2 and Musement, phasing of expenditure from FY18 as flagged at YE and a lower level of disposal proceeds versus prior year

NET DEBT

- Higher closing net debt as expected, reflecting reinvestment of disposal proceeds, seasonal utilisation of RCF, issuance of Commercial Paper and **increase in aircraft financing**

In €m	31 Dec 2018	31 Dec 2017
Opening net cash as at 1 October	**124**	**583**
FCF after Dividends	-1,907	-1,491
Asset Finance	-45	-4
Other	-4	38
Closing net debt as per Balance Sheet	**-1,832**	**-874**

Repeat of record FY18 with broadly stable earnings development

FY19 Guidance

	FY19e[1]	FY18
Turnover[2]	Around 3% growth	€19,208m[5]
Underlying EBITA rebased[3,5]	Broadly stable	€1,177m[3,5]
Adjustments	~€125m	€87m
Net capex & investments[4]	~€1.0bn-€1.2bn	€0.8bn
Leverage ratio	3.0x to 2.25x	2.7x
Dividend per share	Growth in line with underlying EBITA rebased[3,5]	€0.72

1 Based on constant currency
2 Excluding cost inflation relating to currency movements
3 Rebased to take into account €40m impact of revaluation of Euro loan balances within Turkish Lira entities in FY18
4 Including PDPs, excluding aircraft assets financed by debt or finance leases
5 Prior year reported adjusted for retrospective application of IFRS 15 and PPA adjustment for Destination Management

SUMMARY

FRITZ JOUSSEN

Growth strategy intact

Trading → **Integrated tourism** → **Digital platform**

HOTEL
- 28 new hotel openings in FY19
- 15% blended ROIC
- Shift of capacity to Turkey

- 3 new ships to be delivered in FY19
- 15% blended ROIC

Destination Experiences
- Global, fully digitalised platform
- Upselling ancillaries to TUI and third-party customers

- Digitalisation driving ancillary benefits across all businesses - remains a mid-term opportunity

- Expect FY19 underlying EBITA to be broadly stable compared with record performance in FY18[1]
- Specific actions being taken to address Markets & Airlines headwinds and protect market share
- Competive environment may trigger market consolidation
- Strong strategic and financial profile
- Expect continued strong performance from Holiday Experiences – 70% of our underlying EBITA in FY18
- Consumer demand for leisure travel continues to grow
- Ongoing digitalisation/platforming to drive future earnings

TUI WELL POSITIONED

1 Rebased in December 2018 to EUR 1,187 to take into account EUR 40m impact for revaluation of Euro loans balances within Turkish Lira entities in FY18 and further rebased to EUR 1,177m for retrospective application of IFRS 15

Q&A

APPENDIX

IFRS 15 and IFRS 9 application

IFRS 15 – Revenue from contracts with customers

- Application from 1 October 2018 using retrospective method (means FY18 is now presented in accordance with IFRS 15)
- Main change relates to package holidays, recognition from start-date accounting to over-time accounting
  - Impacts revenue and cost of sales
  - Results in changes to quarterly and full-year FY18 revenue and underlying EBITA
- In addition, there are changes in gross and net presentation of revenue, mainly in relation to denied boarding compensation, passenger related taxes and car rentals
  - This impacts revenue and cost of sales (no impact on underlying EBITA, across the quarters and for the full-year FY18

IFRS 9 – Financial instruments

- Application from 1 October 2018 using retrospective method (no restatement of FY18 in line with transition option)
- The new standard replaces IAS 39 guidance on:-
  - Classification & Measurement – a new line item 'other financial instruments' was introduced for previous 'available for sale financial assets' and existing financial assets and financial liabilities was reclassified in accordance with IFRS 9 guidance
  - Impairment – introduction of a new model based on expected credit losses. Impacts opening balances, no prior year adjustments. New line item introduced to I/S
  - Hedge Accounting – we have elected to continue applying IAS 39 hedge accounting requirements, in accordance to option permitted by IFRS 9

FY19 Q1 Turnover by Segment – restated for IFRS15 (excludes Intra-Group Turnover and JVs/associates)*

In €m	FY19 Q1	FY18 Q1[1]	Change	FX	Change ex FX
Hotels & Resorts	**139.3**	**144.8**	**-5.5**	**-2.5**	**-3.0**
- Riu	103.3	114.8	-11.5	-	-11.5
- Robinson	19.6	18.6	1.0	-0.1	1.1
- Blue Diamond	-	-	-	-	-
- Other	16.4	11.4	5.0	-2.4	7.4
Cruises	**193.0**	**192.3**	**0.7**	**-0.1**	**0.8**
- TUI Cruises	-	-	-	-	-
- Marella Cruises	124.9	121.9	3.0	-0.1	3.1
- Hapag-Lloyd Cruises	68.2	70.4	-2.2	-	-2.2
Destination Experiences[2]	**158.3**	**39.2**	**119.1**	**-1.2**	**120.3**
Holiday Experiences	***490.6***	***376.3***	***114.3***	***-3.8***	***118.1***
- Northern Region	1,153.8	1,183.9	-30.1	-7.8	-22.3
- Central Region[2]	1,333.6	1,275.5	58.1	0.2	57.9
- Western Region	573.7	575.9	-2.2	-	-2.2
Markets & Airlines (formerly Sales & Marketing)	***3,061.1***	***3,035.3***	***25.8***	***-7.6***	***33.4***
All other segments	153.1	137.3	15.8	-0.4	16.2
TUI Group	**3,704.8**	**3,548.9**	**155.9**	**-11.8**	**167.7**

* Table contains rounding effects 1 PY reported adjusted for retrospective application of IFRS 15 2 PY restated for reclassification of TUI DX Crystal to Destination Experiences from Markets & Airlines Northern Region and TUI Italy to Markets & Airlines Central Region from All other segments

FY19 Q1 Underlying EBITA by Segment*

In €m	FY19 Q1	FY18 Q1[1]	Change	FX	Change ex FX
Hotels & Resorts	**68.7**	**91.9**	**-23.2**	**0.5**	**-23.7**
- Riu	74.0	115.3	-41.3	-0.2	-41.1
- Robinson	-1.3	1.5	-2.8	0.4	-3.2
- Blue Diamond**	-1.3	0.8	-2.1	-	-2.1
- Other	-2.7	-25.7	23.0	0.3	22.7
Cruises	**47.0**	**37.5**	**9.5**	**-0.1**	**9.6**
- TUI Cruises**	26.2	25.2	1.0	-	1.0
- Marella Cruises	12.2	11.7	0.5	-0.1	0.6
- Hapag-Lloyd Cruises	8.6	0.6	8.0	-	8.0
Destination Experiences[2]	**-4.7**	**-3.5**	**-1.2**	**-0.2**	**-1.0**
Holiday Experiences	***111.0***	***125.9***	***-14.9***	***0.2***	***-15.1***
- Northern Region	-74.3	-37.3	-37.0	-0.4	-36.6
- Central Region[2]	-37.1	-54.8	17.7	0.1	17.6
- Western Region	-66.7	-48.7	-18.0	-0.1	-17.9
Markets & Airlines (formerly Sales & Marketing)	***-178.1***	***-140.8***	***-37.3***	***-0.4***	***-36.9***
All other segments	-16.5	-21.8	5.3	0.7	4.6
TUI Group	**-83.6**	**-36.7**	**-46.9**	**0.5**	**-47.4**

*Table contains rounding effects **Equity result 1 PY reported adjusted for retrospective application of IFRS 15 2 PY restated for reclassification of TUI DX Crystal to Destination Experiences from Markets & Airlines Northern Region and TUI Italy to Markets & Airlines Central Region from All other segments

Net Financial Position, Pensions and Operating Leases

In €m	31 Dec 2018	31 Dec 2017
Financial liabilities	**-2,762**	**-1,871**
- Finance leases	-1,365	-1,186
- Senior Notes	-297	-296
- Liabilities to banks	-1,078	-362
- Other liabilities	-22	-27
Cash & Bank Deposits	**930**	**997**
Net debt	**-1,832**	**-874**
- Net Pension Obligation	-816	-1,088
- Discounted value of operating leases[1]	-2,730	-2,674

FINANCIAL LIABILITIES

- Higher versus prior year as a result of Schuldschein & Commercial Paper issuance, utilisation of RCF and additional finance leases relating to aircraft re-fleeting

1 At simplified discounted rate of 1.7%

Contact

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