QUARTERLY STATEMENT 2018

Q3

Second year of profitable 9M result — Successful strategic positioning of TUI and further reduced seasonality — Strategy enables continued growth with some external challenges — Expect to deliver at least 10 % underlying EBITA growth in FY2018*

* Assuming constant foreign exchange rates are applied to the result in the current and prior period.

TUI GROUP

TUI GROUP – FINANCIAL HIGHLIGHTS

€ million		Q3 2018	Q3 2017 restated	Var. %	9M 2018	9M 2017 restated	Var. %	Var. % at constant currency
Turnover		**5,016.4**	**4,775.4**	**+5.0**	**11,829.9**	**11,129.2**	**+6.3**	**+7.6**
Underlying EBITA[1]								
Hotels & Resorts		74.7	77.7	–3.9	253.9	200.5	+26.6	+38.9
Cruises		90.9	67.1	+35.5	183.3	142.1	+29.0	+29.7
Destination Experiences		15.3	13.4	+14.2	6.0	13.7	–56.2	–41.6
Holiday Experiences		180.9	158.2	+14.3	443.2	356.3	+24.4	+32.1
Northern Region		16.0	81.0	–80.2	–104.5	–57.0	–83.3	–88.4
Central Region		35.4	24.5	+44.5	–110.4	–119.2	+7.4	+7.2
Western Region		–8.9	–12.0	+25.8	–114.5	–114.2	–0.3	–0.3
Sales & Marketing		42.5	93.5	–54.5	–329.4	–290.4	–13.4	–14.5
All other segments		–30.0	–30.1	+0.3	–79.0	–58.6	–34.8	–24.9
TUI Group		**193.4**	**221.6**	**–12.7**	**34.8**	**7.3**	**+376.7**	**+790.4**
Discontinued operations		–	14.2	n. a.	–	–1.1	n. a.	–
Total		**193.4**	**235.8**	**–18.0**	**34.8**	**6.2**	**+461.3**	**+948.4**
EBITA[2,3]		**182.6**	**200.2**	**–8.8**	**–9.7**	**–51.7**	**+81.2**	
Underlying EBITDA[3]		**293.6**	**317.3**	**–7.5**	**331.4**	**290.0**	**+14.3**	
EBITDA[3]		**287.8**	**301.9**	**–4.7**	**303.1**	**249.6**	**+21.4**	
Net loss for the period		110.5	160.6	–31.2	–89.7	–84.9	–5.7	
Earnings per share[3]	€	0.18	0.23	–21.7	–0.28	–0.28	–	
Net capex and investments		378.4	213.3	+77.4	585.7	908.4	–35.5	
Equity ratio (30 June)[4]	%				21.7	16.2	+5.5	
Net cash (30 June)[3]					589.4	234.3	+151.6	
Employees (30 June)					66,632	65,965	+1.0	

Differences may occur due to rounding.
This Quarterly Statement of the TUI Group was prepared for the reporting period 9M 2018 from 1 October 2017 to 30 June 2018.
The terms for previous periods were renamed accordingly.

1 In order to explain and evaluate the operating performance by the segments, EBITA adjusted for one-off effects (underlying EBITA) is presented. Underlying EBITA has been adjusted for gains on disposal of financial investments, restructuring measures according to IAS 37, all effects of purchase price allocations, ancillary acquisition costs and conditional purchase price payments and other expenses for and income from one-off items. Please also refer to page 14 for further details.

2 We define EBITA as earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges and in the prior year also earnings effects from container shipping.

3 Continuing operations.

4 Equity divided by balance sheet total in %, variance is given in percentage points.

Highlights

- We have delivered our second year in a row of profitable 9M underlying EBITA, demonstrating the successful strategic positioning of TUI and further reduced seasonality:
  - 9M Turnover increased by 6 % to € 11,830 m, driven by 5 % growth in customer volumes in Sales & Marketing.
  - Underlying EBITA increased by € 58 m at constant currency rates, or by € 28 m at actual exchange rates to € 35 m.
  - Reported EBITA increased by € 42 m to – € 10 m, as we maintain our disciplined focus on separately disclosed items.
- Profitable growth was delivered as a result of continued strong demand for our Holiday Experiences – including additional hotel and cruise ship capacity as we continue to deploy the proceeds of disposals into higher returning assets – and a good portfolio performance by Sales & Marketing, with some external challenges in recent months:
  - Airline disruption cost around € 13 m in Q3, primarily as a result of air traffic control strikes in France. Action is being taken to address our operational resilience in light of this.
  - Our high level of early bookings helps to limit the impact of the prolonged good weather in our key markets, however outperformance is less likely.
- The key drivers of the year on year improvement in underlying EBITA for Q3 and 9M and are shown in the table below. Please see pages 5 to 9 for further commentary on segmental performance.

Results at a glance

€ million	Q3	9M
Underlying EBITA FY2017	222	7
Holiday Experiences	+ 30	+ 71
Sales & Marketing	– 21	– 9
All other segments	+ 1	– 14
Riu hotel disposals (Q1/Q3) (net disposal impact)	+ 8	+ 43
Impact Niki bankruptcy (Q1)	–	– 20
Airline disruption (Q3)	– 13	– 13
Underlying EBITA FY2018 pre-Easter timing / FX translation	**227**	**65**
Easter timing impact	– 22	–
FX translation*	– 12	– 30
Underlying EBITA FY2018	**193**	**35**

* FX translation includes € 18 m adverse impact in the year to date and €8m in Q3, arising from the revaluation of Euro loan balances within Turkish hotel entities. The adverse impact is driven primarily by the weaker Turkish Lira.

We have also recently announced the following strategic developments:

- At the end of June, TUI issued a Schuldschein, with a total volume of € 425 m, average tenor of 6.4 years and margins of 90, 120 and 135 bps for the 5, 7 and 10 year tenors respectively. Proceeds, which were made available in July 2018, are expected to be used mainly to finance part of our aircraft order book. In addition to locking in favourable conditions, we have extended our debt maturity profile and further diversified our refinancing instruments as well as our debt investor base.
- In July, TUI Cruises ordered two new builds for delivery in 2024 and 2026, enabling further participation in the strong German cruise market growth. The ships, each with a gross registered tonnage of 161,000 and generous passenger to space ratio, will be the first of the fleet to operate with low emission LNG propulsion. The orders are subject to final financing negotiations, and will be fully funded by the joint venture with no additional capital requirement from TUI Group.
- The acquisition of Destination Management from Hotelbeds Group was partly completed on 31 July, with full completion expected by the end of the financial year. The acquisition has been funded from the proceeds of business disposals completed in prior years. With this, TUI will become one of the world's leading providers of destination experiences.

Outlook

- Based on the positive 9M result (up + € 58 m in underlying EBITA[1)] and current trading for the remainder of the year, we expect to deliver at least 10 % growth in underlying EBITA[1].

Expected development of Group turnover, underlying EBITA and adjustments[1]

		Expected development vs. PY
€ million	2017	**2018**
Turnover[2]	18,535	around 3 % growth
Underlying EBITA	1,102	at least 10 % growth
Adjustments	76	approx. € 80 m cost

[1] Variance year-on-year assuming constant foreign-exchange rates are applied to the result in the current and prior period and based on the current group structure; guidance relates to continuing operations.
[2] Excluding cost inflation relating to currency movements.

- Based on current foreign exchange rates, we expect approximately € 35 m adverse impact on underlying EBITA compared with rates prevailing in the prior year. This includes the impact from the revaluation of Euro loan balances within Turkish hotel entities.

- We continue to deliver our ambition – strong strategic positioning, strong earnings growth and strong cash generation, with underlying EBITA doubling between FY14 and FY20[3].

[3] Assuming constant foreign exchange rates are applied to the result in the current and prior period.

Current trading

HOLIDAY EXPERIENCES

Our portfolio of around 380 hotels continues to perform very well, thanks to our range of destinations, new hotel openings and integrated model. As outlined at H1, following a couple of years of very high demand for Spain and a decline in demand for Turkey and North Africa, we are seeing a continued rebalance towards the latter destinations, as well as strong demand for Greece. We opened four new hotels in Summer 2018 and have a good pipeline of openings for FY19. We also continue to streamline the existing portfolio, having disposed of four Riu hotels in the year to date, and with repositionings under the TUI Blue and TUI Magic Life brands. The popular Robinson Club Jandia Playa in Fuerteventura remains closed for renovation for much of Summer 2018.

In Cruises we have a strong pipeline of new launches for TUI Cruises, Marella Cruises and Hapag-Lloyd Cruises in the coming years. Demand for our cruises remains very strong, with yields continuing to grow in 2018 and 2019. In Marella, Majesty exited the fleet in November 2017 and Spirit will exit in November 2018, and from Summer 2019 the entire fleet will be fully all inclusive.

We expect strong volumes for Destination Experiences in the final quarter. The acquisition of Destination Management from Hotelbeds Group partly completed on 31 July 2018, adds a further 25 countries to our global destination presence. Full completion is expected by the end of the financial year.

SALES & MARKETING

For Summer 2018 bookings are up 4% with 86% of the programme sold, in line with prior year. Our high level of early bookings helps to limit the impact of the prolonged good weather in our key markets this Summer, however outperformance is less likely. Spain remains the top destination, but with year on year growth driven by destinations such as Turkey, North Africa and Greece, as well as smaller destinations such as Bulgaria, Croatia and Cyprus.

Sales & Marketing – Current trading Summer 2018*

YoY variance %	Total revenue	Total custormers	Total ASP	Programme sold (%)
Northern Region	+3	+2	+2	86
Central Region	+8	+7	+2	85
Western Region	+3	+2	+1	87
Total	**+5**	**+4**	**+1**	**86**

* These statistics are up to 29 July 2018, shown on a constant currency basis and relate to all customers whether risk or non-risk.

In Northern Region, Nordics bookings remain ahead of prior year, driven in particular by demand for Turkey and Greece, despite lapping strong comparatives and the recent warm weather. UK bookings are also ahead of prior year, however as previously outlined, margins have reduced primarily due to the weaker Pound Sterling and also as a result of the weather. As detailed at H1, the UK continues to see growth in demand for non-Euro destinations such as Turkey, North Africa, Bulgaria and Croatia, as well as a shortening of the average duration of holidays.

Within Central Region, German bookings remain ahead of prior year. The good level of growth in mainstream holiday bookings is driven by increased demand for Turkey, North Africa and Greece. This is partly offset by lower bookings for some of our specialist brands. In addition, the recent warm weather and increase in flight capacity on leisure routes this Summer since the Air Berlin bankruptcy, especially to Spain, has impacted margins. Growth in Central Region is also driven by Poland, where we continue to increase market share.

In Western Region, bookings in Belgium and Netherlands remain ahead of prior year with growth destinations in general similar to the other source markets and good margins overall. This is partly offset by a more challenging trading environment in France, where revenues and bookings remain behind prior year. The rate of sale has slowed in recent months, in part due to the World Cup and warm weather. In addition, there has been very strong price competition on flights, particularly for Spain, which has benefitted our non-integrated competitors. The tours business also remains challenging following the transition from Voyages Transat to Circuits TUI. As a result, a detailed operational review is underway for France.

At this early stage, trading for Winter 2018/19 has started well. Bookings are ahead of prior year, with overall percentage of programme sold in line with prior year. The bookings performance to date reflects a year on year increase in demand for Turkey and North Africa, as well as growth in long haul.

Consolidated earnings

Turnover

€ million	Q3 2018	Q3 2017 restated	Var. %	9M 2018	9M 2017 restated	Var. %
Hotels & Resorts	161.0	151.3	+6.4	448.9	451.3	–0.5
Cruises	227.3	214.3	+6.1	622.9	560.2	+11.2
Destination Experiences	65.6	55.3	+18.6	125.4	109.9	+14.1
Holiday Experiences	453.9	420.9	+7.8	1,197.2	1,121.4	+6.8
Northern Region	1,808.9	1,727.8	+4.7	4,133.0	3,932.1	+5.1
Central Region	1,657.7	1,557.5	+6.4	3,963.6	3,585.5	+10.5
Western Region	942.1	926.3	+1.7	2,074.4	2,040.3	+1.7
Sales & Marketing	4,408.7	4,211.6	+4.7	10,171.0	9,557.9	+6.4
All other segments	153.8	142.9	+7.6	461.7	449.9	+2.6
TUI Group	**5,016.4**	**4,775.4**	**+5.0**	**11,829.9**	**11,129.2**	**+6.3**
TUI Group at constant currency	**5,076.4**	**4,775.4**	**+6.3**	**11,970.4**	**11,129.2**	**+7.6**
Discontinued operations	–	282.7	n.a.	–	829.0	n.a.
Total	**5,016.4**	**5,058.1**	**–0.8**	**11,829.9**	**11,958.2**	**–1.1**

Underlying EBITA

€ million	Q3 2018	Q3 2017 restated	Var. %	9M 2018	9M 2017 restated	Var. %
Hotels & Resorts	74.7	77.7	–3.9	253.9	200.5	+26.6
Cruises	90.9	67.1	+35.5	183.3	142.1	+29.0
Destination Experiences	15.3	13.4	+14.2	6.0	13.7	–56.2
Holiday Experiences	180.9	158.2	+14.3	443.2	356.3	+24.4
Northern Region	16.0	81.0	–80.2	–104.5	–57.0	–83.3
Central Region	35.4	24.5	+44.5	–110.4	–119.2	+7.4
Western Region	–8.9	–12.0	+25.8	–114.5	–114.2	–0.3
Sales & Marketing	42.5	93.5	–54.5	–329.4	–290.4	–13.4
All other segments	–30.0	–30.1	+0.3	–79.0	–58.6	–34.8
TUI Group	**193.4**	**221.6**	**–12.7**	**34.8**	**7.3**	**+376.7**
TUI Group at constant currency	**205.1**	**221.6**	**–7.4**	**65.0**	**7.3**	**+790.4**
Discontinued operations	–	14.2	n.a.	–	–1.1	n.a.
Total	**193.4**	**235.8**	**–18.0**	**34.8**	**6.2**	**+461.3**

EBITA

€ million	Q3 2018	Q3 2017 restated	Var. %	9M 2018	9M 2017 restated	Var. %
Hotels & Resorts	74.7	77.7	–3.9	253.8	197.7	+28.4
Cruises	90.9	67.1	+35.5	183.3	142.1	+29.0
Destination Experiences	14.8	13.5	+9.6	4.9	12.7	–61.4
Holiday Experiences	180.4	158.3	+14.0	442.0	352.5	+25.4
Northern Region	11.2	63.8	–82.4	–118.0	–84.3	–40.0
Central Region	32.8	23.8	+37.8	–118.7	–116.4	–2.0
Western Region	–11.7	–12.8	+8.6	–130.4	–141.6	+7.9
Sales & Marketing	32.3	74.8	–56.8	–367.1	–342.3	–7.2
All other segments	–30.1	–32.9	+8.5	–84.6	–61.9	–36.7
TUI Group	**182.6**	**200.2**	**–8.8**	**–9.7**	**–51.7**	**+81.2**
Discontinued operations	41.4	0.3	n.a.	41.4	–21.9	n.a.
Total	**224.0**	**200.5**	**+11.7**	**31.7**	**–73.6**	**n.a.**

Segmental performance

HOLIDAY EXPERIENCES

Holiday Experiences

€ million	**Q3 2018**	Q3 2017	Var. %	**9M 2018**	9M 2017	Var. %
Turnover	453.9	420.9	+ 7.8	1,197.2	1,121.4	+ 6.8
Underlying EBITA	180.9	158.2	+ 14.3	443.2	356.3	+ 24.4
Underlying EBITA at constant currency	192.9	158.2	+ 21.9	470.7	356.3	+ 32.1

Hotels & Resorts

€ million	**Q3 2018**	Q3 2017	Var. %	**9M 2018**	9M 2017	Var. %
Total turnover	334.6	339.1	– 1.3	897.9	903.7	– 0.6
Turnover	161.0	151.3	+ 6.4	448.9	451.3	– 0.5
Underlying EBITA	74.7	77.7	– 3.9	253.9	200.5	+ 26.6
Underlying EBITA at constant currency rates	86.0	77.7	+ 10.7	278.4	200.5	+ 38.9
Capacity hotels total [1, 4] in '000	**10,910.7**	**11,327.4**	**– 3.7**	**27,102.7**	**26,869.5**	**+ 0.9**
Riu	4,483.7	4,777.3	– 6.1	12,916.8	13,160.2	– 1.8
Robinson	823.2	960.0	– 14.2	2,070.1	2,126.9	– 2.7
Blue Diamond	944.4	808.4	+ 16.8	2,711.8	2,062.8	+ 31.5
Occupancy rate hotels total [2,4] in %, variance in % points	**80.2**	**75.0**	**+ 5.2**	**78.4**	**75.2**	**+ 3.2**
Riu	88.4	88.2	+ 0.2	87.1	88.2	– 1.1
Robinson	64.4	57.8	+ 6.6	63.6	60.3	+ 3.3
Blue Diamond	83.4	83.9	– 0.5	80.4	82.2	– 1.8
Average revenue per bed hotels total [3,4] in €	**59**	**59**	**– 1.0**	**66**	**65**	**+ 1.1**
Riu	58	59	– 1.5	65	65	– 1.4
Robinson	86	82	+ 3.8	92	89	+ 4.3
Blue Diamond	118	113	+ 5.0	131	120	+ 8.7

Turnover measures include fully consolidated companies, all other KPIs incl. companies measured at equity.
[1] Group owned or leased hotel beds multiplied by opening days per quarter.
[2] Occupied beds divided by capacity.
[3] Arrangement revenue divided by occupied beds.
[4] Previous year's values now include Blue Diamond.

- Hotels & Resorts delivered a good performance in Q3, with high levels of occupancy and overall average rate broadly in line with prior year, despite the earlier Easter, shift in demand to Turkey and North Africa and currency impact.
- The Q3 result includes €3m adverse impact from the earlier timing of Easter, as well as €8m, arising from the revaluation of Euro loan balances within Turkish hotel entities.
- Four hotels were opened in Q3, bringing the total number of openings since merger of TUI AG with TUI Travel PLC to 42.
- Riu continues to deliver a very strong operational performance, with overall occupancy remaining at last year's high level (88 %) and average rate excluding foreign exchange translation up 5 %. As well as a strong underlying performance, the result benefits from the year on year impact of hotel openings and renovations, as well as the gain on sale of the Riu St Martin (€ 8 m benefit net of lost earnings). This is partly offset by the loss of earnings from the three hotels sold in Q1.
- Robinson delivered a strong improvement in occupancy and average rate compared with prior year, driven primarily by our Turkish and North African clubs. This was offset by the closure of two clubs for planned renovation (in Fuerteventura, which remains closed for most of FY18, and in Agadir) leading to a reduction in capacity and earnings. The new clubs in Maldives and Thailand remain in the ramp up phase, and therefore have a limited earnings impact in FY18.
- Blue Diamond delivered further growth in earnings this quarter, reflecting growth in the hotel portfolio.
- The result also reflects an improved performance in our hotels in Turkey and North Africa, as demand continues to strengthen.

Cruises

€ million	Q3 2018	Q3 2017	Var. %	9M 2018	9M 2017	Var. %
Turnover[1]	227.3	214.3	+6.1	622.9	560.2	+11.2
Underlying EBITA	90.9	67.1	+35.5	183.3	142.1	+29.0
Underlying EBITA at constant currency	91.3	67.1	+36.1	184.3	142.1	+29.7
Occupancy **in %, variance in % points**						
TUI Cruises	98.9	101.2	–2.3	99.2	100.2	–1.0
Marella Cruises[2]	100.3	100.3	–	99.9	99.9	–
Hapag-Lloyd Cruises	75.6	73.1	+2.5	76.1	73.6	+2.5
Passenger days **in '000**						
TUI Cruises	1,238.9	1,094.7	+13.2	3,752.9	3,126.3	+20.0
Marella Cruises[2]	799.0	753.5	+6.0	2,049.6	1,843.5	+11.2
Hapag-Lloyd Cruises	86.5	86.4	+0.2	254.3	250.0	+1.7
Average daily rates[3] **in €**						
TUI Cruises	200	183	+9.3	165	160	+3.1
Marella Cruises[2, 4] **in £**	138	126	+9.5	135	126	+7.1
Hapag-Lloyd Cruises	571	562	+1.6	590	584	+1.0

[1] No turnover is carried for TUI Cruises as the joint venture is consolidated at equity.
[2] Rebranded from Thomson Cruises in October 2017.
[3] Per day and passenger.
[4] Inclusive of transfers, flights and hotels due to the integrated nature of Marella Cruises.

- Cruises delivered a very strong performance in Q3, with additional capacity in TUI Cruises and Marella Cruises, and significant increase in yield in all three brands reflecting the strength of demand, the benefit of new ship launches and improvement in itinerary mix.
- TUI Cruises earnings increased due to the launch of the new Mein Schiff 1 in May 2018. In addition, performance across the rest of the fleet remains strong.
- Marella Cruises earnings increased primarily due to the addition of Marella Explorer in May 2018, partly offset by the exit of Majesty from the fleet in November 2017.
- Hapag-Lloyd Cruises earnings were slightly below prior year, with a good underlying performance offsetting year on year dry dock effects.

Destination Experiences

€ million	Q3 2018	Q3 2017	Var. %	9M 2018	9M 2017	Var. %
Total turnover	143.6	127.0	+13.1	282.2	254.0	+11.1
Turnover	65.6	55.3	+18.6	125.4	109.9	+14.1
Underlying EBITA	15.3	13.4	+14.2	6.0	13.7	–56.2
Underlying EBITA at constant currency	15.6	13.4	+16.4	8.0	13.7	–41.6

- Destination Experiences' result reflects a change made since prior year to the way in which Sales & Marketing are recharged. This results in a phasing of earnings into Q4.
- Excluding the impact of this change, Destination Experiences continued to deliver a good operational performance. Q3 arrival guests grew by 8%, with underlying earnings growth driven by cost base improvements in Spain, Portugal and Greece and increased volumes in Turkey, Greece & Tunisia.
- The acquisition of Destination Management from Hotelbeds Group was partly completed at the end of July, with full completion expected by the end of the financial year. The acquisition is funded from proceeds of business disposals in prior years. With this, TUI will become one of the world's leading providers of destination experiences.

SALES & MARKETING

Sales & Marketing

€ million		Q3 2018	Q3 2017	Var. %	9M 2018	9M 2017	Var. %
Turnover		4,408.7	4,211.6	+4.7	10,171.0	9,557.9	+6.4
Underlying EBITA		42.5	93.5	–54.5	–329.4	–290.4	–13.4
Underlying EBITA at constant currency		40.8	93.5	–56.4	–332.5	–290.4	–14.5
Direct distribution mix[1]	in %, variance in % points	74	73	+1	74	73	+1
Online mix[2]	in %, variance in % points	47	46	+1	48	46	+2
Customers	in '000	6,007	5,756	+4.4	12,701	12,101	+5.0

[1] Share of sales via own channels (retail and online).
[2] Share of online sales.

- Sales & Marketing delivered a good performance in Central Region, Nordics and Benelux. This was offset, as anticipated, by reduced margins in the UK (due primarily to currency), and also by around € 13 m impact from airline disruption in the quarter primarily as a result of air traffic control strikes in France. Action is being taken to address our operational resilience in light of this.
- Q3 turnover grew by 5.6 % at constant foreign exchange rates, as a result of a 4.4 % increase in customer volumes and higher average selling prices, in part reflecting currency cost inflation in the UK.
- Direct and online distribution mix also continued to increase in the quarter, to 74 % and 47 % respectively.
- The Q3 underlying EBITA result includes € 19 m adverse impact from the earlier timing of Easter.

Northern Region

€ million		Q3 2018	Q3 2017	Var. %	9M 2018	9M 2017	Var. %
Turnover		1,808.9	1,727.8	+4.7	4,133.0	3,932.1	+5.1
Underlying EBITA		16.0	81.0	–80.2	–104.5	–57.0	–83.3
Underlying EBITA at constant currency		14.3	81.0	–82.3	–107.4	–57.0	–88.4
Direct distribution mix[1]	in %, variance in % points	94	93	+1	93	92	+1
Online mix[2]	in %, variance in % points	65	63	+2	65	63	+2
Customers	in '000	2,211	2,113	+4.6	4,574	4,476	+2.2

[1] Share of sales via own channels (retail and online).
[2] Share of online sales.

- The Q3 underlying EBITA result includes € 15 m adverse impact from the earlier timing of Easter.
- Nordics continued to perform well in Q3, despite the warmer weather and strong prior year comparatives. Nordics' organisational structure and platforms are being aligned with the UK, and the business continues to benefit from the introduction of the Group's yield management and CRM systems.
- In the UK demand remains resilient, with customer volumes growing in the quarter, but as expected trading margins have continued to be impacted by the weaker Pound Sterling. In addition, the UK result was adversely affected in the quarter by airline disruption, as a result of French air traffic control strikes, leading to delays, cancellations and staffing difficulties.
- Online mix for the region is now 65%, demonstrating the strength of the TUI online offer. Currently the majority of online bookings are made through the TUI website in the respective markets, but we are seeing a significant increase (albeit small in absolute terms) in bookings made through the TUI app and would expect this trend to continue with increased app uptake and enhancements to the platform, and across all regions.

Central Region

€ million	Q3 2018	Q3 2017	Var. %	9M 2018	9M 2017	Var. %
Turnover	1,657.7	1,557.5	+6.4	3,963.6	3,585.5	+10.5
Underlying EBITA	35.4	24.5	+44.5	–110.4	–119.2	+7.4
Underlying EBITA at constant currency	35.4	24.5	+44.5	–110.6	–119.2	+7.2
Direct distribution mix[1] in %, variance in % points	49	49	–	50	48	+2
Online mix[2] in %, variance in % points	21	19	+2	21	18	+3
Customers in '000	2,154	2,054	+4.9	4,574	4,201	+8.9

[1] Share of sales via own channels (retail and online).
[2] Share of online sales.

- The Q3 underlying EBITA result includes €2 m adverse impact from the earlier timing of Easter.
- Customer volumes grew 5 % in the quarter, driven mainly by Poland where we continue to significantly increase our market share.
- Germany delivered a good result in the quarter, with a continued increase in direct and online distribution mix (to 49% and 21% respectively in the year to date). This was partly offset by the impact of airline disruption, as outlined above.
- The 9M result reflects the non-repeat (€24 m) of last year's sickness event in TUI fly. This was offset by the write off of €20 m wet lease receivable in Q1 FY18 as a result of the Niki insolvency.

Western Region

€ million	Q3 2018	Q3 2017	Var. %	9M 2018	9M 2017	Var. %
Turnover	942.1	926.3	+1.7	2,074.4	2,040.3	+1.7
Underlying EBITA	–8.9	–12.0	+25.8	–114.5	–114.2	–0.3
Underlying EBITA at constant currency	–8.9	–12.0	+25.8	–114.5	–114.2	–0.3
Direct distribution mix[1] in %, variance in % points	73	71	+2	74	72	+2
Online mix[2] in %, variance in % points	53	53	–	56	55	+1
Customers in '000	1,642	1,589	+3.4	3,553	3,424	+3.8

[1] Share of sales via own channels (retail and online).
[2] Share of online sales.

- The Q3 underlying EBITA result includes €2 m adverse impact from the earlier timing of Easter.
- Benelux trading continues to go well, with a further increase in customer volume this quarter and growth in direct and online distribution (77 % and 63 % respectively in the year to date). This was partly offset by airline disruption, mainly as a result of French air traffic control strikes.
- The French result benefitted from the delivery of further cost synergies from the Transat integration, however, the trading environment remains very challenging, with very strong price competition on flights, particularly for Spain, which has benefitted our non-integrated competitors. A detailed operational review is underway.

All other segments

€ million	Q3 2018	Q3 2017 restated	Var. %	9M 2018	9M 2017 restated	Var. %
Turnover	153.8	142.9	+7.6	461.7	449.9	+2.6
Underlying EBITA	–30.0	–30.1	+0.3	–79.0	–58.6	–34.8
Underlying EBITA at constant currency	–28.6	–30.1	+5.0	–73.2	–58.6	–24.9

- The overall underlying EBITA result in all other segments was in line with prior year, excluding the impact of foreign exchange translation.

Cash flow / Net capex and investments / Net financial position

The cash inflow from operating activities decreased by €101.1 m to €1,279.5 m. This was due in particular to higher advance payments to hotels, payments for the integration of Transat in France and the de-consolidation of the Travelopia Group.

From the Half Year Financial Report 2018, we have adjusted the definition of our net debt. While net debt has so far been calculated as the balance between current and non-current financial debt and cash and cash equivalents, we will also consider future short-term interest-bearing investments as a debt-deduction item. The majority of these investments becomes due between three and six months. In accordance with IFRS regulations, these investments are not shown as cash and cash equivalents in the consolidated balance sheet but within current trade receivables and other assets. This adjustment had no effect on the previous year.

Net financial position

€ million	30 Jun 2018	30 Jun 2017	Var. %
Financial debt	2,030.5	1,992.2	+1.9
Cash and cash equivalents	2,598.0	2,226.5	+16.7
Short-term interest-bearing investments	21.9	–	n. a.
Net cash	**589.4**	**234.3**	**+151.6**

The net cash of the continuing operations improved by €355.1 m to €589.4 m. The year-on-year improvement was attributable mainly to the receipt of disposal proceeds not yet fully reinvested.

Net capex and investments

€ million	Q3 2018	Q3 2017 restated	Var. %	9M 2018	9M 2017 restated	Var. %
Cash gross capex						
Hotels & Resorts	78.8	55.8	+ 41.1	193.9	186.5	+ 4.0
Cruises	185.5	25.5	+ 626.6	223.6	272.7	– 18.0
Destination Experiences	3.3	1.5	+ 122.4	5.4	4.1	+ 32.0
Holiday Experiences	267.6	82.8	+ 223.0	422.9	463.2	– 8.7
Northern Region	19.6	15.1	+ 29.6	43.8	40.9	+ 7.1
Central Region	5.2	4.8	+ 8.4	15.4	12.2	+ 26.8
Western Region	12.1	6.1	+ 99.9	25.1	19.7	+ 27.3
Sales & Marketing	37.0	26.0	+ 42.4	84.4	72.8	+ 15.9
All other segments	23.7	38.2	– 38.0	116.6	86.5	+ 34.8
TUI Group	**328.2**	**147.0**	**+ 123.3**	**623.8**	**622.5**	**+ 0.2**
Discontinued operations	–	18.0	n. a.	–	28.6	n. a.
Total	**328.2**	**165.0**	**+ 98.9**	**623.8**	**651.2**	**– 4.2**
Net pre delivery payments on aircraft	37.9	78.5	– 51.7	17.7	195.9	– 91.0
Financial investments	55.7	3.6	n. a.	80.0	106.7	– 25.0
Divestments*	– 43.6	– 33.8	– 28.9	– 135.8	– 45.4	– 199.4
Net capex and investments	**378.4**	**213.3**	**+ 77.4**	**585.7**	**908.4**	**– 35.5**

* Excludes proceeds from Hotelbeds, Travelopia and Hapag-Lloyd AG.

The decline in net capex and investments in the first nine months was mainly driven by the acquisition of Transat last year as well as the sale of Riu hotels in 9M 2018.

Fuel / foreign exchange

Our strategy of hedging the majority of our jet fuel and currency requirements for future seasons, as detailed below, remains unchanged. This gives us certainty of costs when planning capacity and pricing. The following table shows the percentage of our forecast requirement that is currently hedged for Euros, US Dollars and jet fuel for our Sales & Marketing, which account for over 90 % of our Group currency and fuel exposure.

Foreign Exchange / Fuel

%	Summer 2018	Winter 2018/19	Summer 2019
Euro	96	83	43
US Dollar	93	83	57
Jet fuel	93	86	72

As at 2 August 2018

Financial position of the TUI Group

Financial position of the TUI Group as at 30 Jun 2018

€ million	30 Jun 2018	30 Sep 2017
Assets		
Goodwill	2,859.8	2,889.5
Other intangible assets	558.1	548.1
Property, plant and equipment	4,820.3	4,253.7
Investments in joint ventures and associates	1,412.6	1,306.2
Financial assets available for sale	53.2	69.5
Trade receivables and other assets	310.7	211.8
Touristic payments on account	163.9	185.2
Derivative financial instruments	135.9	79.9
Income tax assets	9.6	–
Deferred tax assets	310.3	323.7
Non-current assets	**10,634.4**	**9,867.6**
Inventories	122.1	110.2
Trade receivables and other assets	892.4	794.5
Touristic payments on account	1,312.4	573.4
Derivative financial instruments	411.2	215.4
Income tax assets	121.4	98.7
Cash and cash equivalents	2,598.0	2,516.1
Assets held for sale	4.5	9.6
Current assets	**5,462.0**	**4,317.9**
	16,096.4	**14,185.5**
Equity and liabilities		
Subscribed capital	1,501.6	1,501.6
Capital reserves	4,194.9	4,195.0
Revenue reserves	–2,842.9	–2,756.9
Equity before non-controlling interest	**2,853.6**	**2,939.7**
Non-controlling interest	645.1	594.0
Equity	**3,498.7**	**3,533.7**
Pension provisions and similar obligations	995.3	1,094.7
Other provisions	798.2	801.4
Non-current provisions	**1,793.5**	**1,896.1**
Financial liabilities	1,850.2	1,761.2
Derivative financial instruments	22.8	50.4
Income tax liabilities	133.1	150.2
Deferred tax liabilities	81.0	109.0
Other liabilities	101.7	150.2
Non-current liabilities	**2,188.8**	**2,221.0**
Non-current provisions and liabilities	**3,982.3**	**4,117.1**
Pension provisions and similar obligations	33.7	32.7
Other provisions	307.1	349.9
Current provisions	**340.8**	**382.6**
Financial liabilities	180.3	171.9
Trade payables	2,467.9	2,653.3
Touristic advance payments received	4,800.4	2,446.4
Derivative financial instruments	89.1	217.2
Income tax liabilities	131.2	65.3
Other liabilities	605.7	598.0
Current liabilities	**8,274.6**	**6,152.1**
Current provisions and liabilities	**8,615.4**	**6,534.7**
	16,096.4	**14,185.5**

Income statement

Income statement of the TUI Group for the period from 1 Oct 2017 to 30 Jun 2018

€ million	**Q3 2018**	Q3 2017	Var. %	**9M 2018**	9M 2017	Var. %
Turnover	5,016.4	4,775.4	5.0	11,829.9	11,129.2	6.3
Cost of sales	4,624.9	4,339.2	6.6	11,183.6	10,467.1	6.8
Gross profit	**391.5**	**436.2**	**– 10.2**	**646.3**	**662.1**	**– 2.4**
Administrative expenses	300.8	300.4	0.1	922.2	901.5	2.3
Other income	13.4	4.1	226.8	62.0	9.2	573.9
Other expenses	1.6	– 0.4	n. a.	1.9	1.8	5.6
Financial income	23.6	42.9	– 45.0	41.3	79.9	– 48.3
Financial expenses	56.5	34.2	65.2	124.6	115.3	8.1
Share of result of joint ventures and associates	77.9	54.3	43.5	199.4	159.9	24.7
Earnings before income taxes	**147.5**	**203.3**	**– 27.4**	**– 99.7**	**– 107.5**	**7.3**
Income taxes	37.0	42.7	– 13.3	– 10.0	– 22.6	55.8
Result from continuing operations	**110.5**	**160.6**	**– 31.2**	**– 89.7**	**– 84.9**	**– 5.7**
Result from discontinued operations	41.4	– 88.7	n. a.	41.4	– 151.8	n. a.
Group profit / loss for the year	**151.9**	**71.9**	**111.3**	**– 48.3**	**– 236.7**	**79.6**
Group profit / loss for the year attributable to shareholders of TUI AG	146.3	47.7	206.7	– 124.2	– 315.2	60.6
Group profit / loss for the year attributable to non-controlling interest	5.6	24.2	– 76.9	75.9	78.5	– 3.3

Cash flow statement

Condensed cash flow statement of the TUI Group

€ million	**9M 2018**	9M 2017
Cash inflow from operating activities	1,279.5	1,380.6
Cash outflow from investing activities	– 584.8	– 841.0
Cash outflow from financing activities	– 573.6	– 685.0
Net change in cash and cash equivalents	**121.1**	**– 145.4**
Change in cash and cash equivalents due to exchange rate fluctuation	– 39.2	– 31.7
Cash and cash equivalents at beginning of period	**2,516.1**	**2,403.6**
Cash and cash equivalents at end of period	**2,598.0**	**2,226.5**

Alternative performance measures

Key indicators used to manage the TUI Group are EBITA and underlying EBITA.

We define EBITA as earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges and in the prior year also earnings effects from container shipping.

We consider underlying EBITA to be the most suitable performance indicator for explaining the development of the TUI Group's operating performance. Underlying EBITA has been adjusted for gains on disposal of financial investments, expenses in connection with restructuring measures according to IAS 37, all effects of purchase price allocations, ancillary acquisition cost and conditional purchase price payments and other expenses for and income from one-off items.

The table below shows a reconciliation of earnings before taxes from continuing operations to underlying earnings. In 9M FY2018, adjustments (including one-off items and purchase price allocations for continuing operations) amounted to € 44,5 m, a decrease of € 14.5 m year-on-year.

Reconciliation to underlying EBITA (continuing operations)

€ million	Q3 2018	Q3 2017	Var. %	9M 2018	9M 2017	Var. %
Earnings before income taxes	147.5	203.3	– 27.4	– 99.7	– 107.5	7.3
Result from the sale of the shares in Containershipping	–	– 32.9	n. a.	–	– 35.2	n. a.
Net interest expense and expense from the measurement of interest hedges	**35.1**	**29.8**	**17.8**	**90.0**	**91.0**	**– 1.1**
EBITA	**182.6**	**200.2**	**– 8.8**	**– 9.7**	**– 51.7**	**81.2**
Adjustments:						
less: Profit on disposals (prior year losses)	– 0.6	– 2.1		– 0.6	– 1.4	
plus: Restructuring expense	0.9	–		14.3	17.1	
plus: Expense from purchase price allocation	6.7	7.0		21.7	22.2	
plus: expense from other one-off items	3.8	16.5		9.1	21.1	
Underlying EBITA	**193.4**	**221.6**	**– 12.7**	**34.8**	**7.3**	**376.7**

Adjustments include one-off income and expense items impacting or distorting the assessment of the operating profitability of the segments and the Group due to their level and frequency. These items primarily include major restructuring and integration expenses not meeting the criteria of IAS 37, material expenses for litigation, gains and losses from the sale of aircraft and other material business transactions of a one-off nature.

In 9M FY2018 TUI Group's operating profit adjusted for one-off effects improved by € 27.5 m to € 34.8 m.

In 9M FY2018, adjustments included expenses for purchase price allocations of € 21.7 m and in particular for the integration of Transat in France and the restructuring of our German flight sector.

Key figures of income statement (continuing operations)

€ million	Q3 2018	Q3 2017	Var. %	9M 2018	9M 2017	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)	**466.4**	**496.7**	**– 6.1**	**812.5**	**811.7**	**+ 0.1**
Operating rental expenses	178.6	194.8	– 8.3	509.4	562.1	– 9.4
Earnings before interest, income taxes, depreciation and impairment (EBITDA)	**287.8**	**301.9**	**– 4.7**	**303.1**	**249.6**	**+ 21.4**
Depreciation / amortisation less reversals of depreciation / amortisation*	105.2	101.7	+ 3.4	312.8	301.3	+ 3.8
Earnings before interest, income taxes and impairment of goodwill (EBITA)	**182.6**	**200.2**	**– 8.8**	**– 9.7**	**– 51.7**	**+ 81.2**
Earnings before interest and income taxes (EBIT)	**182.6**	**200.2**	**– 8.8**	**– 9.7**	**– 51.7**	**+ 81.2**
Net interest expense and expense from the measurement of interest hedges	35.1	29.8	+ 17.8	90.0	91.0	– 1.1
plus income from the sale of the shares in Container Shipping	–	32.9	n. a.	–	35.2	n. a.
Earnings before income taxes (EBT)	**147.5**	**203.3**	**– 27.4**	**– 99.7**	**– 107.5**	**+ 7.3**

* On property, plant and equipment, intangible asssets, financial and other assets.

Other segment indicators

Underlying EBITDA

€ million	Q3 2018	Q3 2017 restated	Var. %	9M 2018	9M 2017 restated	Var. %
Hotels & Resorts	99.3	98.0	+ 1.3	327.7	265.9	+ 23.2
Cruises	109.7	83.0	+ 32.2	235.5	184.6	+ 27.6
Destination Experiences	17.4	15.2	+ 14.5	12.4	19.4	– 36.1
Holiday Experiences	226.4	196.2	+ 15.4	575.6	469.9	+ 22.5
Northern Region	27.8	101.2	– 72.5	– 69.6	– 9.6	– 625.0
Central Region	40.5	27.6	+ 46.7	– 95.5	– 106.4	+ 10.2
Western Region	– 5.7	– 8.2	+ 30.5	– 103.2	– 101.8	– 1.4
Sales & Marketing	62.6	120.6	– 48.1	– 268.3	– 217.8	– 23.2
All other segments	4.6	0.5	+ 820.0	24.1	37.9	– 36.4
TUI Group	**293.6**	**317.3**	**– 7.5**	**331.4**	**290.0**	**+ 14.3**
Discontinued operations	–	14.2	n. a.	–	– 1.0	n. a.
Total	**293.6**	**331.5**	**– 11.4**	**331.4**	**289.0**	**+ 14.7**

EBITDA

€ million	Q3 2018	Q3 2017 restated	Var. %	9M 2018	9M 2017 restated	Var. %
Hotels & Resorts	99.2	98.0	+ 1.2	327.6	265.2	+ 23.5
Cruises	109.7	83.0	+ 32.2	235.5	184.6	+ 27.6
Destination Experiences	16.9	15.1	+ 11.9	11.2	18.3	– 38.8
Holiday Experiences	225.8	196.1	+ 15.1	574.3	468.1	+ 22.7
Northern Region	26.0	87.0	– 70.1	– 74.1	– 27.8	– 166.5
Central Region	38.3	27.1	+ 41.3	– 102.3	– 102.5	+ 0.2
Western Region	– 7.5	– 6.9	– 8.7	– 115.8	– 125.7	+ 7.9
Sales & Marketing	56.8	107.2	– 47.0	– 292.2	– 256.0	– 14.1
All other segments	5.2	– 1.4	n. a.	21.0	37.5	– 44.0
TUI Group	**287.8**	**301.9**	**– 4.7**	**303.1**	**249.6**	**+ 21.4**
Discontinued operations	41.4	0.3	n. a.	41.4	– 21.8	n. a.
Total	**329.2**	**302.2**	**+ 8.9**	**344.5**	**227.8**	**+ 51.2**

Cautionary statement regarding forward-looking statements

The present Quarterly Statement contains various statements relating to TUI's future development. These statements are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, they are not guarantees of future performance since our assumptions involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Such factors include market fluctuations, the development of world market prices for commodities and exchange rates or fundamental changes in the economic environment. TUI does not intend to and does not undertake any obligation to update any forward-looking statements in order to reflect events of developments after the date of this Statement.

Analyst and investor enquiries

Peter Krueger,
Member of the Group Executive Committee,
Group Director of Strategy, M&A and Investor Relations
Tel.: +49 511 566-1440

CONTACTS FOR ANALYSTS AND INVESTORS IN UK, IRELAND AND AMERICAS

Sarah Coomes,
Head of Investor Relations
Tel.: +44 1293 645-827

Hazel Chung,
Senior Investor Relations Manager
Tel.: +44 1293 645-823

CONTACTS FOR ANALYSTS AND INVESTORS IN CONTINENTAL EUROPE, MIDDLE EAST AND ASIA

Nicola Gehrt,
Head of Investor Relations
Tel.: +49 511 566-1435

Ina Klose,
Senior Investor Relations Manager
Tel.: +49 511 566-1318

Jessica Blinne,
Junior Investor Relations Manager
Tel.: +49 511 566-1425

The presentation slides and the video webcast for Q3 2018 are available at the following link: www.tuigroup.com/en-en/investors

Financial Calendar

27 SEPTEMBER 2018
Pre-Close Trading Update

13 DECEMBER 2018
Annual Report 2018

12 FEBRUARY 2019
Quarterly statement Q1 2019

12 FEBRUARY 2019
Annual General Meeting 2019

Contact and publishing details

PUBLISHED BY
TUI AG
Karl-Wiechert-Allee 4
30625 Hanover, Germany
Tel: +49 (0)511 566-00
Fax: +49 (0)511 566-1901
www.tuigroup.com

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