TUI GROUP

13 August 2015

TUI GROUP

9-month results to 30 June 2015

- This quarter was marked by the tragic events in Tunisia at the end of June. Supporting our customers, their families and our staff through this sad time remains our highest priority.
- We are very proud of the commitment and dedication our colleagues have shown throughout this unprecedented situation.

- Strong growth in underlying EBITA which reflects the continued delivery of our strategy and resilience of our business model.
- Robust current trading overall for Summer 2015.
- Based on current trading we are confident of delivering underlying EBITA growth of 12.5% to 15% in the current financial year and at least 10% underlying EBITA CAGR over the next three years[1].

KEY FINANCIALS

Third quarter ended 30 June 2015		**Underlying**		**Reported**	
€m	**Q3 14/15**	Q3 13/14 Restated[3]	**Change%**	Q3 14/15	Q3 13/14 Restated[3]
Revenue	**5,081**	4,777	**+6%**	5,081	4,777
EBITA	**194**	164	**+18%**	130	92
EBITA – excluding Easter and FX[2]	**185**	164	**+13%**	n/a	n/a

9-month period ended 30 June 2015		**Underlying**		**Reported**	
€m	**9M 14/15**	9M 13/14 Restated[3]	**Change%**	9M 14/15	9M 13/14 Restated[3]
Revenue	**12,021**	11,247	**+7%**	12,021	11,247
EBITA	**-78**	-178	**+56%**	-239	-242
EBITA – excluding FX[2]	**-96**	-178	**+46%**	n/a	n/a

Note: EBITA is defined as earnings from continuing operations before income taxes, net interest expense, net expense from the measurement of interest hedges and impairment of goodwill
[1] Assuming constant foreign exchange rates are applied to the underlying EBITA result in the current and prior year
[2] Excludes the impact of foreign exchange translation and timing impact of later Easter in the prior year quarter (Q3 only)
[3] Please refer to the notes to the 9-month financial statements for further explanation of prior year restatement

Chief Executives of TUI Group, Friedrich Joussen and Peter Long, commented:

"This quarter was marked by the tragic events in Tunisia at the end of June. Supporting our customers, their families and our colleagues through this sad time remains our highest priority. We are very proud of the commitment and dedication our colleagues have shown throughout this unprecedented situation. Recent weeks have also seen continued economic uncertainty in Greece. Within our business model there is an inherent assumption that we will face a level of disruption as a result of external events.

We are continuing to deliver our growth strategy as the world's leading tourism business. In spite of the events in Tunisia and Greece, we have continued to deliver strong growth in underlying EBITA. This demonstrates the resilience of our integrated business model. Tourism earnings growth was driven by Cruise, Hotels & Resorts and a strong performance by the UK. Hotelbeds Group has also delivered growth in earnings. Based on current trading we are confident of delivering underlying EBITA growth of 12.5% to 15% in the current financial year and at least 10% underlying EBITA CAGR over the next three years[1]."

UNDERLYING EBITA BRIDGE

In €m	Q3	9M
Underlying EBITA 2013/14	**163**	**-182**
Prior year adjustments[3]	+1	+4
Underlying EBITA restated 2013/14	**164**	**-178**
Underlying trading	+23	+60
Tunisia	-10	-10
Profit on sale of hotel (Riu Waikiki)	-	+16
New financing Europa 2	+4	+9
Year-on-year impact of finance leases	+4	+7
Underlying EBITA 2014/15 excluding Easter and FX	**185**	**-96**
Easter impact	-11	-
Foreign exchange translation	+20	+18
Underlying EBITA 2014/15	**194**	**-78**

GROWTH IN Q3 UNDERLYING EBITA

- **Group underlying EBITA** for the quarter increased to €194m (Q3 2013/14: €164m), or to €185m excluding the earlier timing of Easter and the positive impact of foreign exchange translation.
- Within the **Source Markets**, Northern Region delivered a strong performance in the quarter. This was offset by the impact of the events in Tunisia as well as lower profits in Central and Western Region, resulting in a €40m lower underlying EBITA result in the quarter (excluding the impact of Easter and foreign exchange translation).
  - In **Northern Region** the UK delivered a strong trading performance despite the events in Tunisia, with higher load factors and margins.
  - In **Central Region**, the lower Q3 result arose primarily in Germany, due to a number of factors, including additional investment in distribution and continued margin pressure in what remains a competitive market.
  - In **Western Region**, the result was impacted by the events in Tunisia and higher costs in Belgium associated with the delayed entry into service of an aircraft.
- Further growth in direct distribution to **70%** (Q3 13/14: 67%) of our tour operator holidays in the year to date, with online bookings accounting for **41%** (Q3 13/14: 38%).
- In **Hotels & Resorts**, Riu delivered a strong performance with a significant improvement in yield, partly offset by €1m impact from the events in Tunisia. In addition, the result includes the profit on disposal from the sale of our shareholding in Grecotel, which has crystallised primarily due to the timing of the transaction at the end of the loss-making Winter period. Overall, Hotels & Resorts underlying EBITA increased by €22m in the quarter, excluding the impact of foreign exchange translation.
- In **Cruises**, TUI Cruises underlying EBITA grew by €11m in the quarter, reflecting the full year benefit of Mein Schiff 3 (launched June 2014) and the launch of Mein Schiff 4 (launched June 2015). In addition, the continued turnaround of Hapag-Lloyd Kreuzfahrten and €4m benefit from the refinancing of Europa 2 meant that Cruises delivered a €21m increase in underlying EBITA.
- **Hotelbeds Group** increased by €6m (excluding the impact of foreign exchange translation), driven by a 20% increase in room nights.

ROBUST CURRENT TRADING OVERALL

- 86% sold to date for Summer 2015, in line with prior year, with bookings and average selling prices up 2%.
- Capacity remixed from Tunisia to alternative destinations for Summer 2015.
- Economic uncertainty in Greece adversely impacted trading to that destination at the end of June and in the first half of July; however, we have seen an improvement in bookings in more recent weeks and cumulative bookings remain ahead of prior year.
- The situation in Greece has had a greater impact on late trading from Germany than from other source markets, and we are expecting higher pension costs in Q4 in relation to the TUIfly pension scheme. We therefore expect Germany to deliver a lower full year underlying EBITA result than prior year.
- Continued strong growth for our accommodation wholesaler bedbank, with TTV up 26% on prior year.
- Winter 2015/16 trading in line with expectations, good start to early trading for the UK for Summer 2016.

CONFIDENT OF DELIVERING 12.5% TO 15% GROWTH IN FULL YEAR UNDERLYING EBITA

- Based on current trading we are confident of delivering underlying EBITA growth of 12.5% to 15% in the current financial year and at least 10% underlying EBITA CAGR over the next three years[1].

DELIVERING AGAINST OUR GROWTH LEVERS

1. DELIVER TOURISM GROWTH

Marketing & Sales

Our goal is to achieve profitable top-line growth ahead of the market. We are capitalising on the strength of the TUI brand on a global scale. A global brand experience and a global brand identity offer many advantages for our customers, suppliers and for our employees. We are taking a phased approach to brand migration in order to mitigate risk and preserve local brand equity. Starting this Autumn, Netherlands will be the first source market to migrate, followed by France and Belgium.

Control over distribution continues to be central to our marketing and sales strategy. All source markets are focused on delivering more direct and more online sales. In the 9-month period controlled distribution grew by three percentage points to 70%. Online distribution grew by three percentage points to 41%. Good progress was made across all source markets.

In order to grow ahead of the market, we are also broadening our offering in existing source markets. This includes long-haul expansion and offering more choice of flight times and durations for our unique holidays. For example, in the UK, long-haul volumes increased by over 20% in the 9-month period, and we have introduced booking optionality for customers to choose different flight times and durations for their holiday by utilising third party flying capacity.

In addition, new source markets will deliver additional growth and increased occupancy for our hotels. These markets will be accessed by our scalable technology platform, which has already been launched in Spain.

Flight

We are building a common aviation platform for our five tour operator airlines. We will act 'as one' wherever it makes sense to do so, maintaining local differences where the benefit of that differentiation is greater than that of harmonisation. We expect to benefit in the areas of aircraft purchasing and financing, engineering and maintenance, one IT and joint long-haul planning and procurement. We are targeting €50m operational efficiency improvement by 2018/19, which we expect to start being delivered in the next financial year. During the 9-month period we took delivery of five B787-8s. We are currently serving our long-haul customers with a fleet of thirteen B787-8s and are expecting delivery of up to four further B787-9s by Summer 2019.

Inbound Services

Our inbound service business, which is becoming an integral part of our tour operator businesses, means that we have direct contact with the customer throughout their holiday. The importance of this role was most evident following the recent tragic events in Tunisia. We are on-track to commence the legal and IT separation of Inbound Services from Hotelbeds Group in 2015/16.

Growth in Accommodation – Hotels and International Concepts

We have identified further growth potential through the expansion of TUI's owned and controlled hotel and club brands and exclusive hotel concepts. The core hotel and club brands will be Riu, Robinson, Magic Life and the new hotel brand TUI Blue. We are targeting around 60 new hotels by 2018/19. The offering will be rounded off by the internationalisation of three core hotel concepts - Sensatori, Sensimar and Family Life.

In the 9-month period we opened two new Riu hotels in Aruba and Bulgaria, one new Riu resort in Mauritius, a new Robinson club in Tunisia and a new Magic Life club in Ibiza. We are focussed on establishing our new TUI Blue hotel brand, with an operational trial underway at a former Iberotel in Sarigerme. As part of our strategy to focus on growing our core hotel and club brands, we have sold our stake in Grecotel to our former joint venture partner.

We have also made progress on the internationalisation of our three core hotel concepts (Sensatori, Sensimar and Family Life), with the Summer 2016 launch having commenced in the UK, Germany, Nordics and Netherlands. Belgium is expected to launch in the final calendar quarter of 2015.

Growth in Accommodation – Cruises

TUI Cruises operates in the high growth, underpenetrated premium German market. We have a strong competitive advantage, having secured additional capacity. In June 2015, TUI Cruises launched Mein Schiff 4 and announced that it will add two further ships (Mein Schiff 7 & 8) in 2018 and 2019, with Mein Schiff 1 and Mein Schiff 2 to be redeployed to Thomson Cruises as it modernises its fleet. With Hapag-Lloyd Kreuzfahrten, we continue to focus on luxury and expedition cruises. The successful repositioning of the brand has been completed and the turnaround is on-track for this year.

Integrated Platforms, Integrated Management

Our platform development is focussed on customer experience, which in turn will drive profitable top-line growth. Our central mobility and online platforms continued to evolve. Our digital assistant app has received 1.8 million downloads to date and will be a key driver of customer engagement at every stage of the journey. Our online platform, implemented now in the UK and Nordics, continues to enhance the online customer experience and drive higher conversion rates. In addition, we are implementing a SAP-based central customer platform which will collate all information on our customers across their journey, providing a single view of the customer; and we are also implementing our eCRM platform which will support strategic marketing.

We have a strong management team with experienced commercial leaders. By integrating our management team, we are making joined-up decisions across the business, ensuring that we deliver our common goal of achieving profitable top-line growth. The flatter organisation structure announced in May is now firmly in place and working well.

2. MAXIMISE GROWTH AND VALUE OF OTHER BUSINESSES

Maximising the growth and value of Hotelbeds Group and Specialist Group

Due to their different business models and strategies, Hotelbeds Group and Specialist Group are operated independently from the Tourism Business. Managing them separately enables us to focus more effectively on maximising their growth and value.

Hotelbeds Group is the global number one in the B2B accommodation wholesale space. This market position has been achieved predominantly by growing the business organically and we continue to outperform the market, with the bedbank delivering 27% TTV growth in the 9-month period. The separation of Inbound Services has commenced and following its integration into the Tourism Business, Hotelbeds Group will be run as an independent business. This provides us with full flexibility and we are evaluating all options how to best proceed with the growth strategy of Hotelbeds Group. In the meantime, we continue to target 15%-20% CAGR in underlying EBITA over the next three years for the accommodation wholesaler business.

The Specialist Group is run to maximise value, focussing on opportunities to improve the performance of their portfolio of businesses. In July 2015 we announced with the founders of Intrepid Travel that we would end the PEAK strategic venture, enabling us to focus on our adventure travel offering more effectively. We target underlying EBITA CAGR for the Specialist Group in line with the Tourism Business over the next three years.

Hapag-Lloyd AG and LateRooms Group are held for sale

We continue to account for Hapag-Lloyd AG as a business held for sale. With the IPO of the "new" Hapag-Lloyd AG, agreed in the framework of their merger with CSAV, and our right to sell our remaining stake via a trade sale, we have kept all our options to completely exit container shipping open.

We announced in May 2015 that we intend to exit the LateRooms Group. The LateRooms Group provides accommodation services to final customers via the online hotel portals LateRooms, AsiaRooms and MalaPronta. LateRooms primarily operates in the UK, AsiaRooms operates in Asia and MalaPronta in Brazil. Exit will be effected by selling LateRooms and closing down AsiaRooms. The LateRooms Group available for sale as a result is therefore accounted for as discontinued operations.

3. DELIVER MERGER SYNERGIES

We are on track to deliver the merger synergies outlined at our Capital Markets Update in May 2015:

- Corporate streamlining is expected to deliver cost savings of €50m per annum from 2016/17, mainly from the consolidation of overlapping functions. Estimated one-off integration costs of €35m are expected in order to achieve these savings, €25m of which have been incurred in the 9-month period.

- Our unified ownership structure enables a more efficient tax grouping and use of carried forward tax losses. A profit & loss transfer agreement between TUI AG and Leibniz-service GmbH was approved by our shareholders in February 2015. This enabled immediate corporate restructuring for tax purposes. As a consequence, the Group's underlying effective tax rate is expected to reduce by around 7% points compared with the rate pre-merger.

- We also expect to deliver further synergies due to joint management of occupancy by source markets and group hotels. Occupancy is expected to improve by 5% points by 2016/17 as a result of integration, starting from the current financial year.

- Additional (net) cost savings of at least €20m per annum are expected from the integration of Inbound Services into the Tourism Businesses. Estimated one-off cash costs of approximately €69m are expected in - order to achieve these savings (including P&L, capex and tax costs), €10m of which have been incurred during the 9-month period. The separation of legal entities and IT functions from Hotelbeds will commence in 2015/16.

4. BALANCE SHEET STRENGTH, FLEXIBILITY AND STRONG CASH FLOW GENERATION

Long-term growth is supported through the operation of a flexible, asset-right business model. In order to operate more efficiently and maximise the value of our assets, we will continue to optimise the ownership structure of existing and new hotels and cruise ships. We are convinced that our asset-right strategy gives a balance of risk and returns. Capex will reflect our growth plans.

Thanks to the sustained reduction in group debt, we have further strengthened our financial stability and flexibility. We are also committed to a strict focus on SDI management and expect these to reduce significantly following delivery of merger synergies.

We are committed to improving our credit metrics following the delivery of merger synergies and the execution of our growth roadmap. We will set financial targets in the region of an Intermediate Financial Risk Profile. Our focus on rating will allow us to obtain optimal financing conditions.

With the increase in our operating profitability, the clearly noticeable decline in interest payments due to the reduction in Group debt and the more efficient tax grouping, we are committed to a progressive dividend policy. Dividends are expected to grow in line with the growth in underlying EBITA at constant currency, with an additional 10% in 2014/15 and 2015/16 as outlined at the time of the merger.

ROBUST CURRENT TRADING

Summer 2015

In spite of the events in Tunisia and Greece, trading is robust, with 86% of the programme sold to date, in line with last year. Bookings and average selling prices have continued to develop strongly, up 2% on prior year. We continue to increase the number of customers booked through our controlled channels, at 69% of Summer bookings to date, up two percentage points on prior year. The online channel accounts for 39% of bookings, up three percentage points. We have also continued to expand our unique concept offering and we continue to expand the level of cross-sell across our markets.

Historically, Tunisia has accounted for approximately 3% of our annual tour operator programme, and our Hotels & Resorts business manages and leases 24 properties there. The foreign offices of the UK, Belgium and Netherlands are currently advising against unnecessary travel to Tunisia. Our policy is to follow foreign office advice therefore we have cancelled flights from these source markets. To date, most customers who had booked holidays to Tunisia this Summer have rebooked with us for alternative destinations.

Bookings to Greece were impacted in late June and the first half of July by the economic uncertainty in the region, particularly from source markets Germany and Belgium. We have seen a recovery in booking volumes to Greece in recent weeks and cumulative bookings are up year-on-year. This destination accounts for approximately 10% of our annual tour operator programme, and our Hotels & Resorts business has 27 properties there, the majority of which are managed.

Current Trading[1]	***Summer 2015***			
YoY variation%	**Total ASP[2]**	**Total Sales[2]**	**Total Customers[2]**	**Programme sold (%)**
Northern Region	**+2**	**+5**	**+3**	**89**
UK	+1	+6	+5	91
Nordics	+6	+2	-4	83
Central Region	**+2**	**+4**	**+1**	**85**
Germany	+4	+6	+2	85
Western Region	**Flat**	**+1**	**Flat**	**85**
Benelux	Flat	+3	+3	85
Total Source Markets	**+2**	**+4**	**+2**	**86**
Accommodation Wholesaler[3]	**+8**	**+26**	**+17**	**n/a**

[1] These statistics are up to 2 August 2015 and are shown on a constant currency basis
[2] These statistics relate to all customers whether risk or non-risk
[3] Sales refer to total transaction value (TTV) and customers refers to roomnights

In the UK, 91% of programme has been sold, ahead of last year, with bookings up 5%. Average selling prices are up 1% year on year reflecting the development of input costs. We have expanded our unique concepts this Summer, including the three new Sensatori resorts in Ibiza, Cyprus and Turkey, nine new Couples resorts including Split, Crete and the Algarve, and six new Splashworld resorts including Crete and Menorca. Volumes to long-haul destinations are up 16% to date, with improved margins. Trading to Jamaica and Mexico has been particularly strong. 53% of UK customers have booked online for Summer 2015, an increase of two percentage points on prior year, with direct distribution remaining at 93%.

In the Nordics, 83% of the programme has been sold, in line with last year. Booking performance reflects planned capacity reductions. The competitive market conditions experienced in 2013/14 have continued through Winter 2014/15 and the early Summer months, however late trading has been strong. The 6% increase in average selling prices reflects the reduction in capacity to focus on higher yielding product. We have opened a new Blue Village in Sardinia and have expanded our Blue Couples offering with two new Sensimar openings (see below).

In Germany, 85% of the programme has been sold, two percentage points lower than prior year. Bookings are up 2% with average selling prices up 4%, the latter reflecting higher input costs (such as accommodation) and changes in mix including an increase in long-haul bookings. The market remains competitive, putting more pressure on margins than previously anticipated. In addition, trading at the end of June and first half of July was impacted by economic uncertainty in Greece, although this has recovered in the last few weeks. These factors, coupled with anticipated additional costs in Q4 in relation to the TUIfly pension scheme, mean that we expect full year underlying EBITA for Germany to be lower than prior year. We have continued to expand our unique concept offering, with two new Sensimar resorts in Croatia and Portugal. In addition bookings to Robinson clubs are up as we continue to drive sales through the tour operator. We also continue to increase the proportion of bookings made directly with us, up two percentage points to 42%. This is driven by online, with bookings through our websites up 28% on prior year

In the Benelux countries, 85% of programme has been sold, broadly in line with last year, with bookings up 3%. Trading at the end of June and first half of July was impacted by economic uncertainty in Greece, particularly from Belgium, although this has recovered in the last few weeks. Trading in France continues to be challenging, especially given the recent events in Tunisia, and we have continued to reduce our capacity from this source market.

Trading in our Hotels & Resorts businesses largely reflects bookings made through our source markets. In line with our strategy to deliver synergies through joint management of occupancy by our source markets and hotels, bookings from our source markets to our target group hotels are up significantly on prior year.

Bookings and yields for TUI Cruises and Hapag-Lloyd Kreuzfahrten continue to outperform prior year, with a significant increase in capacity for the former as a result of the launches of Mein Schiff 3 last year, and Mein Schiff 4 in June 2015.

Our accommodation wholesaler continues to deliver strong TTV and roomnight growth, driven by a good performance in all regions.

Winter 2015/16 and Summer 2016

We are continuing to shape our programme for Winter to reflect demand in our various source markets to different destinations. At this early stage of the booking cycle, Source Market trading is in line with our expectations, with overall bookings are up 1% and average selling prices up 4%. In the UK, which is 21% booked (in line with prior year), customer volumes are up 4% with strong growth in long-haul. We are also encouraged by a good start to UK bookings for Summer 2016 and we are pleased with trading for TUI Cruises' fifth ship, Mein Schiff 5, which launches next year.

NET DEBT AND LIQUIDITY

The net debt position (cash and cash equivalents less capital market financing, loans, overdrafts and finance leases) at 30 June 2015 was €307m (30 September 2014: net cash €293m). The increase since year-end was driven by the typical seasonal cash outflows within the source markets. The net debt position consisted of €1,576m of cash and cash equivalents, €211m of current liabilities and €1,672m of non-current liabilities. The €300m hybrid bond was redeemed during the quarter.

NET INTEREST EXPENSE

Net interest expense (including expense from the measurement of interest hedges) for the 9-month period improved by €40m to €142m net expense (9M 2013/14: net expense €182m). The decrease was driven by €74m lower convertible bond interest due to conversions in the period, partly offset by new high-yield bond interest and higher interest in relation to asset-financing (including aircraft deliveries and the refinancing of Europa 2).

INCOME TAXES

The tax income posted for the 9-month period is partly attributable to the seasonality of the tourism business. Following the merger of TUI AG and TUI Travel PLC a reassessment of deferred tax assets on tax loss carry-forwards was performed during the second quarter. This led to a tax credit of €117m, primarily driven by the planned reorganisation of the German tax group.

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 former TUI Travel businesses.

	Summer 2015	Winter 2015/16	Summer 2016
Euro	96%	91%	67%
US Dollars	95%	83%	57%
Jet Fuel	93%	83%	64%
As at 7 August 2015			

Based on exchange rates at current levels we anticipate a favourable impact of at least €60m from foreign exchange translation on the full year underlying EBITA result, primarily due to the translation of peak season profits from Sterling and US dollar denominated operations.

OUTLOOK

In spite of the tragic events in Tunisia and economic uncertainty in Greece, we have delivered strong underlying EBITA growth in the quarter and Summer 2015 trading remains robust. Winter 2015/16 trading is in line with our expectations, and we are pleased with early trading for Summer 2016 in the UK. Our resilient business model, with its scale and strong supplier relationships, means that we are able to flex our tour operator programme in response to changes in customer demand. Our portfolio of businesses means that we continue to deliver growth in earnings even when we face challenges in specific parts of the Group. Based on current trading we are confident of delivering underlying operating profit growth of 12.5% to 15% in the current financial year and at least 10% underlying EBITA CAGR over the next three years[1].

INVESTOR AND ANALYST BRIEFING AND WEBCAST

A full copy of our 9-month 2014/15 report can be found on our corporate website: http://tuigroup.com/en/investors

A conference call and webcast for investors and analysts will take place at 10.00 CEST / 09.00 BST. The dial-in arrangements are as follows:

For Germany: +49 30 232531428
For UK: +44 203 3679216
For France: +33 172253098
For US: +1 408 9169838

A presentation to accompany the conference call will be made available at 07.05 CEST / 06.05 BST via our corporate website: http://tuigroup.com/en/investors. Details of the webcast, which will be available for replay, will also be found at the same link.

Pre-Close Trading Update

TUI Group will issue a pre-close trading update on Wednesday 30 September 2015.

Annual Report 2014/15

TUI Group will issue its Annual Report for the full-year 2014/15 on Thursday 10 December 2015.

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