13 May 2015

TUI GROUP

Interim Results for the six months ended 31 March 2015

STRONG H1 PERFORMANCE AND STRATEGIC AGENDA DEFINED

HIGHLIGHTS

- 14% improvement in operating result (excluding profit on sale of Riu Waikiki and Europa 2 refinancing benefit)
- Source Markets result improved based on the good performance in Northern and Western Region
- Former TUI AG Hotels & Resorts and Cruises delivered a significant increase in profitability
- Pleased with overall Summer 2015 trading
- Remain confident of delivering full year underlying operating profit growth of 10% to 15% in 2014/15[1]
- Post-merger integration underway with a faster pace
- Strategic agenda defined and new operational structure implemented
- Our unique integrated business model and clear roadmap for growth give us confidence that TUI Group has the ability to deliver at least 10% underlying EBITA CAGR over the next three years[3] – further details will be available in our Capital Markets Update to be held later today

KEY FINANCIALS

€m	Underlying H1 14/15	Underlying H1 13/14 Restated[2]	Change%	Reported H1 14/15	Reported H1 13/14 Restated[2]
Revenue	**6,940.1**	6,470.4	**+7.3**	6,940.1	6,470.4
EBITA	**-272.6**	-341.4	**+20.2**	-368.9	-334.1
EBITA – excluding profit on sale of hotel, Europa 2, FX	**-292.0**	-341.4	**+14.4**	n/a	n/a

Note: EBITA is defined as earnings before income taxes, net interest expense, net expense from the measurement of interest hedges and impairment of goodwill
[1] Constant currency basis assumes that constant foreign exchange translation rates are applied to the underlying operating result in the current and prior year
[2] Please refer to the notes to the interim financial statements for further explanation of prior year restatement
[3] Growth over three years from 2014/15, at constant currency

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

"We are pleased with our H1 operating result and overall Summer 2015 trading, with continued strong demand for our unique holidays and a significant increase in online bookings. Hotels & Resorts is performing well and Cruises continues to grow, with the launch of Mein Schiff 4 this June and improved fleet performance by Hapag-Lloyd Kreuzfahrten. Our accommodation wholesaler is also delivering another year of double-digit TTV growth. All of this gives us confidence of delivering full year underlying operating profit growth of 10% to 15% in the current financial year[1].

Our strategy as the world's leading tourism business, building on a global brand with an attractive hotel portfolio, a growing fleet of cruise ships, and a modern and efficient leisure airline with direct access to over 20 million customers, is taking shape and is delivering results. We have implemented our new operational structure and are setting out our roadmap for growth. We are strongly committed to delivering improved customer experiences and increased shareholder value. Our new roadmap enables us to provide updated guidance for the future prospects of the Group. We are confident that the TUI Group has the ability to deliver at least 10% underlying EBITA CAGR over the next three years[3]. We will articulate this in further detail at our Capital Markets Update this afternoon."

H1 RESULT

H1 Underlying EBITA Bridge

	€m
Underlying EBITA H1 2013/14	**-346**
Prior year adjustments[2]	5
Underlying EBITA restated H1 2013/14	**-341**
Underlying trading	35
Underlying EBITA like-for-like H1 2014/15	**-306**
Easter impact	14
Underlying EBITA like-for-like including Easter H1 2014/15	**-292**
Profit on sale of hotel (Riu Waikiki)	16
New financing Europa 2	5
Foreign exchange translation	-2
Underlying EBITA H1 2014/15	**-273**

STRONG H1 PERFORMANCE

- **Group** underlying operating loss (on a like-for-like basis, excluding the impact of Easter) reduced by €35m to €306m (H1 2013/14: loss of €341). This equates to a 14% improvement in underlying operating result, excluding €16m profit on sale of Riu Waikiki within Hotels & Resorts, the expected benefit of €5m due to a more favourable financing of Europa 2, and €2m adverse foreign exchange translation impact.
- Our **Source Markets** Northern Region, Central Region and Western Region (formerly within Mainstream) improved their operating loss by €6m with a good performance by Northern and Western Region partly offset by Canaries margin pressure within Central Region.
- **Hotels & Resorts** (now including former TUI Travel hotels) moved forward €2m, excluding €16m profit on sale of Riu Waikiki and €5m positive foreign exchange translation impact.
- **Cruises** improved by €29m (excluding €5m refinancing benefit for Europa 2). Hapag-Lloyd Kreuzfahrten delivered a significant turnaround based on an improved operating performance. TUI Cruises continued to deliver growth with an improvement of €15m year on year following the successful launch of Mein Schiff 3.
- **Hotelbeds Group** performance was in line with prior year, including €3m positive foreign exchange impact. Our accommodation wholesaler delivered a 33% increase in TTV, with all markets showing healthy growth, notably Asia, US and Germany. This was partly offset by a lower Inbound Services result due to more challenging trading following political unrest in some countries.

PLEASED WITH CURRENT TRADING OVERALL

- Pleased with Summer 2015 trading overall with 59% sold to date for the Source Markets, in line with prior year.
- Bookings are developing strongly, up 2% on prior year, with average selling prices up 1% on prior year.
- 11% increase in Source Markets online bookings.
- Continued strong growth in our accommodation wholesaler TTV, up 28%.

STRATEGIC AGENDA DEFINED

- Our integration is progressing well and with a faster pace. We have defined and implemented our strategic agenda and new operational structure post-merger.
- The LateRooms Group is now treated as held for sale.
- Based on our H1 result and current trading, we remain **confident of delivering full year underlying operating profit growth of 10%-15%**.
- Our unique integrated business model and clear roadmap for growth gives us confidence that TUI Group has the ability to deliver at least 10% underlying EBITA CAGR over the next three years[3] – further details will be available in our Capital Markets Update to be held later today.

NEW BUSINESS STRUCTURE & REPORTING STRUCTURE

As per the announcement yesterday, the integration post merger is progressing smoothly and with a faster pace. We are accelerating organisational change, implementing a flat structure to enable fast and agile decision-making. We have decided on a clear reporting structure to deliver growth and value. We will report on our Tourism Business and on Other Businesses going forward. The Tourism Business includes Northern Region (UK, Nordics, Canada, Russia), Central Region (Germany, Austria, Switzerland, Poland), Western Region (Belgium, Netherlands, France), Hotels & Resorts (including former TUI Travel hotels), Cruises (TUI Cruises, Hapag-Lloyd Kreuzfahrten) and Other Tourism (Corsair, tourism central costs and Inbound Services from financial year 2015/16). Other Businesses include Hotelbeds Group, which will be run as a standalone operation, and Specialist Group (formerly Specialist & Activity). The LateRooms Group will be reported as a discontinued operation as it is held for sale. All head office functions are being merged and we will start reporting against our corporate streamlining target in this segment.

PLEASED WITH OVERALL TRADING FOR WINTER 2014/15 AND SUMMER 2015

Winter 2014/15

In the Source Markets, the Winter 2014/15 season has closed out as expected with strong pricing across most of our source markets. Source Market bookings were up 1% versus prior year, with increased volumes in the UK, Germany and Benelux offset partly by planned capacity reductions in the Nordics and France. Source Market average selling prices were up 1% although in Germany we continued to experience some margin pressure in the Canaries and in long-haul. Corrective actions have been taken and for the next winter season long-haul flying will be supplied by a third-party to minimise the level of risk capacity.

Bookings of our unique holidays continued to grow, up 5% for all Source Markets. The online channel continued to drive growth in sales, with online bookings up 7% on prior year, accounting for 43% of total bookings (up three percentage points).

Trading by Hotels largely mirrored customer numbers in the Source Markets, as a high proportion of Group-owned hotel beds are taken up by the source markets tour operators. In Cruises, the positive bookings performance continues to be driven by the expansion of the TUI Cruises fleet, with the addition of Mein Schiff 4, and improved fleet performance by Hapag-Lloyd Kreuzfahrten.

Our accommodation wholesaler has continued to perform well, with TTV up 28%. The development was driven by growth in all regions.

Summer 2015

Overall we are pleased with Summer 2015 trading, with 59% of the programme sold, in line with last year. Bookings are developing strongly, up 2% on prior year, with average selling prices across our source markets up 1% on the prior year. We are particularly pleased with trading in the UK and Benelux. We continue to see booking growth of our unique offering, up 4% for all source markets. We also continue to increase the number of customers booked through our controlled channels, at 67% of bookings to date, up two percentage points. The online channel accounts for 36% of bookings, which equates to a booking increase of 11% on the prior year.

Current Trading[1]		***Summer 2015***		
YoY variation%	**Total ASP[2]**	**Total Sales[2]**	**Total Customers[2]**	**Programme sold (%)**
Source Markets				
UK	Flat	+6	+6	62
Germany	+3	+6	+3	59
Nordics	+3	-7	-10	62
Benelux	Flat	+2	+3	57
Total Source Markets	**+1**	**+3**	**+2**	**59**
Accommodation Wholesaler[3]	**+7**	**+28**	**+20**	

[1] These statistics are up to 3 May 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, 62% of programme has been sold, slightly ahead of last year, with bookings up 6%, ahead of a 4% increase in capacity. Average selling prices are flat year on year reflecting the development of input costs. We have expanded our unique offering for the summer season including three new Sensatori resorts in Ibiza, Cyprus and Turkey, and nine new Couples concept units. Bookings of unique holidays are up 5%. Customer demand for our long-haul programme remains strong, notably to Jamaica, up 22% and Mexico, up 37%. Online sales account for 50% of Summer bookings, up three percentage points on prior year.

In Germany, bookings are up 3% with average selling prices also up 3%. We continue to see a growth in bookings of our unique offering, up 17%. This increase was mainly driven by a further expansion in unique, including our Sensimar concept hotels, with new properties in Croatia and Portugal. Online bookings have increased by 27% over the period and to date 59% of the programme has been sold which is broadly in line with last year. Based on current bookings we expect summer performance will recover the majority of the winter losses and that our operating performance for the full year will broadly be in line with last year.

In the Nordics bookings are down, reflecting planned capacity reductions in response to continued competitive conditions and a later booking market. We are pleased with average selling prices up 3%. The Nordic source markets continue to have the highest online mix across all Source Markets, with 71% of customers having booked online, in line with last year. To date, 62% of the programme has been sold.

In the Benelux countries, 57% of programme has been sold, broadly in line with last year, with bookings up 3%. Trading in France continues to be challenging, especially to destinations in North Africa, and we are continuing to reduce and remix capacity accordingly.

Hotels & Resorts are performing well. Improved occupancy rates and yield are expected to drive growth in underlying EBITA this year.

We are continuing to deliver profitable growth in **Cruise** bookings, driven partly by the launch of Mein Schiff 4 in June this year. In addition, Hapag-Lloyd Kreuzfahren is delivering an improved performance.

We see continued double-digit growth in our accommodation wholesaler, with TTV up 28% for Summer 2015.

BUSINESSES HELD FOR SALE (Discontinued operations)

We have decided 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. Implementation is expected in the current financial year. The LateRooms Group available for sale is therefore accounted for as discontinued operations as of 31 March 2015.

The result from these discontinued operations is carried separately from the income and expenses for continuing operations in the consolidated income statement. It is shown in a separate line under Result from discontinued operations. The income statements in the interim financial statements for the prior year were restated accordingly. In H1 2014/15 the LateRooms Group generated turnover of €31m, underlying EBITA of €-9m and an EAT of €-19m including €13m for the closure of AsiaRooms.

AIRCRAFT AND CRUISE ASSETS

On 2 March 2015 the Group announced the modernisation of its UK cruise operations through the acquisition of Splendour of the Seas from Royal Caribbean Cruises Ltd. The ship will be acquired by the Group's subsidiary TUI Cruises, a joint venture between TUI Group and Royal Caribbean Cruises Ltd., and chartered to the Group's British cruise line Thomson Cruises. Splendour of the Seas is to be operated in the British market from Summer 2016. The vessel will replace Island Escape, currently operated by Thomson Cruises' sister company Island Cruises, so that the overall UK fleet will continue to be comprised of five cruise ships. Financial details of the transaction were not disclosed.

On 9 January 2015 the Group purchased the cruise ship Europa 2. The transaction will replace the previous charter agreement of the ship which was newly commissioned in 2013. The purchase price for the ship totals €278m. It consists of a cash component of €67m payable to the previous owner and of €211m of debt. The transaction is expected to improve EBITA in the current financial year, with a full year impact of €20m per annum from financial year 2015/16 versus the previous charter arrangement.

The Supervisory Board of TUI AG and the Board of Royal Caribbean Cruises have decided in May to convert the purchase options for Mein Schiff 7 and Mein Schiff 8 into firm orders as the German cruise market is enjoying further growth. The ships are expected to be delivered in 2018 and 2019. The new cruise liners will be slightly bigger than their predecessors, having 2,860 lower berth each. Both ships will be built by Meyer Turku (Finland) as all new TUI Cruises ships. The purchase will be financed within the TUI Cruises Joint Venture without further contribution from TUI AG and Royal Caribbean Cruises. In the framework of exercising our purchase option it was agreed that Mein Schiff 1 and Mein Schiff 2 will be moved to Thomson Cruises in the next few years in order to continue the modernisation of the UK cruise operations. These two steps will complete our growth and modernisation roadmap in the cruise segment.

On 12 May 2015 the Supervisory Board approved the switch of two B787-8 orders to B787-9s and to acquire up to two further B787-9 positions for delivery prior to Summer 2019. This offers the Group incremental long-haul growth opportunities. The decision is based on our strategy of enhancing customer experience, improving environmental efficiencies and delivering on our merger growth plans. We will serve our customers with a fleet of 13 B787-8s by Summer 2015 and are expecting delivery of up to 4 further B787-9s by Summer 2019.

CAPITAL STRUCTURE

On 24 February and 2 March we issued redemption notices to the remaining holders of the TUI AG 2016 convertible bond and TUI Travel 2017 convertible bond respectively. Bondholders could exercise their conversion rights during the redemption period. 99.3% of the TUI AG 2016 bond has converted, with the remainder having been redeemed. The last day on which conversion rights could be exercised by bondholders was 10 April 2015 for the TUI Travel 2017 bond. 99.5% of this bond has converted, with the remainder having been redeemed.

Based on the large number of conversions of the TUI AG 2016 bond, we announced on 24 March 2015 our intention to redeem our €300m hybrid bond by 30 April 2015. The redemption has now completed.

The Group's long-term debt structure includes a revolving credit facility (including letters of credit facility) totalling €1.75 billion which matures in June 2018, as well as a high yield bond of €300 million which matures in October 2019.

NET DEBT AND LIQUIDITY

The net debt position (cash and cash equivalents less capital market financing, loans, overdrafts and finance leases) at 31 March 2015 was €1,694m (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 €1,045m of cash and cash equivalents, €518m of current liabilities and €2,221m of non-current liabilities. Due to the issuer call of the €300m hybrid bond the instrument was classified as financial debt at end of March.

FINANCIAL RESULT

The financial result improved by €21m to €104m net expense (H1 2013/14: net expense €125m). The decrease is driven by €44m lower interest in relation to convertible bonds, due to the conversions (see Capital Structure section above). This was partly offset by merger-related items (write-off of €14m unamortised fees for the cancellation of the TUI Travel RCF, €3m in fees for the early termination of the TUI Travel bond financing structure,) and new high-yield bond interest of €7m. Finally, the purchase of Europa 2, partly financed by a loan, increased interest by €4m.

INCOME TAXES

The tax income posted for H1 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 €123m, 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 Travel segment.

Travel	**Summer 2015**	**Winter 2015/16**
Euro	94%	75%
US Dollars	100%	77%
Jet Fuel	91%	75%
As at 1 May 2015		

OUTLOOK

We are pleased with the overall development of Summer 2015 trading, with continued strong demand for our unique holidays and an 11% increase in online bookings. Hotels & Resorts is performing well and Cruise sales continue to grow, with the launch of Mein Schiff 4 this June and improved performance by Hapag-Lloyd Kreuzfahrten. Our accommodation wholesaler is also delivering another year of double-digit TTV growth. We have delivered a H1 result ahead of last year on a like-for-like basis and, based on current trading, we remain confident of delivering full year underlying operating profit growth of 10% to 15% on a constant currency basis.

ROADMAP FOR GROWTH

Our strategy as the world's leading tourism business building on a global brand with an attractive hotel portfolio, a growing fleet of cruise ships, and a modern and efficient leisure airline with direct access to over 20 million customers is taking shape and is delivering results. We will start to deliver our merger synergies this year and are committed to accelerate profitable top line growth and future-proof the vertically-integrated model. Our business model differentiates us through scale and leading positions at all stages of the customer journey: Marketing & Sales, Flight, Inbound Service and Accommodation. The combination of our TUI power brand, our local roots and local market expertise, with a strong central IT platform, defines our uniqueness. We will deliver growth through the coverage of more source markets, our long-haul expansion with a modern fleet of 787 aircraft, conquering new destinations - as we have done in the Caribbean - through profitable growth of our strong hotel brands, powerful and exclusive international hotel concepts and the further expansion of our cruise business. All this is supported by an integrated and lean organisation to facilitate fast and agile decision-making.

We have set out a roadmap for growth and are committed to delivering improved customer experiences and increased shareholder value. Our new roadmap enables us to provide updated guidance for the future prospects of the Group. We believe that TUI Group has the ability to deliver at least 10% underlying EBITA CAGR over the next three years on a constant currency basis. This includes top-line growth while enhancing the margin within our source markets through delivering increased operational efficiency and merger synergies. We will be growing our hotel concepts and hotel operations while improving yields and occupancy and remain focussed on growing our profitable TUI Cruises fleet and enhancing profitability in our luxury cruise business. We will maximise growth and value of our Other Businesses and reconfirm our commitment to exit the remaining stake in Hapag-Lloyd Container shipping. The flexibility of our customer-centric business model, built around a strong brand and strong IT platforms, our balance sheet strength, our financial rigour and discipline and our focus on free cash flow generation will drive shareholder value and allow us to continue our progressive dividend policy.

We will be hosting a capital markets update at 12:45pm BST/1:45pm CEST today at which we will give further details in and around the measures and outlook underpinning this growth.

INVESTOR AND ANALYST BRIEFING AND WEBCAST

H1 Report

A full copy of our H1 2014/15 report can be found on our corporate website:
http://www.tuigroup.com/en/investors/results-reports-presentations

A conference call and webcast for investors and analysts will take place at 8:00am BST/9:00am CEST. The dial in arrangements are as follows:

UK Toll Free: 0808 109 0700
International: +44 203 003 2666
Password: TUI Group

A presentation to accompany the conference call will be made available at 7:00am BST/8:00 am CEST via our corporate website: http://www.tuigroup.com/en/investors/results-reports-presentations

Capital Markets Update

This afternoon we will hold our Capital Markets Update. A presentation for analysts and investors will be held at 12:45pm BST/1:45pm CEST at the Shangri-la Hotel, The Shard, 31 Saint Thomas Street, London SE1 9QU, United Kingdom.

There will be a live video webcast of the presentation. Please visit http://www.tuigroup.com/en/investors for more details.

Interim Management Statement & 9M Results

TUI Group will issue its interim management statement and 9-month results on Thursday, 13 August 2015.

ANALYST & INVESTOR ENQUIRIES

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