FY18 Q1 Results

13 FEBRUARY 2018

Cavtat, Croatia

FORWARD-LOOKING STATEMENTS

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

DESTINATION SERVICES

FRITZ JOUSSEN

Destination Services – a hidden champion: Fast growing experience business

Guests at destination

Transfers

>12m guests

Tours & Activities

4.6m guests

- Destination Services previously reported in "Other Tourism", now separate Holiday Experience business
- Global footprint with operations in 115 destinations
- Leading player in sun & beach destinations:
  - > 24m transfers p.a.
  - > 1,000 vehicles
  - > 6,500 employees

FY17 REVENUE	FY17 EBITA	FY17 EBITA MARGIN	FY17 ROIC
€203m [1]	€35m	17%[2]	24%

[1] External revenues FY17 [2]Based on external revenues, 8% margin based on external and internal revenues

Destination Services – well positioned for strong future growth

Digitalisation

- Part of global CRM platform
- Omni-channel
- Personalisation
- Integrated marketing campaigns

More Products

- Differentiation of excursion portfolio
- Activities
- Multi-day tours

More Guests

- TUI package customers
- TUI non-package customers
- 3rd party customers

More Destinations

- More sun & beach destinations
- City destinations
- Asia

Centralised Platform and Cost Efficiency

- Common systems
- Lean Operating Model

→ Basis for organic and inorganic growth

- Centralised platform established allowing for cost-efficient and synergistic growth in four focus areas:
  - Digitalisation
  - More Products
  - More Guests
  - More Destinations

Destination Services – Reporting simplification

Previous reporting

Underlying EBITA in €m	FY17
Hotels & Resorts	356.5
Cruises	255.6
Sales & Marketing	526.5
Other Tourism	13.4
Tourism	1,152.0
All Other Segments	-49.9
TUI Group continuing operations	1,102.1

Future reporting

Underlying EBITA in €m	FY17
Hotels & Resorts	356.5
Cruises	255.6
Destination Services	35.1
Holiday Experiences	*647.2*
Sales & Marketing	*526.5*
All Other Segments	-71.6
TUI Group continuing operations	1,102.1

DESTINATION SERVICES IS A STRATEGIC CONTENT BUSINESS FOR TUI

DESTINATION SERVICES BECOMING PART OF HOLIDAY EXPERIENCES

COMBINATION OF OTHER TOURISM AND ALL OTHER SEGMENTS

NO CHANGE IN TOTAL NUMBERS

FY18 Q1 RESULTS

FRITZ JOUSSEN

Strong Q1 performance, market trends intact

TURNOVER
€3.5bn
+9.1%[1]

UNDERLYING EBITA
-€24.9m
+57.9%[1]

REPORTED EBITA
-€45.1m
+35.1%

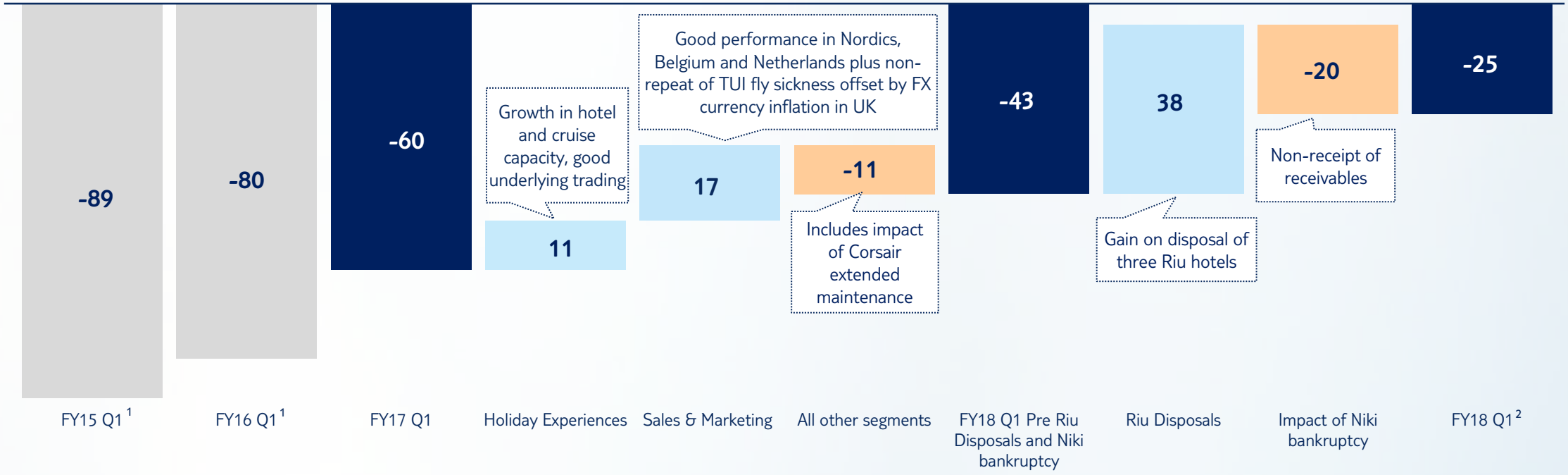
GUIDANCE REITERATED
AT LEAST 10% UNDERLYING EBITA GROWTH FOR FY18[1]

- Q1 performance affected by a combination of operational and external events
- Market trends intact
- Good trading for current and future seasons
- Well positioned to deliver at least 10% underlying EBITA growth for FY18[1]

[1] At constant currency rates

Business model transition continues to be reflected in our financial performance

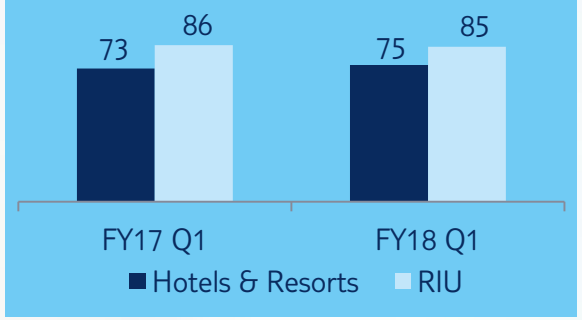
FY18 Q1 UNDERLYING EBITA (€m)



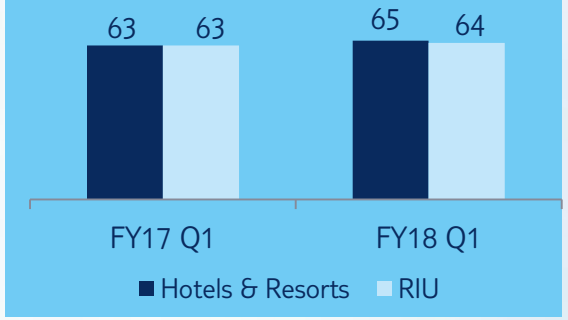
[1] Excludes discontinued operations
[2] FX translation impact is less than €0.5m

Holiday Experiences: Hotels & Resorts – Q1
Solid operational performance

AVERAGE OCCUPANCY %



AVERAGE REVENUE PER BED €

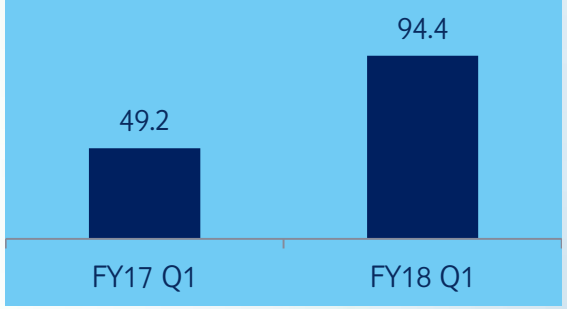


SEVEN OPENINGS IN Q1

35 since merger

of which ~60% are low capital intensity

UNDERLYING EBITA €M



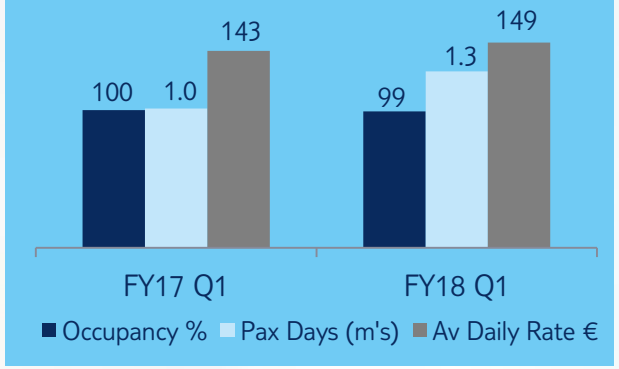
TURNOVER AND EARNINGS (€m)

	FY18 Q1	FY17 Q1	%
Turnover	144.8	141.2	2.5
Underlying EBITA	94.4	49.2	91.9
o/w Equity result	*14.3*	*14.9*	*-4.0*

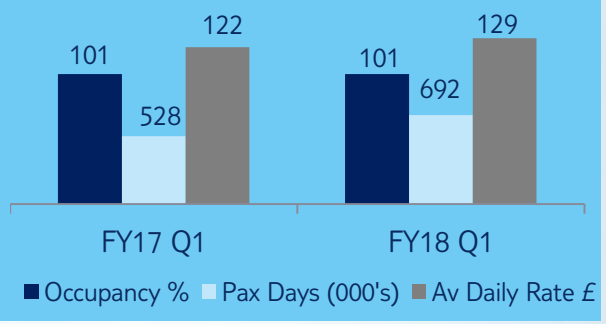
BRIDGE UNDERLYING EBITA (€M)

Holiday Experiences: Cruises – Q1
Strong market continues to drive earnings

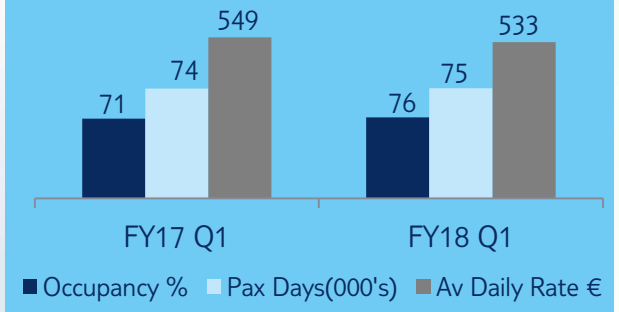
TUI CRUISES



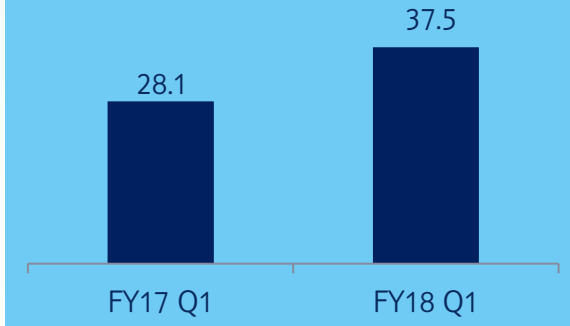
MARELLA CRUISES



HAPAG-LLOYD CRUISES



UNDERLYING EBITA €M

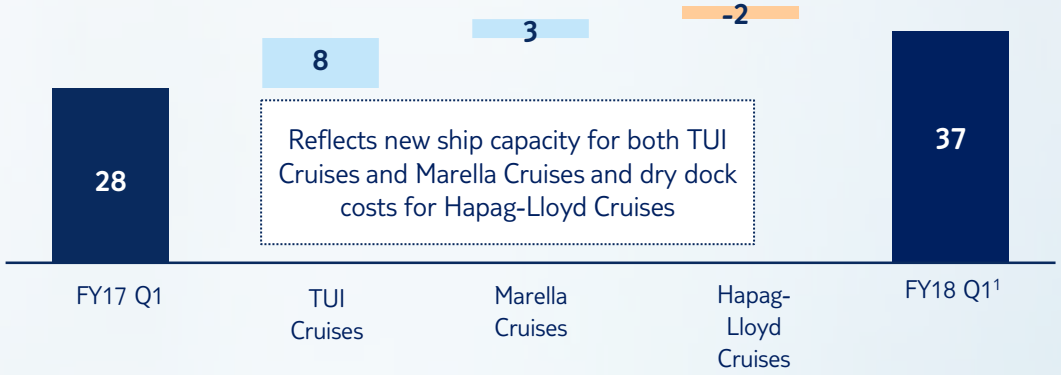


TURNOVER AND EARNINGS (€M)

	FY18 Q1	FY17 Q1	%
Turnover	192.3	151.9	26.6
Memo: TUI Cruises Turnover	*280.6*	*217.7*	*28.9*
Underlying EBITA	37.5	28.1	33.5
*o/w EAT TUI Cruises**	*25.2*	*16.9*	*49.1*

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

BRIDGE UNDERLYING EBITA (€M)



[1] FX translation impact is less than €0.5m

Holiday Experiences: Destination Services – Q1
Global sun & beach leader well-positioned for strong future growth

TURNOVER AND EARNINGS (€M)

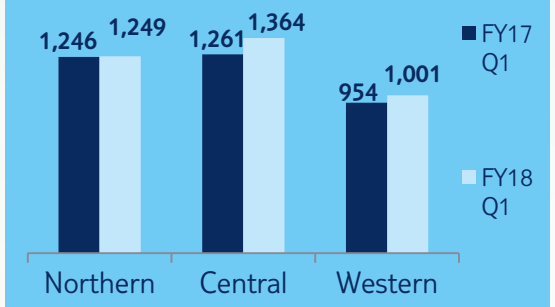
	FY18 Q1	FY17 Q1	%
Turnover	38.4	31.2	23.1
Underlying EBITA at constant currency	1.1	2.8	

- Strong increase in turnover
- Seasonal business profile
- Operating model changed in FY17 leading to a shift in earnings to Q3 and Q4
- Expect to deliver ~15% growth in underlying EBITA for FY18[1]

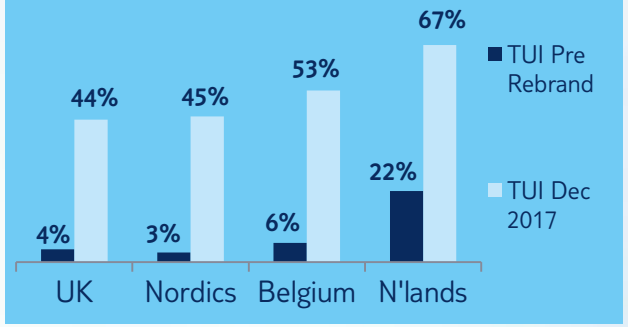
[1] At constant currency rates

Sales & Marketing – Q1
Portfolio of source markets continues to deliver good underlying result

CUSTOMERS (000's)



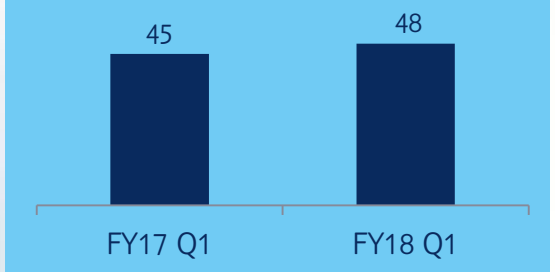
UNAIDED AWARENESS %



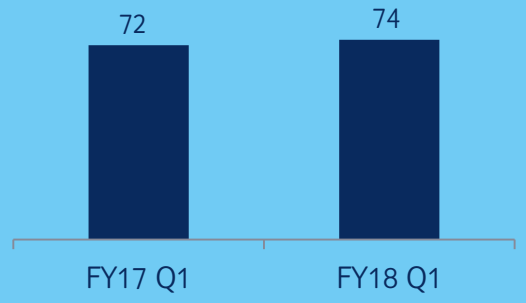
TURNOVER AND EARNINGS (€M)

	FY18 Q1	FY17 Q1	%
Turnover	3,028.5	2,798.3	8.2
Underlying EBITA	-133.4	-129.4	-3.1

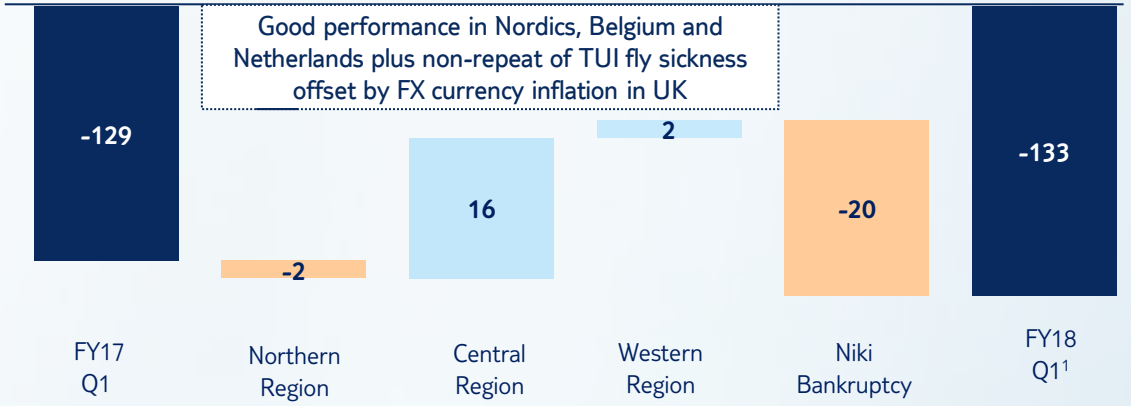
ONLINE DISTRIBUTION %



DIRECT DISTRIBUTION %



BRIDGE UNDERLYING EBITA (€M)



[1] FX translation impact is less than €0.5m

Current Trading remains in line with our expectations

HOLIDAY EXPERIENCES

HOTELS & RESORTS

- Seven further openings scheduled for Summer 2018
- Demand for Western Med and Caribbean remains strong
- Turkey and North Africa continues to improve

CRUISES

- Demand remains strong with an increase in yield for all three brands
- New ship launches for TUI Cruises, Marella Cruises and Hapag-Lloyd Cruises
- New build announced for TUI Cruises for Spring 2023

DESTINATION SERVICES

- Volumes develop in line with Sales & Marketing
- Opening new DMC in Jamaica this April

SALES & MARKETING

- W17/18[1] revenue +6%, bookings +3%
- Strong growth in bookings for North Africa, Thailand, Cape Verde and Cyprus
- Long haul continues to grow
- Good start to S18 - revenue +8%, bookings +6%

[1]These statistics are up to 4 February 2018 and shown on a constant currency basis and relate to all customers whether risk or non-risk

FY18 Q1 RESULTS

HORST BAIER

Income Statement
Group strategy leads to reduced earnings seasonality

In €m	FY18 Q1	FY17 Q1
Turnover	3,549.4	3,282.0
Underlying EBITA	**-24.9**	**-60.3**
Adjustments (SDI's and PPA)	-20.2	-9.2
EBITA	**-45.1**	**-69.5**
Net interest expense	-27.4	-33.8
EBT	**-72.5**	**-103.3**
Income taxes	13.8	21.7
Group result continuing operations	**-58.7**	**-81.6**
Discontinued operations	-	-8.5
Minority interest	-40.9	-27.4
Group result after minorities	**-99.6**	**-117.5**
Basic EPS (€, continuing)	-0.17	-0.19

- **ADJUSTMENTS**
  Includes PPA €8m and planned restructuring costs in Sales & Marketing – no change to full year guidance (~€80m)
- **INTEREST**
  €6m decrease driven principally by improvement in net debt position and higher interest income
- **TAX**
  Underlying effective tax rate remains at 20%

Cash Flow & Movement in Net Debt
Improved net debt position driven by disposal proceeds

In €m	FY18 Q1	FY17 Q1
EBITDA reported[1]	**55.4**	**29.8**
Working capital	-1,182.7	-1,097.8
Other cash effects	-55.7	52.9
At equity income[1]	-45.1	-35.3
Dividends received from JVs and associates	1.6	1.4
Tax paid	-68.7	-58.4
Interest (cash)	-23.3	-19.4
Pension contribution	-31.4	-36.9
Operating Cashflow	**-1,349.9**	**-1,163.7**
Net capex	-143.2	-127.2
Net investments	43.0	-118.3
Net pre-delivery payments	-40.5	-83.7
Free Cashflow	**-1,490.6**	**-1,492.9**
Dividends	-	-1.3
Movement in Cash Net of Debt	**-1,490.6**	**-1,494.2**

[1] Continuing ops basis, non-continuing adjustment in Other cash effects

NET DEBT IMPROVEMENT

- Enhancement in net debt as a result of disposal proceeds received in FY17 not yet fully reinvested

In €m	31 Dec 2017	31 Dec 2016
Opening cash (debt) as at 1 October	**583**	**350**
Movement in cash net of debt	-1,491	-1,494
Asset Finance	-4	-1
Other	38	-82
Closing net debt incl. Discontinued Ops	**-874**	**-1,227**
Travelopia	**-**	**-291**
Closing net debt as per Balance Sheet	**-874**	**-1,518**

Update on our Cruise fleet investment programme – TUI CAPEX not enhanced

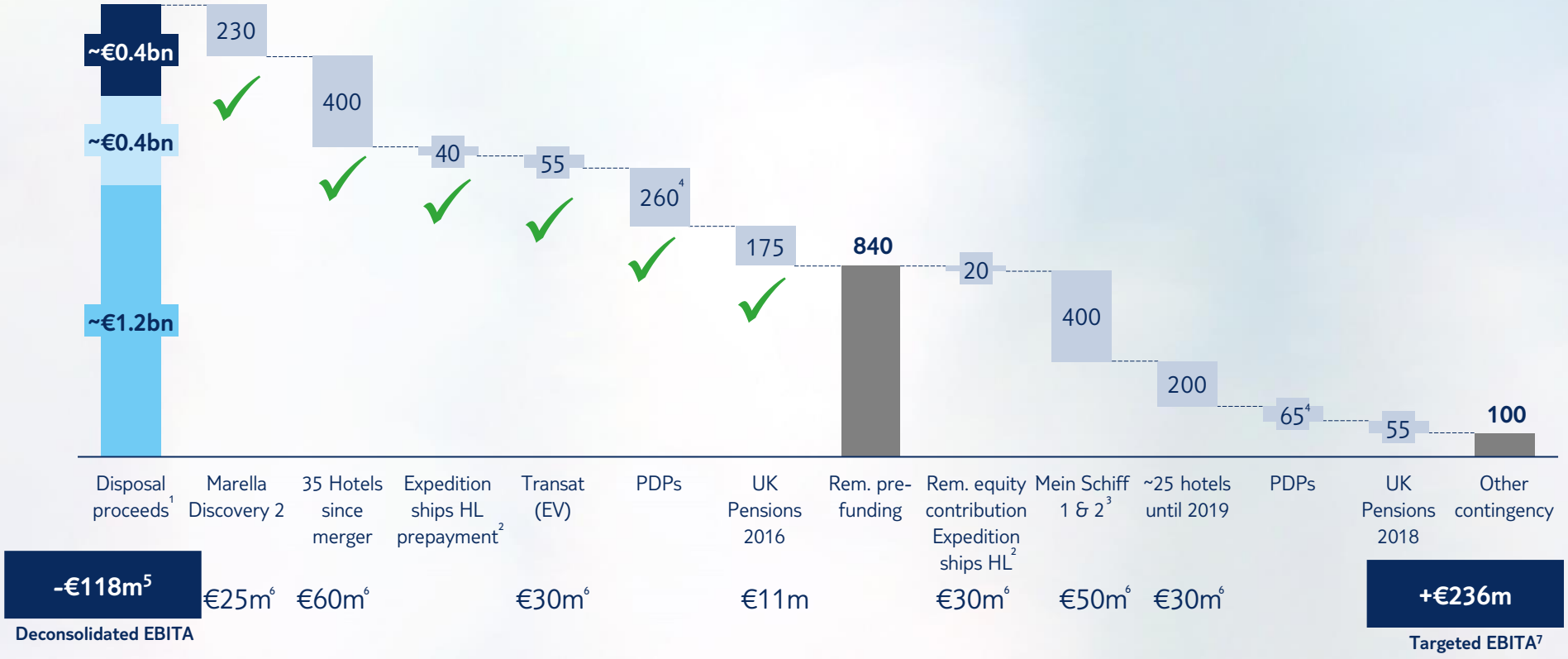
BRAND / OWNERSHIP	FLEET DEVELOPMENT	UPDATE
Off-balance: JV TUI Cruises	**Current fleet:** Join UK fleet in FY18; Join UK fleet in FY19 **Deliveries:** FY18; FY19; FY23 — Update on fleet development	• Strong market demand remains intact • New ship order with delivery in 2023 through TUI Cruise JV • Investment entirely funded by JV • No additional capex requirement from TUI Group
On balance MARELLA CRUISES	**Current fleet:** Exit FY18; Exit FY19 **Deliveries:** FY18 (MS 1); FY19 (MS2)	
On balance HAPAG-LLOYD CRUISES	**Current fleet:** Exit FY18 **Deliveries:** FY19; FY20	

20% TUI SHAREHOLDER ROIC | **STRONG MARKET** | **CAPACITY GROWTH** | **ROIC AS KPI** | **CAPITAL DISCIPLINE**

Update on re-investment programme FY16-FY19 – doubling EBITA under way

GROWTH INVESTMENTS FY16 to FY18 Q1

GROWTH INVESTMENTS FY18 & FY19



REINVESTMENTS

- Reinvestment of disposal proceeds by FY19
  - Own content growth
  - Basis for end-to-end profitability
  - Investments on track
  - Doubling returns
- Capital discipline continues after FY19
  - ROIC as KPI
  - Normalized capex levels
  - Investments if attractive

1 Including working capital/cash effect; 2 Equity-contribution, delivery in Spring & Autumn 2019; 3 Assumes MS1+ 2 purchase as cash transaction/final decision on transaction structure/financing not yet taken; 4 €10m quarterly adjustment until 2019 - pro rata approach; 5 Number includes €93m EBITA of HBG & Travelopia as well as EAT of MS1+2 within TUI Cruises of €25m due transferring the ships to UK market, delivery in Summer 2018 & 2019; 6 run-rate; 7 Based on targeted EBITA run-rate

Update on TUI Airlines – modernisation of fleet, no impact to TUI financial policy

LEVERAGE RATIO FY17

€m	FY17
Gross debt	1,933
to Bonds	296
to Liabilities to banks	381
to Finance lease	1,227
to Other financial liabilites	29
Pension	1,127
Discounted value of operating leases[1]	2,619
DEBT	**5,680**
Reported EBITDAR	2,241
Leverage Ratio	**2.5x**

[1] *At simplified discounted rate of 1.75%*

FY18 Leverage Target range 3.00x – 2.25x

UPDATE

- **Re-fleeting in line with current investment guidance; no additional CAPEX spend**
- Modernisation commenced in January 2018 with the delivery of the first B737 MAX
- In total 70 MAX aircraft will be delivered by 2023 replacing all former aircraft type B757 and some B737 NGs
- Programme drives cost efficiency due to lower fuel consumption and reduced CO_2 emissions and increases flying range
- Type of aircraft financing (operating/finance lease or ownership) will be on a case by case decision

FY18 Guidance[1]

	FY18e	FY17
Turnover[2]	Around 3% growth	€18,535m
Underlying EBITA	At least 10% growth	€1,102m
Adjustments	~€80m	€76m
Net interest expense	~€120m	€119m
Underlying effective tax rate	~20%	20%
Net capex & investments incl. PDPs[3]	~€1.2bn	€1.1bn
Net (debt)/cash	Slightly negative	€0.6bn
Leverage ratio	3.0x to 2.25x	2.5x
Interest cover	5.75x to 6.75x	6.1x
Dividend per share	Growth in line with underlying EBITA	€0.65

1 Assuming constant foreign exchange rates are applied to the result in the current and prior period and based on the current Group structure
2 Excluding cost inflation relating to currency movements
3 Assuming acquisition of Mein Schiff 1 for Marella Cruises

OUTLOOK AND OUR AMBITION

FRITZ JOUSSEN

TUI – Product-focused tourism group with 59% holiday experience earnings

SALES & MARKETING
41% EBITA

20m customers

Northern

Central

Western

ROIC FY17: 85%[3]

~150 TUI Aircraft, 3rd party flying

Own, 3rd party committed & non-committed

HOLIDAY EXPERIENCES
59% EBITA

Portfolio approach

Owned / managed / JV
ROIC FY17: 13%
HOTEL
381[1] Hotels
3rd party distribution

Owned / JV
ROIC FY17: 20%
15[2] Ships
3rd party distribution

Owned / JV
ROIC FY17: 24%
DS
115 Destinations
3rd party distribution

GROUP PLATFORMS

Strategy: Market demand, digitalisation, diversification

Strategy: growth, diversification

INTEGRATION BENEFITS/ STRATEGY

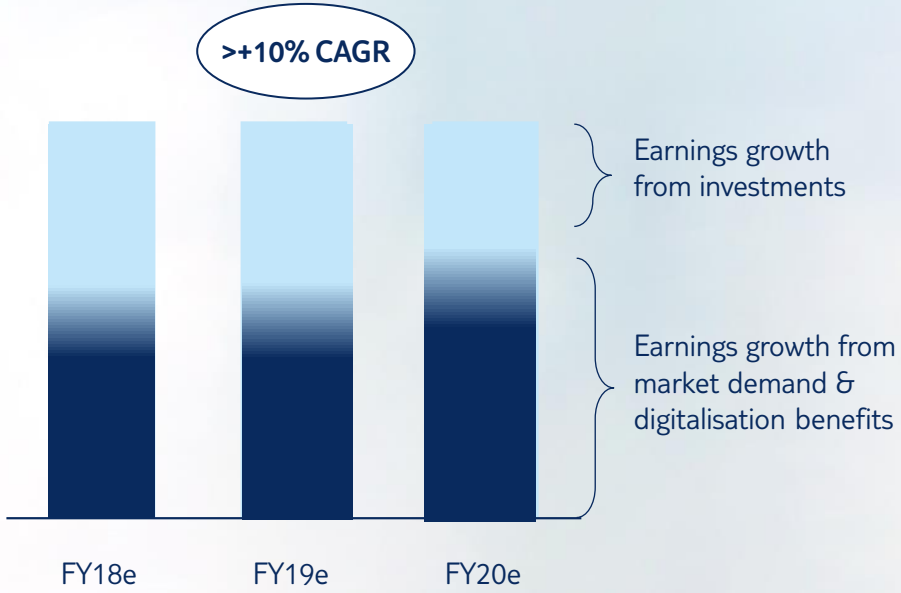
- Own customer end-to-end
- 20m customers to optimise own hotels/ cruises demand
- Unique TUI holiday experiences differentiating TUI from competition in Sales & Marketing and driving high NPS
- Diversified across Sales & Marketing as well as Holiday Experiences

[1] This number includes group hotels and 3rd party concept hotels as at end of Q1 FY18 [2] As at end of Q1 FY18 [3] This number relates to Sales & Marketing/ all other

Outlook: Merger synergies delivered, strong earnings growth story continues

STRONG GROWTH TRACK RECORD: MERGER SYNERGIES

FUTURE GROWTH: MARKET DEMAND, DIGITALISATION, INVESTMENTS



MERGER SETS BASIS FOR FUTURE GROWTH

- Target extended to 2020: at least 10% underlying EBITA CAGR
- Mix of earnings growth changes
  - Market demand & digitalisation benefits
  - Growth from investments
- Less seasonality in earnings

[1] Underlying EBITA CAGR of 12% since merger / average CAGR of 13% since merger at constant currency

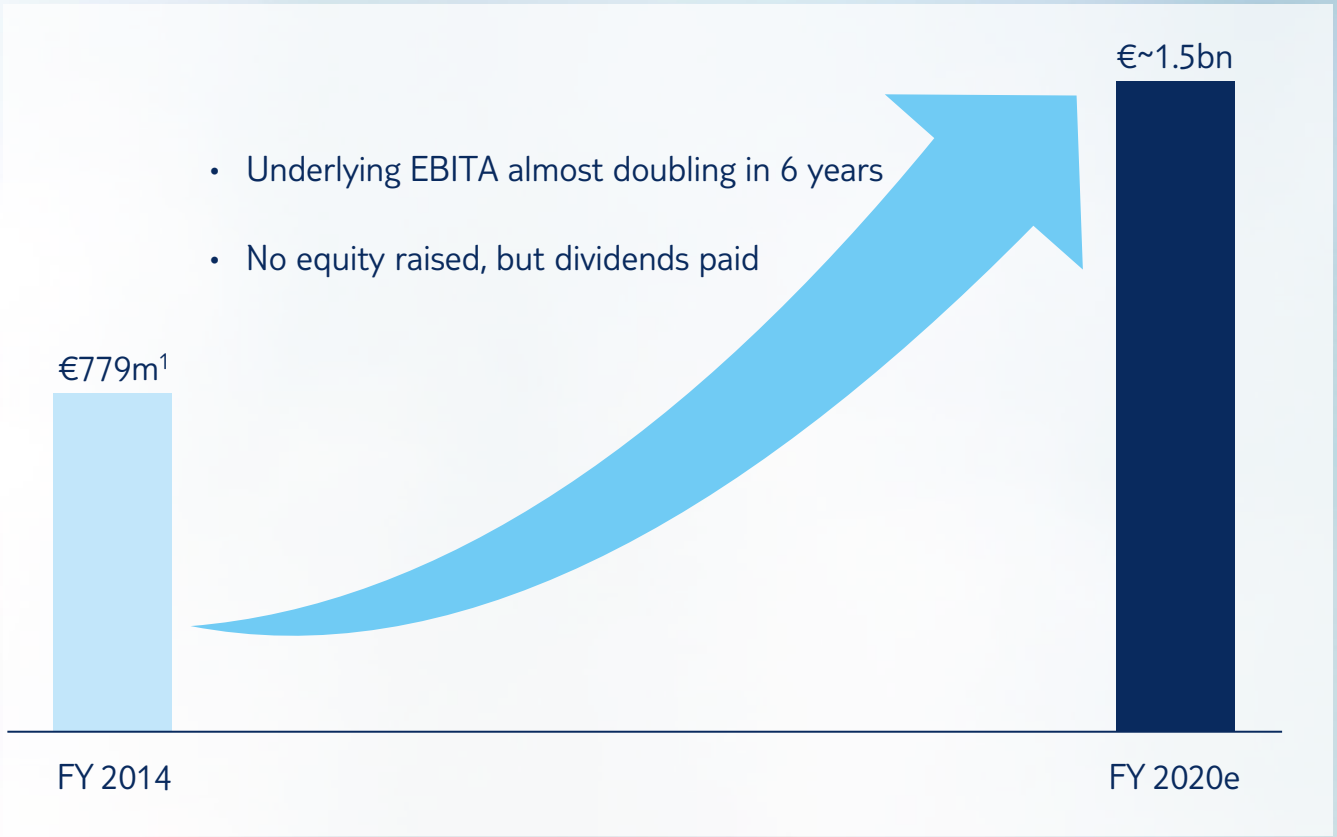
Our ambition: Strong strategic positioning, strong earnings growth and strong cash generation with underlying EBITA doubling in 6 years

STRONG STRATEGIC POSITION

STRONG EARNINGS GROWTH

At least +10%

STRONG CASH GENERATION



[1] Pro Forma EBITA

Upcoming Events: Capital Markets Day / H1 Results / IFRS16

CAPITAL MARKETS DAY

SAVE THE DATE:
WEDNESDAY 9 MAY 2018 IN HAMBURG

TUI Cruises | MARELLA CRUISES | HAPAG-LLOYD CRUISES

- ON BOARD NEWLY LAUNCHED MEIN SCHIFF 1
- PRESENTATION OF OUR CRUISE BUSINESS
- CRUISE SHIP TOUR
- PRESENTATION OF FY18 H1 RESULTS
- AGENDA AND INVITES TO FOLLOW IN DUE COURSE

UPDATE ON IFRS16

FY18 RESULTS & FY18 ANNUAL REPORT:
THURSDAY 13 DECEMBER 2018 IN LONDON

- IMPACT OF NEW LEASE ACCOUNTING RULES ON TUI (IFRS16)
- TO BE DISCUSSED AS PART OF OUR FY18 RESULTS PRESENTATION

Q&A

APPENDIX

FY18 Q1 Turnover by Segment (excludes Intra-Group Turnover)*

In €m	FY18 Q1	FY17 Q1	Change	FX	Change ex FX
Hotels & Resorts	**144.8**	**141.2**	**3.6**	**-6.0**	**9.6**
- Riu	114.8	115.5	-0.7	-3.9	3.2
- Robinson	18.6	16.4	2.2	-0.6	2.8
- Blue Diamond	-	-	-	-	-
- Other	11.4	9.3	2.1	-1.5	3.6
Cruises	**192.3**	**151.9**	**40.4**	**-2.6**	**43.0**
- TUI Cruises	-	-	-	-	-
- Marella Cruises	121.9	89.7	32.2	-2.6	34.8
- Hapag-Lloyd Cruises	70.4	62.2	8.2	-	8.2
Destination Services	**38.4**	**31.2**	**7.2**	**-0.6**	**7.8**
Holiday Experiences	***375.5***	***324.3***	***51.2***	***-9.2***	***60.4***
- Northern Region	1,178.9	1,108.0	70.9	-19.6	90.5
- Central Region	1,265.9	1,140.9	125.0	-2.5	127.5
- Western Region	583.7	549.4	34.3	-	34.3
Sales & Marketing	***3,028.5***	***2,798.3***	***230.2***	***-22.1***	***252.3***
All other segments	145.4	159.4	-14.0	-0.7	-13.3
TUI Group continuing operations	**3,549.4**	**3,282.0**	**267.4**	**-32.0**	**299.4**

*Table contains unaudited figures and rounding effects; simplified to disclose Destination Services from Other Tourism, Marella Cruises from Northern Region to Cruise segment and remaining business segments within Other Tourism into All other segments.

FY18 Q1 Underlying EBITA by Segment*

In €m	FY18 Q1	FY17 Q1	Change	FX	Change ex FX
Hotels & Resorts	**94.4**	**49.2**	**45.2**	**4.1**	**41.1**
- Riu	115.3	76.3	39.0	-0.2	39.2
- Robinson	1.5	1.7	-0.2	0.4	-0.6
- Blue Diamond**	3.3	0.2	3.1	-0.5	3.6
- Other	-25.7	-29.0	3.3	4.4	-1.1
Cruises	**37.5**	**28.1**	**9.4**	**-0.3**	**9.7**
- TUI Cruises**	25.2	16.9	8.3	-	8.3
- Marella Cruises	11.7	9.0	2.7	-0.3	3.0
- Hapag-Lloyd Cruises	0.6	2.2	-1.6	-	-1.6
Destination Services	**-0.2**	**2.8**	**-3.0**	**-1.3**	**-1.7**
Holiday Experiences	***131.7***	***80.1***	***51.6***	***2.6***	***49.0***
- Northern Region	-31.1	-29.3	-1.8	-0.2	-1.6
- Central Region	-56.4	-52.4	-4.0	-0.1	-3.9
- Western Region	-45.9	-47.7	1.8	-	1.8
Sales & Marketing	**-133.4**	**-129.4**	**-4.0**	**-0.3**	**-3.7**
All other segments	-23.2	-11.0	-12.2	-1.7	-10.5
TUI Group continuing operations	**-24.9**	**-60.3**	**35.4**	**0.5**	**34.9**

*Table contains unaudited figures and rounding effects; simplified to disclose Destination Services from Other Tourism, Blue Diamond to Hotels & Resorts and Marella Cruises to Cruise segment both from Northern Region and remaining business segments within Other Tourism into All other segments.
**Equity result

Adjustments & Net Interest Result

In €m	FY18 Q1	FY17 Q1
Gain/(Loss) on disposals	-	-0.7
Restructuring expense	-9.1	-0.2
Purchase Price Allocation	-7.6	-7.7
Other one-off items	-3.5	-0.6
Total Adjustments	**-20.2**	**-9.2**

In €m	FY18 Q1	FY17 Q1
Debt related interest	-27	-28
Non-debt related charge	-8	-11
Interest income	8	5
Net interest result	**-27**	**-34**
o/w cash interest	*-23*	*-19*

Net Financial Position, Pensions and Operating Leases

In €m	31 Dec 2017	31 Dec 2016
Financial liabilities	**-1,871**	**-2,177**
- Finance leases	-1,186	-1,266
- Senior Notes	-296	-295
- Liabilities to banks	-362	-565
- Other liabilities	-27	-51
Cash	**997**	**659**
Net debt	**-874**	**-1,518**
- Net Pension Obligation	-1,126	-1,375
- Discounted value of operating leases[1]	-2,674	-3,329

[1] *At simplified discounted rate of 1.5% with both years on continuing ops basis*

Contact

ANALYST AND INVESTOR ENQUIRIES

Peter Krüger, Director of Investor Relations and M&A — Tel: +49 (0)511 566 1440

Contacts for Analysts and Investors in UK, Ireland and Americas

Sarah Coomes, Head of Investor Relations — Tel: +44 (0)1293 645 827

Hazel Chung, Investor Relations Manager — Tel: +44 (0)1293 645 823

Contacts for Analysts and Investors in Continental Europe, Middle East and Asia

Nicola Gehrt, Head of Investor Relations — Tel: +49 (0)511 566 1435

Ina Klose, Investor Relations Manager — Tel: +49 (0)511 566 1318

Jessica Blinne, Junior Investor Relations Manager — Tel: +49 (0)511 566 1425

TUI

Cavtat, Croatia