2016/17 H1 Results

Media Call

15 May 2017

Anaga Mountains, Tenerife, Canary Islands

Opening Remarks

Good overall performance in H1

Delivering our **transformation,** with significant growth in **hotel** and **cruise** profits

Successful migration to **one brand** continues

More relevant to **more customers** – growth in customers in H1 and for Summer 2017

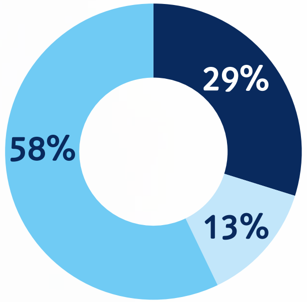
Proven **resilience** of the **integrated model** and **balanced portfolio** of markets and destinations

Reiterate our guidance of **at least 10% growth in underlying EBITA in 2016/17**[1]

[1] At constant currency rates and based on current Group structure

Clearer reporting to reflect performance of our Hotel and Cruise Businesses

FY16 UNDERLYING EBITA MIX



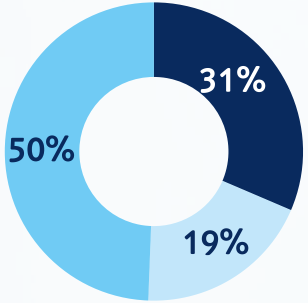
Hotels	€287m
Cruises	€130m
Source Markets, Destination Services and All Other	€584m
	€1,001m

42%

Blue Diamond Hotels from Northern Region → Hotels & Resorts Segment

Thomson Cruises from Northern Region → Cruise Segment

FY16 UNDERLYING EBITA MIX – NEW SEGMENTAL REPORTING



Hotels	€304m
Cruises	€191m
Source Markets, Destination Services and All Other	€506m
	€1,001m

50%

INTEGRATED MODEL ENABLES US TO DELIVER AROUND 50% OF EARNINGS FROM CONTENT

TUI Group

Strong turnover growth and higher earnings in H1 2016/17

TURNOVER **€6.4bn**

+3.3% /+8.2%[1]

UNDERLYING EBITA **€-214.3m**

-3.8% /+6.3%[2]

REPORTED EBITA **€-251.9m**

-4.6%/+3.7%[2]

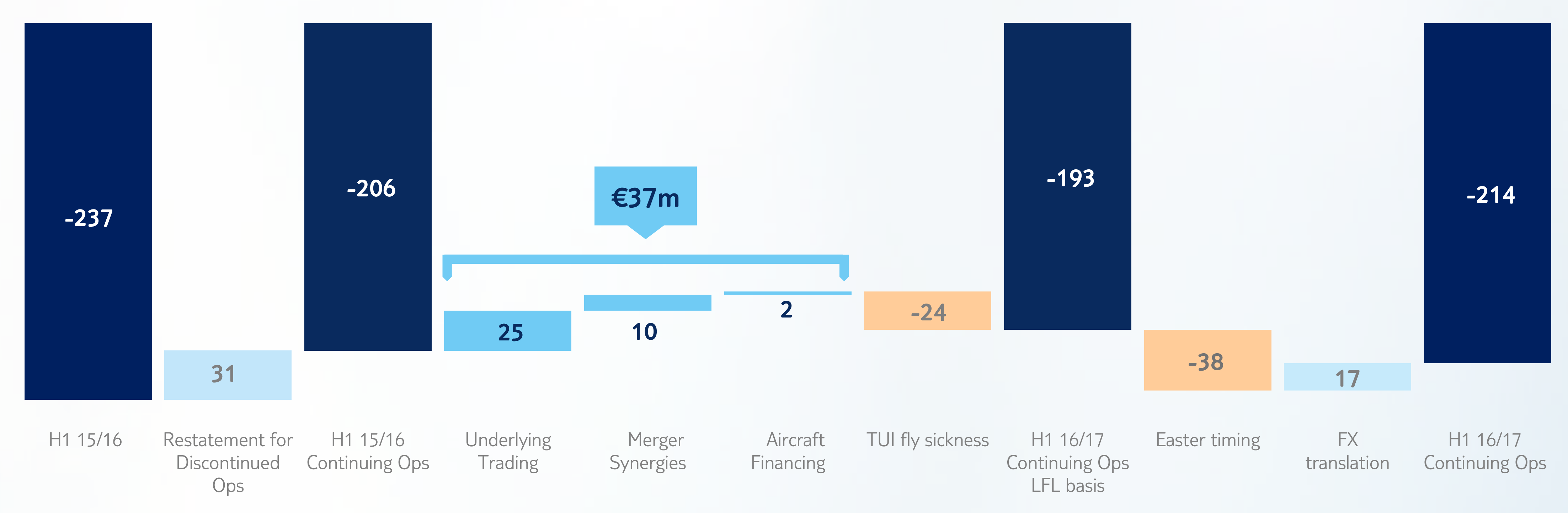
OPERATING CASHFLOW IMPROVEMENT

+€0.3bn

- H1 2016/17: Turnover up 8.2 per cent[1]
- Underlying EBITA up 6.3 per cent[2] in the period under review
- Transformation of the Group progresses, driven by own hotel and cruise brands: joint profit contribution totalling 50 per cent
- Current trading for Summer 2017 is in line with expectations
- Growth guidance for full year reiterated – underlying EBITA to grow by at least 10 per cent[1]

[1] At constant currency rates
[2] On LFL basis excluding Easter timing and at constant currency

TUI Group
Reduction in the seasonal Underlying EBITA loss



Hotels & Resorts

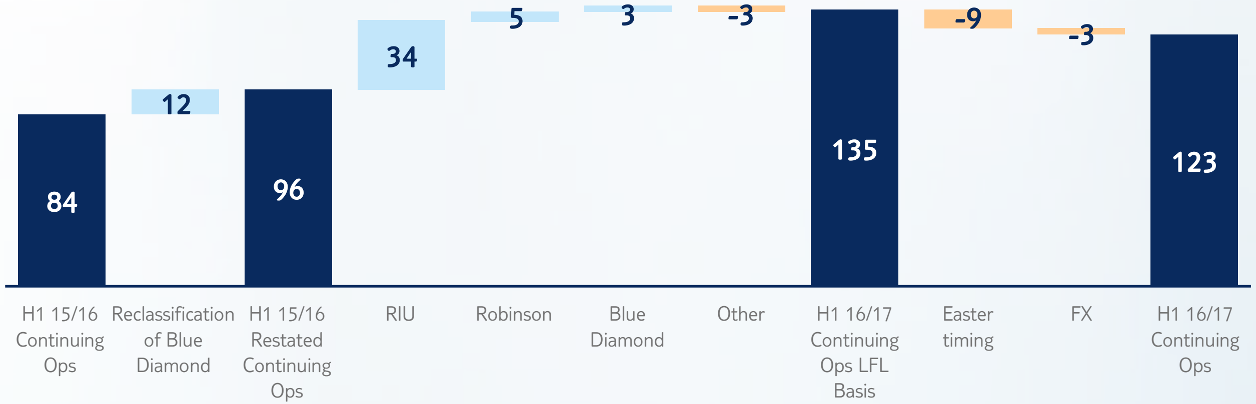
Growth in average revenue per bed at RIU and Robinson

TURNOVER AND EARNINGS (€M)

	H1 16/17	H1 15/16	%
Turnover	300.0	266.0	12.8
Underlying EBITA	122.8	96.0	27.9
o/w Equity results	42.8	30.8	39.0

Segment now includes Blue Diamond Hotels

UNDERLYING EBITA (€M)



BUSINESS DEVELOPMENT H1 2016/17*

- Our popular brands, integrated model and strong presence in year round destinations continue to drive high levels of **occupancy rates** - Riu 88%, overall Hotels & Resorts 75% whilst still delivering 5% growth in average revenue per bed
- **Riu** delivered another **strong** performance, particularly in **Spain and Mexico** with **7% growth** in average revenue per bed The result was partly offset by the gain on disposal of Riu Tropicana in the prior year
- **Robinson** also delivered a **good** performance with **3% growth** in average revenue per bed overall
- As expected result were partly offset by adverse impact from subdued demand for **Turkey and North Africa**

* At constant currency rates and excluding Easter timing

Cruises
Growth path successfully continued

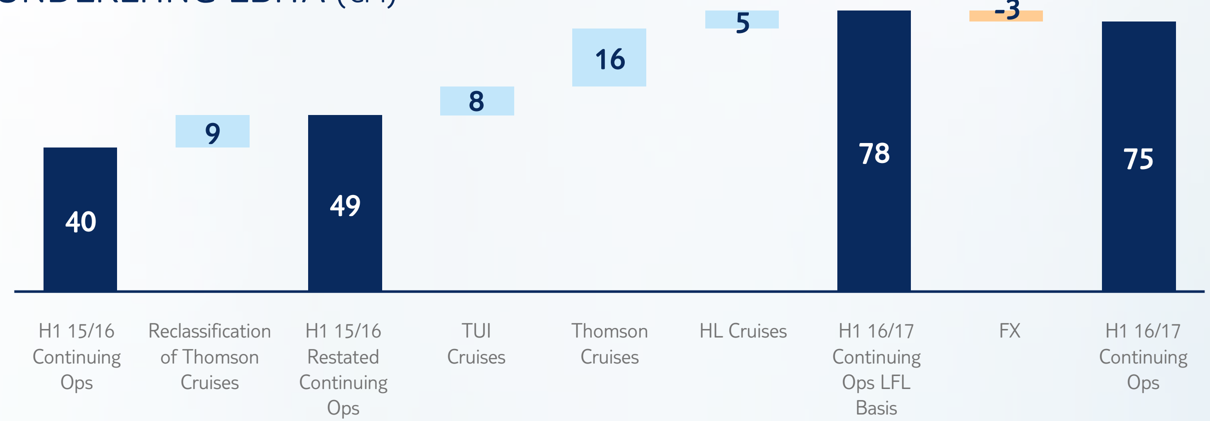
TURNOVER AND EARNINGS (€M)

	H1 16/17	H1 15/16	%
Turnover	345.9	308.9	12.0
Memo: *TUI Cruises Turnover*	458.8	364.2	26.0
Underlying EBITA	75.0	49.3	52.1
*o/w EAT TUI Cruises**	38.3	29.8	28.5

Segment now includes Thomson Cruises

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

UNDERLYING EBITA (€M)



BUSINESS DEVELOPMENT H1 2016/17*

- **TUI Cruises** continues to deliver significant growth whilst maintaining a **strong occupancy** and **rate** performance, with an additional ship (Mein Schiff 5) this Winter. This was offset partly by a planned increase in dry dock days
- **Thomson Cruises'** result has also **increased significantly,** with the first Winter of operations of TUI Discovery and a **good** occupancy and **rate** performance across the fleet
- **Hapag-Lloyd Cruises** has delivered an **increase** in earnings, benefitting from improvements to itineraries and fewer dry docks than prior year

* At constant currency rates and excluding Easter timing

Source Markets – Sales & Marketing

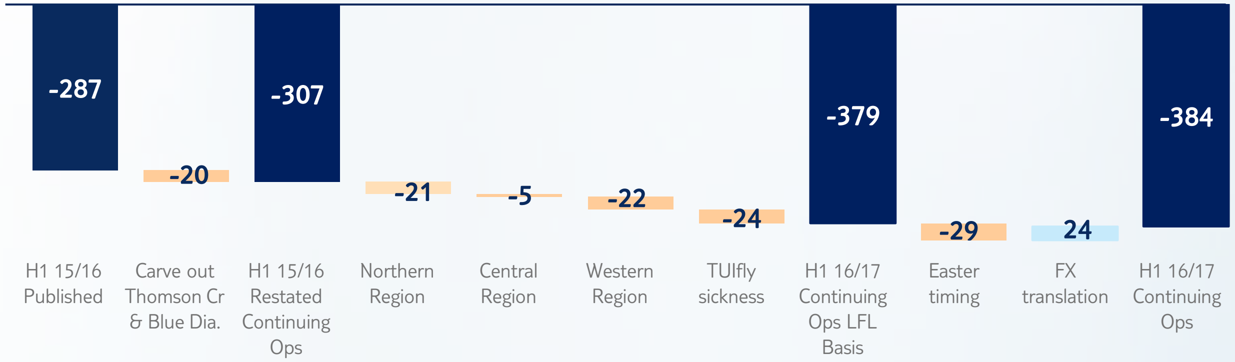
Performance influenced by one-off effects, Easter timing and sickness levels in TUI fly Germany

TURNOVER AND EARNINGS (€M)

	H1 16/17	H1 15/16	%
Turnover	5,374.9	5,261.0	2.2
Underlying EBITA	-383.9	-307.2	-25.0

Thomson Cruises and Blue Diamond now reported in Cruise and H&R respectively

UNDERLYING EBITA (€M)



BUSINESS DEVELOPMENT H1 2016/17*

NORTHERN REGION -€21M

- UK customer **volumes increased by 8%** in H1 2016/17 with a good end to Summer and growth in **long haul in Winter.** This was offset by an increase in the valuation of US$ based **maintenance reserves** (weaker GBP sterling) and an increase in **pension service costs** driven by lower interest rates. Result also impacted to some extent in Q2 by currency cost inflation, due to weakening of GBP sterling.
- Nordic performance impacted by **rebrand marketing costs** and **lower demand for Turkey and Egypt**
- Northern Region continues to deliver **high levels** of direct and online distribution – **90%** and **63%** respectively

CENTRAL REGION -€5M (UNDERLYING)

- Germany continues to build on its **market share gains** delivering an **improvement** in **trading** performance
- Result includes **additional aircraft repair** costs
- Further **improvement** in direct and online distribution – **47%** (up 2ppts) and **17%** (up 3ppts) respectively

WESTERN REGION -€22M

- Reflects the first time inclusion of **Transat's** seasonal EBITA loss and **rebrand marketing costs** in Belgium
- Netherlands negatively impacted by night slot restrictions at Schiphol Airport in the half and increased claims for DBC
- Further **growth** in both direct and online distribution – **73%** (up 3ppts) and **56%** (up 3ppts) respectively, aided by the rebrand in Belgium

* At constant currency rates and excluding Easter timing

Current Trading – Summer 2017
Bookings ahead of prior year in all markets

HOTELS & RESORTS

- Two new **TUI Blue** hotel openings (Italy and Croatia)
- Subdued demand for Turkey and North Africa continue to be offset by the **popularity** of **Spain, Canaries, Greece and Caribbean**

CRUISES

- Newly built **Mein Schiff 6** will launch in June; demand for cruise remains buoyant in Germany
- Thomson Cruises continues its programme of modernisation with the launch of **TUI Discovery 2**

SOURCE MARKETS – Sales & Marketing

- Source Markets programme **62% sold to date** with revenues up **8%** and bookings up 4**%**
- Growth in demand for Greece, Bulgaria, Croatia, Cyprus, Cape Verde and long haul
- Bookings ahead of prior year in all markets

POPULARITY OF HOTEL AND CRUISE BRANDS AND RESILIENCE OF INTEGRATED MODEL

These statistics are up to 7 May 2017 and are shown on a constant currency basis

Outlook 2016/17* – Continuing Operations Basis

Growth guidance for full year reiterated

Metric	2015/16	2016/17e
Turnover	€17,185m	~3% growth
Underlying EBITA	€1,001m	At least 10% growth
Adjustments	€102m	~€100m (increased from ~€80m)
Net Interest	€180m	~€140m (reduced from ~€160m)
Net Capex & Investments**	€642m	~€1bn
Net Cash/Debt	€32m net cash	~€0.8bn net debt see footnote
Underlying Effective Tax Rate	25%	20%

* 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 and excludes the impact of the JV negotiations for TUI fly and any disposal proceeds for Travelopia and Hapag-Lloyd AG**

** 2015/16 excludes Hotelbeds Group proceeds

Summary

The Group has delivered a good H1 overall

Summer 2017 continues to trade in line with our expectations

Continuing to deliver our transformation, focused on growth of own **hotel** and **cruise** brands and driving further value from our source markets

Our strategy, operational experience and integrated model mean that we are **well placed to deal** with macro-economic and geopolitical challenges

Based on our first half performance and current trading, we reiterate our **guidance** of **at least 10% growth in underlying EBITA in 2016/17**[1]

[1]At constant currency and based on current group structure