

**TUI Group: Hotels & Resorts delivers a strong performance and Cruises continue their growth roadmap in 2019 / Tour operators and aviation businesses impacted by 737 MAX grounding and delayed bookings in Q3 2019 / stable and solid underlying Q3 result reflecting robustness of integrated model**

- **Underlying EBITA down year-on-year in Q3 due to 737 MAX grounding (impact: 144m euros): 100.9 million euros (Q3 2018: 186.8 million euros)**
- **Group turnover in period under review up by 3.7 per cent versus previous year**
- **Market competitiveness through increased integration: efficiency enhancement and cost reduction in TUI's tour operators will be accelerated**
- **Guidance for full year 2019 reiterated**
- **CEO Fritz Jousen: "We are consistently pursuing our digital transformation roadmap, transforming TUI into a global platform company. The strength of our globally unified brand and direct access to our customer base, already comprising more than 21 million customers, offers great potential."**

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**Hanover, 13 August 2019.** "Despite the challenging environment in 2019 to date, our underlying business remains robust, and we expect to deliver a solid performance in 2019, which, however, will not match the prior year's result, as expected due to the grounding of the 737 MAX. Hotels & Resorts will benefit from our diversified portfolio and Cruises will deliver strong growth. We have significantly reduced our dependence on traditional tour operators over the past five years. The transformation of our Group will continue. The tour operator businesses in our European markets will be brought together faster and more effectively. We are consistently pursuing our digital transformation to develop TUI into a global platform organisation. The strength of our globally unified brand and direct access to our customer base, already comprising more than 21 million customers, offers great potential for the future," said TUI CEO Fritz Jousen at the presentation of the Q3 2019 results.

In the period under review, TUI Group increased its turnover by 3.7 per cent to 4.745 billion euros (previous year: 4.576 billion euros). On a constant currency basis, turnover grew by 4.4 per cent to 4.777 billion euros. At 100.9 million euros, underlying EBITA declined by 46.0 per cent year-on-year (186.8 million euros), in particular due to the impact of 144 million euros as a result of the grounding of the 737 MAX. On a constant currency basis, it decreased by 49.2 per cent to 98.9 million euros (previous year: 194.6 million euros).

The Holiday Experiences segment, comprising Hotels & Resorts, Cruises and Destination Experiences, delivered an increase in underlying EBITA of 16.7 per cent to 208.3 million euros in the period under review (previous year: 178.5 million euros).

As expected and in line with our announcement made early this year, the Markets & Airlines business performance was also significantly impacted by the 737 MAX aircraft grounding, ongoing since March, as TUI launched a number of measures including the securing of replacement aircraft capacity for the grounded aircraft until the end of the Summer season. Total costs related to the grounding will be approximately up to 300 million euros in the full financial year 2019.

Furthermore, we saw delayed customer bookings driven by the Summer 2018 heatwave, the continued Brexit uncertainty and considerable aviation overcapacity to Spanish destinations continued in the third quarter. In the period under review, underlying EBITA amounted to -103.9 million euros, down on the positive prior-year comparative (previous year: +37.2 million euros), in particular due to the grounding of the 737 MAX with an impact of 144 million euros.

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The Group reiterates its guidance for the full year 2019: As announced on 29 March 2019, underlying EBITA will be approximately up to 26 per cent down compared with the rebased underlying EBITA for financial year 2018 of 1.177 billion euros<sup>1</sup>.

### **Transformation of tour operating will be accelerated – TUI will transform into a global platform company**

Despite the current challenges and volatility in the tour operating business, TUI remains in very good shape. The Group is an international market leader and well positioned for a potential market consolidation in the industry. After the transformation of the Group initiated in 2013, the Markets & Airlines segment (Tour Operators) accounted for 30 per cent of TUI's earnings, while 70 per cent of earnings are delivered by Holiday Experiences (Hotels, Cruises, Destination Experiences). Traditional tour operators ensure direct access to customers in our European source markets. "We will continue to strengthen our competitiveness in this area, too, by harmonising our tour operation business, accelerating its transformation and thus increasing its efficiency and profitability," said Jousen. Within the next 18 to 24 months, the European source markets will be more closely aligned. At the same time, TUI is driving the digitalisation of the Group further ahead and is investing in state-of-the-art technologies and a unified customer platform (CRM). TUI has entered the next phase of its transformation to develop into a global platform company. Driven by the acquisition of the Italian technology platform Musement, the tours and activities business in the destinations will be significantly expanded. In March 2019, TUI and Ctrip had concluded a

<sup>1</sup> FY18 comparative rebased in December 2018 to € 1.187 billion to take into account € 40 million impact for revaluation of Euro loan balances within Turkish Lira entities in FY18, and adjusted further to € 1.177 billion for retrospective application of IFRS 15.

significant cooperation scheme. The around 200 million users of the leading Chinese online travel agency will have direct access to the portfolio of tours and activities offered by Musement. The Group will also accelerate its "TUI 2022" strategy programme. Due to the global expansion of the TUI brand, TUI will tap new markets, in particular in emerging economies with growing middle classes such as China, India, Brazil and Malaysia. A further partnership was recently concluded in South East Asia: TUI will team up with Malaysia Airlines to establish its Malaysia Airlines Holidays business. TUI will tap these future markets through a fully digital approach via an innovative and globally scaling distribution and marketing platform, which forms the basis of TUI's state-of-the-art IT infrastructure.

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### **Overview of the segments**

#### **Hotels & Resorts: Strong performance as a result of our diversified hotel portfolio, higher average revenue per bed**

Hotels & Resorts delivered a significant increase in its operating result in Q3 2019. While average occupancy remained high at 80 per cent, average revenue per bed rose, driven partly by the shift in demand from the Western to the Eastern Mediterranean. In the quarter, TUI opened new hotels in the Caribbean, Italy, Eastern Mediterranean, North Africa, the Maldives and Bulgaria. Since the merger, its portfolio has grown by 67 new hotels.

- Underlying EBITA: +26.4 per cent to 91.5 million euros (previous year: 72.4 million euros)
- Underlying EBITA at constant currency: +12.2 per cent to 90.0 million euros (previous year: 72.4 million euros)
- Average revenue per bed: +5.4 per cent to 60 euros
- Average occupancy: -0.4 percentage points to 79.8 per cent

#### **Cruises: All three brands continue to deliver growth**

In Q3 2019, all three cruise brands operated by the Group continued their growth roadmap and delivered a significant increase in their operating results. With the launch of HANSEATIC nature and Marella Explorer 2 in May 2019, TUI's cruises fleet grew to a total of 17 ships.

- Underlying EBITA: +14.4 per cent to 101.5 million euros / previous year 88.7 million euros
- Underlying EBITA at constant currency: +14.5 per cent to 101.6 million euros / previous year 88.7 million euros

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- Average rate per passenger per day:
  - TUI Cruises: 190 euros (previous year 200 euros)
  - Marella Cruises: 144 GBP (previous year 138 GBP)
  - Hapag-Lloyd Cruises: 584 euros (previous year 571 euros)
  
- Average occupancy:
  - TUI Cruises: 99.5 per cent (previous year 98.8 per cent)
  - Marella Cruises: 98.5 per cent (previous year 100.3 per cent)
  - Hapag-Lloyd Cruises: 74.7 per cent (75.6 per cent)

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### **Destination Experiences: Sales of tours and activities almost doubled**

The TUI Destination Experiences segment (tours and activities in the destinations) is a growth area and has been strategically expanded since 2018 through a range of measures including the acquisition of Musement and Destination Management. In the period under review, the number of excursions and activities sold almost doubled to 2.3 million (+92 per cent). Due to the costs for the integration of Musement, underlying EBITA declined year-on-year. Excluding these integration costs, underlying EBITA grew by 3 per cent year-on-year.

- Underlying EBITA: -12.1 per cent to 15.3 million euros (previous year 17.4 million euros)

### **Markets & Airlines: Challenging market environment, growth in guest numbers & turnover**

Although the market environment remained very challenging, the Group's Markets (tour operators) & Airlines business delivered an increase in customer numbers to 6.028 million (previous year 6.024 million). At 4.0 billion euros, turnover also grew cent year-on-year, up by 0.4 per cent (3.99 billion euros).

- Underlying EBITA: -103.9 million euros (previous year: +37.2 million euros)

### **Summer 2019: Improved booking levels, average prices +1%**

Bookings for the current Summer 2019 (as at 4 August 2019) are down 1 per cent year-on-year, improving from the booking performance delivered in the first half of 2019 (-3 per cent). Average prices are up by one per cent and we expect the recent positive trend to continue as we lap the extended heatwave in the prior year.

**About TUI Group**

TUI Group is the world's number one integrated tourism group operating in around 180 destinations worldwide. The company is domiciled in Germany. The TUI Group's share is listed in the FTSE 100 index, the leading index of the London Stock Exchange, and in the German open market. In financial year 2018, TUI Group recorded turnover of €18.5bn and an operating result of €1.177bn. The Group employs around 70,000 people in more than 100 countries. TUI offers its around 27 million customers, including 21 million customers in European national companies, comprehensive services from a single source. It covers the entire tourism value chain under one roof. This comprises around 330 Group-owned hotels and resorts with premium brands such as RIU and Robinson as well as 17 cruise ships ranging from the MS Europa and MS Europa 2 luxury class vessels to the "Mein Schiff" fleet of TUI Cruises and the vessels of Marella Cruises in the UK. The Group also includes leading international tour operator brands, 1,600 travel agencies in Europe and five airlines with around 150 modern medium- and long-haul aircraft.

Global responsibility for sustainable economic, ecological and social activity is a key feature of our corporate culture. TUI Care Foundation, established in 2015, promotes the positive effects of tourism, education and training as well as environmental and social standards. This way, it contributes to the development of the holiday destinations. TUI Care Foundation now operates in more than 20 countries around the world and initiatives projects creating new opportunities for the next generation.

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