TUI GROUP

10 December 2015

TUI GROUP

Full year results to 30 September 2015

- Outperformed our earnings guidance in first year post-merger with 15.4% increase in underlying EBITA[1]
- Delivering against the growth roadmap outlined at our Capital Markets Update in May 2015
- Tourism businesses underlying EBITA increased by 13%[1] with a particularly strong performance from Northern Region, Hotels & Resorts and Cruises
- Specialist Travel businesses underlying EBITA increased by 10%[1]
- Hotelbeds strategic review under way, carve-out expected to complete end 2015 / beginning of 2016
- Dividend of 56 cents per share announced, reflecting strong underlying earnings growth and additional 10% as announced at the time of the merger
- Expect to deliver at least 10% growth in underlying EBITA in 2015/16, and reiterate our previous guidance of at least 10% underlying EBITA CAGR over the three years to 2017/18[1].

KEY FINANCIALS

Year ended 30 September	Underlying			Reported	
€m	**2015**	2014 Restated[2]	**Change%**	2015	2014 Restated[2]
Turnover	**20,012**	18,537	**+8%**	20,012	18,537
EBITA	**1,069**	870	**+23%**	865	777
Earnings before income taxes	**885**	646	**+37%**	535	499
Return on invested capital	**25.13%**	21.45%	**+3.68 ppts**	n/a	n/a
Pro forma earnings per share[3] (cents)	**0.98**	0.75	**+31%**	n/a	n/a
Dividend per share (cents)	**56.0**	33.0	**+70%**	56.0	33.0

Note: EBITA comprises earnings before interest, taxes and goodwill impairments; it does not include the results from container shipping operations measured at equity nor the results from the measurement of interest hedging instruments.
[1] Assuming constant foreign exchange rates are applied to the result in the current and prior year and based on current Group structure
[2] Please refer to the notes to the full year consolidated financial statements for further explanation of prior year restatement
[3] Please refer to Earnings per Share section below

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

"We are pleased to announce a strong set of results in the first year following the merger. We have outperformed our earnings guidance, delivering 15.4%[1] growth in underlying EBITA in the full year. This was driven by a particularly good performance in Northern Region, Hotels & Resorts and Cruises, despite the tragic events in Tunisia and other geopolitical challenges earlier in the year. This demonstrates the resilience of our integrated business model. The integration of our two businesses is on track and already delivering results. Our strong operational performance is reflected in the announced dividend of 56 cents per share.

We outlined our strategy and growth roadmap at the Capital Markets Update in May 2015 and we are on track to deliver our plans for Tourism growth, maximise the growth and value of our other businesses and deliver merger synergies, with a focus on balance sheet strength, flexibility and strong free cash flow generation. The strategic review of Hotelbeds is also under way, including a potential disposal of the business, with the carve-out from Inbound Services expected to complete end of 2015 / beginning of 2016.

Taking into account the continued cessation of flights in and out of Sharm el Sheikh by several countries, current trading for Winter 2015/16 and Summer 2016 is in line with our expectations. We therefore expect to deliver growth in underlying EBITA of at least 10% in 2015/16 and reiterate our previous guidance of at least 10% underlying EBITA CAGR over the three years from 2014/15 to 2017/18[1]."

UNDERLYING EBITA BRIDGE

In €m	
Underlying EBITA 2013/14	**869**
Prior year adjustments[2]	+1
Underlying EBITA restated 2013/14	**870**
Underlying trading	+124
Merger synergies (occupancy, corporate streamlining)	+20
Tunisia (including prepayments provision)	-52
Profit on sale of hotel (RIU Waikiki)	+16
Refinancing of Europa 2	+14
Year-on-year impact of aircraft financing	+12
Underlying EBITA 2014/15 excluding FX	**1,004**
Foreign exchange translation	+65
Underlying EBITA 2014/15	**1,069**

OUTPERFORMED OUR EARNINGS GUIDANCE IN THE FIRST YEAR POST-MERGER

- **Group underlying EBITA** for the year increased to €1,069m (2013/14: €870m), or to €1,004m excluding the positive impact of foreign exchange translation.
- Within the **Source Markets**, underlying EBITA increased to €703m (2013/14: €643m), or to €654m excluding the positive impact of foreign exchange translation.
  - In **Northern Region** the UK delivered a strong trading performance with 5% increase in customers, in spite of the tragic events in Tunisia at the end of June. The Nordics also delivered an increase in earnings, with an improvement in underlying trading margins and delivery of operational efficiencies.
  - In **Central Region** Germany's result was adversely impacted by continued competitive market conditions, investment in distribution and an additional airline pension charge in the final quarter, offset partly by the delivery of further operational efficiencies.
  - In **Western Region** underlying EBITA was below prior year. Benelux delivered an improved trading performance, however this was offset by the adverse impact of Tunisia, poor North Africa trading in France, rebranding costs in the Netherlands and costs associated with aircraft delayed entry-into-service in Belgium.
  - Source Market customers grew by 2% overall, with a 5% increase in each of the UK and Benelux partly offset by capacity reductions in the Nordics and France as well as a lower growth rate in Germany.
  - Further growth in direct distribution to 70% (2013/14: 68%) of our tour operator holidays in the year, with online bookings accounting for 41% (2013/14: 38%).
- In **Hotels & Resorts**, underlying EBITA increased to €235m (2013/14: €203m) or to €230m excluding the positive impact of foreign exchange translation. In spite of approximately €26m impact from the events in Tunisia in the year and a further €17m provision against prepayments for accommodation in the region, the segment delivered a strong underlying performance, in particular by RIU and Robinson. Occupancy improved 1.7 percentage points to 82.3%, driven by the post-merger integration with our Source Markets, delivering an estimated €10m of merger synergies.
- In **Cruises**, underlying EBITA increased to €81m (2013/14: €10m), reflecting the full year benefit of Mein Schiff 3 (launched June 2014) and the launch of Mein Schiff 4 (launched June 2015). The result was also driven by the continued turnaround of Hapag-Lloyd Kreuzfahrten and €14m benefit from the refinancing of Europa 2.
- **Hotelbeds Group** underlying EBITA increased to €117m (2013/13: €102m) or to €113m excluding the positive impact of foreign exchange translation. This was driven by the continued growth of our bedbank business, with 26% increase in TTV and 18% increase in roomnights this year. The strategic review of Hotelbeds is under way, including a potential disposal of the business, and the carve-out from the Inbound Services business is expected to complete by the end of 2015 / start of 2016.
- **Specialist Group** underlying EBITA increased to €56m (2013/14: €46m) or to €49m excluding the positive impact of foreign exchange translation. Underlying performance improved in all divisions.
- **All other segments** underlying EBITA of -€101m (2013/14: -€111m) includes €10m benefit from the delivery of corporate streamlining synergies, which we expect to reach €50m by the end of 2016/17.
- **Return on invested capital improved to 25.13%** (2013/14: 21.45%) driven by strong growth in earnings as we execute our growth strategy.

- **56 cents dividend per share announced**, reflecting underlying EBITA growth at constant currency plus additional 10% announced at time of merger.

CURRENT TRADING IN LINE WITH OUR EXPECTATIONS

- Current trading is in line with our expectations, taking into account the continued cessation of flights in and out of Sharm el Sheikh by several countries.
- Winter 2015/16 - 60% sold to date with flat bookings and average selling prices up 4%. Overall Source Market long-haul bookings are up 9% and the UK is delivering good growth in total bookings, up 4%.
- Summer 2016 – good start to trading for the UK with bookings up 11%. Mein Schiff 5 to launch July 2016.

EXPECT TO DELIVER AT LEAST 10% GROWTH[1] IN UNDERLYING EBITA IN 2015/16

- Based on current trading we expect to deliver underlying EBITA growth of at least 10% in 2015/16, and reiterate our previous guidance of at least 10% underlying EBITA CAGR over the three years to 2017/18[1].

DELIVERING AGAINST OUR GROWTH LEVERS

1. DELIVER TOURISM GROWTH

Marketing & Sales

With our TUI brand, we will deliver profitable top-line growth which outperforms the market. In 2014/15, turnover from TUI consolidated subsidiaries grew by 3.6% at constant currency rates. However, a significant level of additional growth is generated by our joint and strategic ventures. We will therefore also report on growth in brand turnover, including revenue from TUI Cruises and Canada. In 2014/15, brand turnover grew by 6.7% at constant currency rates.

Our Source Markets (including our joint ventures) sell holidays to over 20 million customers per annum. Our goal is to achieve profitable top-line growth ahead of the market. In 2014/15, we achieved 2% growth in Source Market customers, with 5% growth in the UK and Benelux offset partly by capacity reductions in the Nordics and France, and a lower growth rate in Germany.

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. The appeal of TUI and the Smile logo are extremely high. One brand offers significant opportunities in terms of growth potential, consistency of customer experience, digital presence, operational efficiency and competitive strength. In the long run, it is our objective that there will be one brand wherever it is reasonable, but we will still ensure that we maintain our local roots. We launched our brand migration successfully in the Netherlands in October 2015, and we are already achieving strong unaided awareness of the TUI brand in this source market. The TUI brand roll-out has also commenced in France, with Belgium, Nordics and the UK to follow over the next few years.

Control over distribution continues to be central to our marketing and sales strategy, and all Source Markets are focused on delivering more direct, more online sales. In 2014/15 controlled distribution grew by two 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. Our long-haul package customers grew by 8% in 2014/15.

In addition, new source markets will deliver additional growth and will be accessed by our scalable technology platform, already launched in Spain and soon to be launched in Portugal and Brazil, providing us with a straightforward route to market entry. Tapping the long-tail market will further enhance opportunities for Group hotels to increase occupancy.

We will also continue to focus on improving earnings in underperforming source markets and driving improvements in operational efficiency.

Flight

We have around 140 aircraft operated by five airlines in our Source Markets, flying around 13 million customers per annum. These airlines have until recently been run separately. We are now changing that structure. Together, our airlines would rank as the seventh largest airline operation in Europe, with high rates of asset utilisation due to our integrated model. We want to future-proof our airlines, and this will only be possible if we leverage the potential economies of scale.

The way our five airlines are operating will further improve as we are building a competitive aviation platform. In essence, we are building a virtual airline. This means that 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. Organisational structure, the business model and scale are the main elements of our central platform. We expect to benefit in the areas of aircraft purchasing and financing, engineering and maintenance, IT and joint long-haul planning and procurement. We are targeting €50m operational efficiency improvement by 2018/19, with delivery commencing in 2015/16.

We are the only leisure airline operating the Boeing 787 Dreamliner, which is a key differentiator on long-haul destinations. As the 787 is providing us with significant commercial benefits, we are growing our 787 fleet. Flying in a 787 delivers an enhanced customer experience as well as cost efficiency due to lower fuel consumption than similarly sized aircrafts. Consequently, the 787 opens up new destinations, adding to our significant and growing long-haul presence.

Inbound Services

Our unique inbound service brings our brand alive. We have implemented one service team and a single strategic customer platform for all the tourism activities within the TUI Group. Inbound Services are currently operating in more than 100 destinations with over 6,500 employees with access to around 11 million customers. From 2015/16, the inbound services business will start to be integrated within Tourism. We are delivering our differentiation strategy in all the destinations. We are enhancing customer experience, sales, margin and people engagement and, in parallel, reducing cost of sales and overheads all contributing to an increased margin profile. As an integral element of our seamless approach based on world class customer platforms we are offering joint operations for transfer, management and transport and we offer differentiated, local experience excursions.

Growth in Accommodation

We currently accommodate over 7 million customers per annum in our own hotels and cruise ships. Growth in accommodation will be key in driving profitable top-line growth. This is driven by three elements: growth in our strong hotel and club brands, growth in our powerful and exclusive international hotel concepts and profitable growth in cruises.

Hotels and International Concepts

We have identified further growth potential through the internationalisation of TUI's owned and controlled hotel brands and exclusive hotel concepts. In addition, new, exclusive hotel projects are to be developed and operated in prime locations.

Our strategic focus within TUI Hotels & Resorts is to achieve further differentiation and optimisation of our own hotel portfolio and a more focused and defined brand profile. The core brands will be RIU, Robinson, Magic Life and the new hotel brand TUI Blue. The offering will be rounded off by the internationalisation of three hotel concepts - Sensatori, Sensimar and Family Life.

Hotel brands and hotel concepts differ in that the brands will be managed by TUI as hotel operator, while the hotel concepts may also be taken over by other hotel operators for their facilities. For our hotel activities, we are planning to create strong volume growth in content. We are targeting around 60 new hotels by 2018/19, and have opened seven new resorts under our key growth brands this year.

RIU is TUI Group's largest hotel brand, characterised by excellent service, location and quality. It is our strategy to continue to grow the highly profitable brand. In addition to the attractive portfolio of more than 100 hotels, we opened three new hotels in 2014/15 in Aruba, Bulgaria and Germany and one new resort in Mauritius. Expansion to new destinations will be an important growth lever, particularly on long-haul. Adding to the existing long-haul presence of RIU, four more new hotels are scheduled to open in 2015/16 and 2016/17 in the Dominican Republic, Sri Lanka, Jamaica and Mexico. Further growth will be achieved by on-going portfolio optimisation and facility refurbishment.

TUI Blue is our new hotel brand focusing on differentiation and quality. As a distinctive customer proposition, it offers a premium all-inclusive concept. In addition to new hotels, there will be repositioning of some existing underperforming hotel brands to deliver turnaround. We held an operational trial in Summer 2015 at a former Iberotel in Sarigerme and we will formally launch this hotel plus one other currently in our portfolio under the TUI Blue brand in May 2016, with the launch of a resort in Tuscany towards the end of 2016. A further 12 hotels are currently under negotiation for launch in 2015/16.

Robinson and Magic Life will be the core focus for our growth in clubs. Robinson is our professional offering of sport, entertainment and programmed events. In terms of growth levers, Robinson will focus on increased source market distribution, increased direct distribution globally and international expansion. We opened one new club in Tunisia in 2014/15 and have four more openings scheduled in 2015/16 and 2016/17 in Turkey, Greece and the Maldives, with several more opportunities under negotiation.

Magic Life is characterised by family friendly holiday villages, varied sport and international entertainment programmes. A strong integration with the source markets has already led to a significant increase in occupancy. For future growth, Magic Life will benefit from a further internationalisation of the concept through the source markets and increased distribution globally. We launched two new Magic Life clubs in Ibiza and Rhodes this summer.

Furthermore, we will grow our powerful and exclusive hotel concepts through internationalisation. Sensatori, Sensimar and Family Life are our outstanding international hotel concept brands designed for specific customer segments. With more than 100 hotels captured under these brands, there is a strong base which differentiates our local market offering. The internationalisation of the existing Sensatori and Sensimar brands and introduction of Family Life is being launched for Summer 2016. In 2015 we launched two new Sensatoris and two new Sensimars which are operated by Group hotels.

Cruises

We expect the planned expansion of our fleet to enable us to become one of Europe's leading cruise companies.

TUI Cruises currently operates four ships in the high growth, underpenetrated premium German market. We have a strong competitive advantage, having secured additional capacity, with four further ships ordered and one being delivered in each of the coming four years. In the UK, Thomson Cruises operates a five ship fleet, which we intend to fully modernise in the next few years, starting with the acquisition of Splendour of the Seas in Q2 2016. It is also intended that, with the delivery of Mein Schiff 7 and 8 to TUI Cruises, Mein Schiff 1 and 2 will be moved to Thomson Cruises, leaving TUI Cruises with a six ship fleet and enabling the modernisation of the Thomson 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 was delivered 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 continue to evolve. 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.

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 1 in the B2B accommodation wholesale (bedbank) space with operations in over 100 countries. This market position has been achieved predominantly by growing the business organically and we continue to outperform the market, delivering over 20% per annum TTV growth in recent years. In financial year 2014/15 the bedbank delivered 26% TTV growth and 18% growth in roomnights. The separation of Inbound Services has commenced and following their integration into the Tourism Business, Hotelbeds Group will be run as an independent business. This approach provides us with full flexibility and we are evaluating all our options how to best proceed with the strategy to maximise the growth and value of Hotelbeds Group, including potential disposal. In the meantime, we continue to target 15 % – 20 % CAGR in underlying EBITA over the next three years.

The Specialist Group is run to maximise value, focussing on opportunities to improve the performance of their portfolio of businesses. Specialist Group underlying EBITA increased by €10m for the year to €56m. This included €7m favourable foreign exchange impact. Underlying performance improved in all divisions, with a 6% pre-FX increase for the sector overall. 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. This has resulted in the non-consolidation of Summer profits from Intrepid into our underlying EBITA result, however this is offset by a reduction in minority interest paid below underlying EBITA. After adjusting the EBITA result for minority interests, Specialist Group's result has improved by 18%. We target underlying EBITA CAGR for the Specialist Group in line with the Tourism business over the next three years.

LateRooms Group and Hapag-Lloyd AG

We took the strategic decision this year to exit the LateRooms Group as it was non-core to our Tourism strategy. The operational business of AsiaRooms was closed down during the second quarter 2014/15, and Malapronta was closed during the third quarter. The sale of LateRooms.com was completed in October 2015.

TUI Group currently holds 14.5 million shares equating to a 12.3% shareholding in the container shipping company, Hapag-Lloyd AG. This shareholding is accounted for as an as an available for sale financial asset. Trading in Hapag-Lloyd AG shares commenced on 6 November 2015.

3. DELIVER MERGER SYNERGIES

Although the key rationale for the merger of TUI AG and TUI Travel PLC was growth, significant synergies are also expected. The integration of our two businesses is on track and already delivering results. In 2014/15, we have updated our assumptions on expected synergies and one-off integration costs.

Due to further reorganisation measures initiated, corporate streamlining is now expected to deliver cost savings of €50m (previously €45m) per annum from 2016/17, mainly from the consolidation of overlapping functions. We have delivered €10m savings in 2014/15. Against the backdrop of measures implemented, estimated one-off integration costs of €35m (previously €45m) are expected in order to achieve these savings, €31m of which have been incurred in 2014/15.

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 has reduced to 25%. There are no restructuring or one-off costs in relation to achieving this synergy.

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. In 2014/15, we delivered a 1.7% point improvement, equating to approximately €10m underlying EBITA benefit on the basis outlined at the time of the merger. We do not expect any restructuring or one-off costs in relation to achieving this synergy. There is only minimal risk attached to this synergy as TUI Travel's acquisition of Magic Life successfully demonstrated.

Additional (net) cost savings of at least €20m per annum are expected from the integration of Inbound Services into the Tourism businesses. Due to a lower estimated tax burden from the restructuring of legal entities, estimated one-off cash costs in order to achieve these savings have declined by €7m to approximately €69m (including P&L, capex and tax costs). There is only minimal risk to achievement – our cost savings target is already de-risked. The separation of legal entities and IT functions from Hotelbeds commenced at the start of financial year 2015/16.

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

We have clearly stated strategic goals to improve free cash flow and therefore deliver superior returns on investment for shareholders. Our growth strategy will reflect these goals, with the aim of creating a strong, flexible balance sheet and enhanced cash flow generation.

TUI Group has the right balance sheet structure for growth. We intend to support long-term growth 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.

We are committed to improve our credit metrics following the delivery of merger synergies and the execution of our growth roadmap. Our focus on rating will allow us to obtain optimal financing conditions. We have therefore set new financial targets for 2015/16 based on a leverage ratio of 3.5 to 2.75 times (3.0 times in 2014/15), and an interest coverage ratio of 4.5 to 5.5 times interest (4.7 times in 2014/15). We intend to adjust these target corridors further in subsequent financial years to support our goal of improving our credit rating.

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 respect of 2014/15 and 2015/16 as outlined at the time of the merger. We are pleased to have announced our dividend of 56 cents per share in respect of 2014/15, reflecting the strong growth in underlying earnings this year and calculated off the 2013/14 base of 44.5 cents per share, including the TUI Travel PLC interim dividend.

CURRENT TRADING IN LINE WITH OUR EXPECTATIONS

Winter 2015/16

Current trading for Winter, which is the low season for most of our businesses, is in line with our expectations. With 60% of the programme sold to date, Source Market bookings are currently flat with average selling prices up 4%. Long-haul bookings are growing strongly, up 9%. Bookings through our controlled channels account for 69% of Winter bookings, up one percentage point, with the online channel accounting for 41% of bookings, up two percentage points.

Trading in our Hotels & Resorts businesses largely reflects bookings made through our Source Markets. We have continued to grow bookings from our Source Markets to our target group hotels, in line with our strategy to deliver synergies through joint management of occupancy.

In line with government advice we have currently ceased our programme to Tunisia from the UK, Belgium and Netherlands. In addition, following advice from several governments in November 2015, we have ceased flying to and from Sharm el Sheikh. Egypt accounted for approximately 6% of our Source Market programme in Winter 2014/15 and approximately 2% of our Summer 2015 programme. Sharm el Sheikh constituted around 50% of the overall Egypt programme. In addition, TUI Group has 45 hotels in Egypt (as at September 2015), 30 of which are managed, twelve owned, one leased and two franchised. 13 of these hotels are located in Sharm el Sheikh.

We remain pleased with the booking and yield performance of both TUI Cruises and Hapag-Lloyd Kreuzfahrten, with the former reflecting the expansion of the fleet following the launch of Mein Schiff 4 in June 2015.

Current Trading[1]		***Winter 2015/16***		
YoY variation%	**Total ASP[2]**	**Total Sales[2]**	**Total Customers[2]**	**Programme sold (%)**
Northern Region	**+4**	**+6**	**+2**	**57**
UK	+2	+6	+4	51
Nordics	+8	+6	-2	72
Central Region	**+5**	**+5**	**Flat**	**69**
Germany	+5	+4	-1	70
Western Region	**+1**	**-1**	**-2**	**54**
Benelux	+2	+1	-1	54
Total Source Markets	**+4**	**+4**	**Flat**	**60**
Hotelbeds Group - Bedbank[3]	**+8**	**+19**	**+11**	**n/a**

[1] These statistics are up to 29 November 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, bookings are up 4% and average selling prices are up 2%, with lower jet fuel costs and the impact of the weaker Euro on accommodation costs partly offsetting the increase in long-haul. To date, 51% of the Winter programme has been sold. The key driver of cumulative volume expansion is long-haul, for which overall bookings are currently up 16%. Capacity expansion has been facilitated by three additional Boeing 787 Dreamliner aircraft compared with last year, with growth for Mexico, Dominican Republic and Jamaica, plus the addition of Costa Rica to the programme. Medium-haul trading volumes have also been strong since our last trading update, with growth driven by the Canaries, Cape Verde and Cyprus. The online channel accounts for 53% of bookings, up two percentage points on prior year. In line with UK Foreign and Commonwealth Office advice, we have ceased our current programme to Tunisia. In addition, the cessation of flights to and from Sharm el Sheikh remains in place. We have therefore commenced the remix of capacity to alternative destinations such as the Canaries.

In the Nordics, bookings are down 2%, with improved volumes since our last trading update. To date, 72% of the Winter programme has been sold. Average selling prices continue to perform well, up 8%, and trading margins continue to improve compared with prior year. We have remixed our long-haul programme, reducing capacity to Thailand and increasing the programme to Mauritius and the Caribbean. The programme has also been expanded to include more Riu hotels, particularly to the Canaries and Caribbean.

In Germany, bookings are down 1%. To date, 70% of the Winter programme has been sold. Average selling prices are up 5%, which reflects a higher proportion of long-haul bookings (currently up 17%, with Thailand, Cuba and Asia performing particularly well) and increases in accommodation costs. Whilst long-haul is performing well, medium haul destinations such as the Canaries continue to come under pressure as a result of significant capacity expansion to the destination. We are also continuing to reduce the level of seat-only sales by Germany, due to a strategic focus on package sales. The proportion of controlled and online bookings to date for Germany is flat year-on-year at 12% and 40% respectively.

In Benelux bookings are down 1% with average selling prices up 2%. Bookings in the Netherlands have been particularly strong, driven by an increase in marketing for the TUI rebrand, which is now complete. Demand has been more subdued in recent weeks in Belgium, which (together with the Netherlands) has cancelled all flights into and out of Sharm el Sheikh.

Our Hotelbeds Group bedbank is continuing to deliver a significant increase in both TTV and roomnights for Winter, up 19% and 11% respectively, driven by growth in the Americas, Asia Pacific and Europe.

Summer 2016

UK trading continues to be strong for Summer 2016 at this early stage, with bookings up 11% and 24% of the programme sold to date. Average selling prices are flat, reflecting the development of input costs. Trading is strong across short, medium and long-haul and cruise is also performing well with the launch of Thomson Discovery (formerly Splendour of the Seas) next year.

We will launch our latest addition to the TUI Cruises fleet, Mein Schiff 5, in July 2016. We are very pleased with the progress in bookings for the new ship, with booked load factor already in excess of 50%.

ACQUISITIONS & DISPOSALS

We took the strategic decision this year to exit the LateRooms Group as it was non-core to our Tourism strategy. The operational business of AsiaRooms was closed down during the second quarter 2014/15, and Malapronta was closed during the third quarter. The sale of LateRooms.com was completed in October 2015.

TUI Group currently holds 14.5 million shares equating to a 12.3% shareholding in the container shipping company Hapag-Lloyd AG. This shareholding is accounted for as an available for sale financial asset. An impairment charge of €147m has been recognised in 2014/15 through the income statement. Following the IPO of Hapag-Lloyd on 6 November 2015, our shares will be measured at the quoted share price.

In October 2015 TUI Group announced that it had entered into arrangements to reduce its equity participation in TUI Russia & CIS, its joint venture with SeverGroup, from 49% to 25%. At the same time, SeverGroup increased their equity participation to 75%. Shareholder loans and parental guarantees made previously to the joint venture are being restructured to reflect the new equity participation ratios. No additional consideration will be received in respect of the reduction in TUI Group's equity participation.

ADJUSTMENTS (SEPARATELY DISCLOSED ITEMS)

Adjustments (or separately disclosed items) of €204m were incurred during 2014/15. The following table provides a breakdown of these items:

In €m	2014/15	2013/14
Restructuring expense	65	44
Gains on disposals	-5	-4
Other one-off items	68	-19
Purchase price allocation (PPA)	76	72
Total Adjustments (Separately Disclosed Items)	**204**	**93**

The total charge of €204m for 2014/15 includes €47m merger-related costs, €31m in respect of corporate streamlining and €16m for the integration of Inbound Services into Tourism.

NET INTEREST EXPENSE

Net interest expense (including expense from the measurement of interest hedges) for the year improved by €40m to €184m net expense (2013/14: net expense €224m). The decrease was driven by lower convertible bond interest due to conversions in the period, partly offset by new high-yield bond interest and higher interest in relation to increased asset-financing (including aircraft deliveries and the refinancing of Europa 2).

INCOME TAXES

The tax charge posted for the year of €87m equates to a reported tax rate of 16.2%. 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 €114m, primarily driven by the planned reorganisation of the German tax group. The underlying effective tax rate (which is calculated based on underlying earnings before tax, excluding separately disclosed items, acquisition related expenses and impairment charges) for TUI Group therefore reduced to 25% in financial year 2014/15.

EARNINGS PER SHARE

In order to provide a comparable basis for TUI Group's underlying earnings per share going forward, a pro forma calculation is included below. The calculation is based on the issued share capital as at 30 September 2015, and therefore adjusts for the impact of bond conversions during the year, as well as the impact on minority interest and share count arising from the merger with TUI Travel PLC during December 2014. The 30.7% increase in pro forma underlying earnings per share is driven by the growth in underlying EBITA and reduction in underlying effective tax rate to 25%.

Pro forma figures in €m	2014/15	2013/14
Underlying EBITA	1,069.0	869.9
Net interest expense (excluding convertible bond interest)	-164.7	-116.2
Underlying earnings before tax	**904.3**	**753.7**
Underlying effective tax rate	*25.0%*	*29.4%*
Tax charge	-226.1	-221.6
Minority interest (excluding TUI Travel PLC)	-89.8	-71.6
Hybrid dividend	-10.9	-23.2
Net income	**577.5**	**437.3**
Basic number of shares	586.6	586.6
Pro forma earnings per share in €	**0.98**	**0.75**

DIVIDEND

The Executive Board and the Supervisory Board are recommending a dividend of 56 cents per share (2013/14: 33 cents per share) in respect of the financial year 2014/15. Subject to approval at the Annual General Meeting on 9 February 2016, the dividend will be paid on 10 February 2016 to holders of relevant shares at close of business on 9 February 2016.

As outlined at the time of the merger and at our Capital Markets Update in May 2015, we have a progressive dividend policy, to grow the dividend in line with growth in underlying EBITA at constant currency rates, with an additional 10% in excess of this in respect of the financial year 2015/16. For clarity, the additional 10% paid in respect of both 2014/15 and 2015/16 will not be included in the dividend base calculation for financial years thereafter.

NET DEBT

The net debt position (cash and cash equivalents less capital market financing, loans, overdrafts and finance leases) at 30 September 2015 was €214m (30 September 2014: net cash €293m). The year-end net debt position was adversely impacted by €127m foreign exchange compared with prior year, and as previously indicated includes an additional €0.7 billion asset-backed finance, primarily in relation to new aircraft deliveries under finance lease, as well as the acquisition of Europa 2 which was mainly debt-funded.

The net debt position at 30 September 2015 consisted of €1,673m of cash and cash equivalents (€198m of which was subject to disposal restrictions), €233m of current liabilities and €1,653m of non-current liabilities. Our capital structure has been simplified significantly during the year as a result of the conversion of most of the outstanding TUI AG and TUI Travel PLC convertible bonds.

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.

	Winter 2015/16	**Summer 2016**	**Winter 2016/17**
Euro	93%	81%	41%
US Dollars	90%	71%	36%
Jet Fuel	95%	83%	60%
As at 4 December 2015			

OUTLOOK

We are pleased to have outperformed our earnings guidance in the first year post-merger, as we start to deliver on the growth strategy outlined at the Capital Markets Update in May 2015. This also demonstrates the resilience of our business model, against the backdrop of the tragic events in Tunisia in June 2015 and geopolitical turbulence in some of our other destinations.

Based on current trading and our clear strategy to deliver Tourism growth, maximise the growth and value of our other businesses and deliver merger synergies, we expect to deliver the following in financial year 2015/16[4]:

- Brand turnover[5] – at least 5% growth
- Turnover – at least 3% growth
- Underlying EBITA – at least 10% growth
- Separately disclosed items (including purchase price allocations) – approximately €180m
- Net capex and investments (including aircraft order book) – approximately €750m
- Net debt – approximately €0.5 billion at year-end
- ROIC – slight improvement

[4] *Assuming constant foreign exchange rates are applied in the current and prior year and based on the current Group structure*
[5] *Reported turnover plus 100% turnover for TUI Cruises and Canadian strategic ventures*

INVESTOR AND ANALYST PRESENTATION AND WEBCAST

A full copy of our Annual Report 2014/15 can be found on our corporate website: http://www.tuigroup.com/en-en/investors. A presentation and webcast for investors and analysts will take place at 09:30 GMT / 10:30 CET. The presentation will be made available just after 07:00 GMT / 08:00 CET via our website. Details of the webcast, which will be available for replay, will also be available there.

Annual General Meeting and Q1 2015/16

TUI Group will hold its Annual General Meeting and issue its Q1 2015/16 Report on 9 February 2016.

ANALYST & INVESTOR ENQUIRIES

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