11 May 2016

TUI GROUP

Interim Results for the six months ended 31 March 2016

- We are focussed on delivering our TUI Group strategy in becoming a content centric, vertically integrated tourism business.
- The agreement to dispose Hotelbeds for €1.2 billion and confirmation today of our intention to dispose Specialist Group enables us to focus fully on our growth strategy and to strengthen our balance sheet.
- Improvement in H1 operating result and growth in Summer 2016 revenue demonstrates delivery of our growth plans and resilience of our business model.
- Summer 2016 trading remains in line with our expectations.
- Expect to deliver at least 10% growth in underlying EBITA in 2015/16[1], and reiterate our previous guidance of at least 10% underlying EBITA CAGR over the three years to 2017/18[1].

KEY FINANCIALS

Six months ended 31 March €m	**Underlying** **2016**	2015 Restated[2]	**Change%**	**Reported** 2016	2015 Restated[2]
Turnover	**6,792.3**	6,612.1	**+2.7**	6,792.3	6,612.1
EBITA	**-236.9**	-283.1	**+16.3**	-288.3	-368.5
EBITA – at constant currency rates, excluding earlier timing of Easter[1]	**-245.0**	-283.1	**+13.5**	-296.8	-368.5

Note: EBITA comprises earnings before interest, taxes and goodwill impairments, excluding the results from container shipping operations measured at equity, the results from measurement of financial investment in container shipping, and 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 period and treating Hotelbeds Group as discontinued operations
[2] Prior year figures restated, further explanation is included on page 8

Chief Executive of TUI Group, Friedrich Joussen, commented:

"We are focussed on delivering our TUI Group strategy in becoming a content centric, vertically integrated tourism business. The agreement to dispose Hotelbeds Group for €1.2 billion announced on 28 April 2016 and confirmation today of our intention to dispose Specialist Group enables us to focus fully on our growth strategy and to strengthen our balance sheet.

The improvement in our H1 operating result demonstrates once again the delivery of our growth plans and the resilience of our business model, with UK, Riu and Cruises performing particularly well. We are continuing to deliver our merger synergies as planned, with a further €15m realised in the year to date. Summer 2016 trading remains in line with our expectations, with Source Market booked revenues up 2%, a strong performance by our Western Mediterranean and long haul hotels, and continued growth in Cruises. We therefore continue to expect to deliver at least 10% growth in underlying EBITA in 2015/16[1], and reiterate our previous guidance of at least 10% underlying EBITA CAGR over the three years to 2017/18[1]."

WE ARE FOCUSSED ON DELIVERING OUR TUI GROUP STRATEGY IN BECOMING A CONTENT CENTRIC, VERTICALLY INTEGRATED TOURISM BUSINESS

- We have announced our agreement with Cinven Capital Management and Canada Pension Plan Investment Board (CPPIB) to dispose Hotelbeds Group for €1.2 billion. Completion is expected by the end of September 2016.
- Following completion of our strategic review, we confirm today our intention to dispose Specialist Group:
  - Profitable portfolio of specialist travel brands led by strong management teams;
  - Crystal and Thomson Lakes & Mountains to be transferred into the UK Source Market;
  - Marketing to commence Autumn 2016.
- Disposal proceeds will be used to invest in future growth opportunities and to strengthen our balance sheet.

IMPROVEMENT IN H1 OPERATING RESULT

In €m	
Underlying EBITA H1 2014/15	**-273**
Prior year restatement (including Hotelbeds treated as discontinued)[2]	-10
Underlying EBITA restated H1 2014/15	**-283**
Underlying trading	+11
Merger synergies (Corporate Streamlining, Destination Services)	+15
Impact of Europa 2 refinancing	+5
Impact of aircraft financing	+7
Underlying EBITA H1 2015/16 excluding FX and Easter timing	**-245**
Timing impact of Easter	+12
Foreign exchange translation	-4
Underlying EBITA H1 2015/16	**-237**

- Results in the current and prior year have been restated to include Destination Services within Other Tourism and include Hotelbeds Group within discontinued operations, as well as other changes to segmental reporting. For further explanation please see page 8.

- **Turnover** increased by 2.7% to €6,792m (H1 2014/15: €6,612m), or by 1.9% excluding the positive impact of foreign translation. Brand turnover (which includes the non-consolidated turnover of TUI Cruises and our Canadian strategic ventures) increased by 3.0% to €8,378m (H1 2014/15: €8,134m). Growth was driven by the Source Markets and Cruises.

- **Group underlying EBITA loss** for the quarter improved to €237m (H1 2014/15: €283m loss), or €245m loss excluding the negative impact of foreign exchange translation and earlier timing of Easter.

- Within the **Source Markets**, underlying EBITA loss was €296m (H1 2014/15: €264m loss), or €305m loss excluding the negative impact of foreign exchange translation and €12m benefit from the earlier timing of Easter.
  - **Northern Region** delivered a broadly flat performance, with a strong result in the UK, in particular for the Canaries, long haul and cruise. The Nordics result was in line with prior year with a good Q1 performance impacted by pressure in the lates market in Q2. Trading in Canada was challenging, with lower margins as a result of the unfavourable movement in the Canadian versus US dollar impacting accommodation costs.
  - As expected, the result in **Central Region** deteriorated versus prior year as a result of the continued challenging trading conditions in Germany, compounded by lower demand for North Africa and Turkey. We remain focussed on taking corrective actions to improve profitability, including investment in marketing and online which is expected to deliver benefit in H2.
  - **Western Region's** operating result was slightly lower than prior year with an improved performance in France to EU destinations offset by impact of lower demand for North Africa and the closure of Brussels Airport following the terror attacks in March.
  - We have reached agreement to acquire Transat's French tour operating business for an enterprise value of €55m with completion anticipated by October 2016. The acquisition will enhance our existing turnaround plans for this Source Market, through market consolidation and delivering significant margin potential. It is expected to bring underlying EBITA margin in France in line with that of the overall Western Region currently, resulting in an overall improvement in margin in that segment.

- In **Hotels & Resorts**, underlying EBITA was €84m (H1 2014/15: €56m) or €83m excluding the positive impact of foreign exchange translation.
  - Riu delivered a strong operating performance, with a 2% increase in capacity, 4% point improvement in occupancy and 8% increase in average rate per bed. The result includes €11m gain on disposal of a hotel in Majorca, partly offsetting the non-repeat of the €16m gain on disposal of Riu Waikiki last year.

- Robinson's result impacted by planned additional marketing costs to grow the brand, pre-opening costs in relation to resorts in Greece as well as the under occupancy cost relating to a leased property in Tunisia (opened Summer 2015) and the anticipated lower demand for Turkey.
- Result for other hotels adversely impacted by the events in Egypt and reduced demand for Turkish destinations, offset by €5m gain on disposal of hotels in Spain and Bulgaria and exclusion of Grecotel losses following disposal last year.

- In **Cruises**, underlying EBITA increased to €40m (H1 2014/15: €18m), including €5m benefit from the refinancing of Europa 2 and strong trading by Mein Schiff 4 which launched in June 2015.

- Following the carve out of Destination Services (formerly Inbound Services) into Other Tourism, €5m of synergies have been delivered in the half.

- **Specialist Group** underlying EBITA loss of €18m (H1 2014/15: €18m loss), or €14m loss excluding the negative impact of foreign exchange translation, with a good performance by luxury and tailormade brands and the benefit from the exclusion of PEAK losses in the prior year following exit from the strategic venture in Summer 2015.

- **All other segments** underlying EBITA loss of €28m (H1 2014/15: €44m loss) includes €10m further benefit from the delivery of further corporate streamlining synergies, bringing the total delivered to date to €20m.

SUMMER 2016 TRADING IN LINE WITH OUR EXPECTATIONS

- **Winter 2015/16 closed out as expected**: Revenues up 3% and flat bookings. Source Market long haul bookings are up 9% and the UK and Benelux delivered good growth in total bookings.

- **Summer 2016 remains in line with our expectations:** 59% sold to date, with revenues up 2% and bookings up 1%. This highlights the continued strength of underlying demand for our holidays.
  - UK revenue and bookings performance remains strong, up 7%.
  - As expected, we have seen a continued shift in the mix of bookings away from Turkey to alternative destinations. Overall, bookings excluding Turkey are up 8%.
  - Continued progress in increasing controlled and online distribution across the Source Markets.

- Popularity of our hotels outside Turkey continues to drive improvement in Hotels & Resorts occupancy and performance this Summer, when we will be opening new hotels in the Caribbean, Sri Lanka and Greece.

- Strong growth in Cruise bookings for Summer 2016 driven by demand for Mein Schiff 5, with the rest of our fleet continuing to perform well.

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[1], 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

Our growth strategy is clear:

- In becoming a **content centric, vertically integrated tourism group**, we operate in all stages of the value chain, from marketing and sales, to flight, accommodation (hotels and cruise) and destination services.
- The core of our offering will be **differentiated product, based on exclusive content**.
- We have a **resilient model**, prepared for current and future changes.
- The strength of our vertically integrated model is the **monitoring and selective control of all stages in the value chain**. This allows us to mitigate capacity risks, respond quickly and flexibly to market changes and actively shape overall situations and markets.
- We take advantage of **global economies of scale** resulting from our size and international scope to deliver competitive advantages and have defined six scaling platforms as a framework: TUI Brand, Aviation, Hotel Investment/Hotel Purchasing, Cruises, Destination Services, Integrated IT and Management Platforms.
- We use our **local strength** at crucial points in the competitive arena, to be close to customers and their individual needs.

1.1 Marketing & Sales

We aim to achieve profitable top-line growth ahead of the market. In H1 2015/16, which is the low season for a large proportion of our businesses, turnover grew by 2% at constant currency rates. Brand turnover (which includes turnover from our strategic ventures in Canada and TUI Cruises) grew by 3% at constant currency rates. In H1 2015/16, Source Market customer volumes were in line with prior year, with good growth in the UK, Belgium and Netherlands and a weaker performance in Germany where we are focussed on improving market share.

We are capitalising on the strength of the TUI brand on a global scale. One brand offers significant opportunities in terms of growth potential, consistency of customer experience, digital presence, operational efficiency and competitive strength. 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, rapidly achieving strong unaided awareness of the TUI brand in this Source Market. Rebranding in Belgium, Nordics and the UK will follow over the next few years.

Control over distribution remains central to our marketing and sales strategy, and all Source Markets are focussed on delivering more direct, more online sales. In H1 2015/16 controlled distribution grew by one percentage point to 71%. Online distribution grew by two percentage points to 43%. Good progress was made across the Source Markets.

In order to grow ahead of the market, we are also broadening our offering. This includes long haul expansion, a modernised cruise offering in the UK and more choice of flight times and durations for our unique holidays. Our long haul customers grew by 9% in Winter 2015/16 and Summer 2016 long haul bookings are up 10%, with destinations in the Caribbean and Asia proving to be particularly popular.

We will also continue to focus on improving earnings in underperforming Source Markets and driving improvements in operational efficiency. In France, having remixed the programme away from North Africa, we are pleased to have delivered an improved performance in the first half and expect this to continue in the full year, with higher demand for EU destinations and the delivery of our ongoing restructuring programme. We intend to acquire Transat's French tour operating business for an enterprise value of €55m, with completion anticipated by October 2016. The acquisition will enhance our existing turnaround plans for this Source Market, through market consolidation and significant margin potential. It is expected to bring underlying EBITA margin in France in line with that of the overall Western Region currently, resulting in an overall improvement in margin in that segment.

1.2 Flight

We have over 140 aircraft operated by five airlines in our Source Markets, flying around 13 million customers per annum. We are delivering operational efficiencies through our One Aviation programme, which focusses on aligning engineering and maintenance, customer (ground) operations and supplier management and procurement across our airlines. We expect to realise €50m savings in relation to this by 2018/19.

1.3 Accommodation

As a content centric business, accommodation is the key differentiator in the customer holiday experience and the key driver of satisfaction and retention rates, therefore growth in accommodation will be central in driving profitable top-line growth.

Hotels

Our strategic focus within Hotels & Resorts is to achieve further differentiation and optimisation of our own hotel portfolio and a more focussed and defined brand profile. The core brands will be Riu, Robinson, Magic Life and the new hotel brand TUI Blue, rounded off by 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. We are targeting around 60 new hotels over the five year period from 2014/15 to 2018/19 with a ROIC of at least 15%. In 2014/15 we opened seven new resorts in our core hotel and club brands, as well as four new concept resorts in Group hotels. In 2015/16 we have six new openings within these brands, with several further planned openings in future years.

Riu is the Group's largest hotel brand in terms of volume and earnings, delivering 20% ROIC in 2014/15 (excluding TUI goodwill), and will be key in delivering profitable growth. We opened four new resorts in 2014/15, with a further three openings in 2015/16. Expansion to new destinations will be an important growth lever, particularly on long haul. Adding to the existing long haul presence of Riu, two more new hotels are scheduled to open in 2015/16 in the Dominican Republic and Sri Lanka. Further growth will be achieved by ongoing 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, the brand will include the repositioning of some existing underperforming hotel brands to deliver turnaround. This has commenced in Summer 2016 with two resorts in Tukey operating under the TUI Blue brand.

Robinson and Magic Life will be the core focus for our growth in clubs. Robinson will focus on increased Source Market distribution, increased direct distribution globally and international expansion. We opened one new club in 2014/15 and have two more openings scheduled for 2015/16 in Greece and Turkey. Magic Life is already strongly integrated with the Source Markets, leading to a significant increase in occupancy over the past few years. 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 2014/15 and will continue to grow the brand in future years.

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 around 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 has been launched for Summer 2016. In 2015 we launched two new Sensatoris and two new Sensimars which are operated by Group hotels, and will open a further Sensatori in the Dominican Republic in Summer 2016.

Cruises

With our three cruise brands and growth plans, we will become a leading cruise operator in Europe. We make joint decisions within our Tourism business in terms of cruise fleet planning.

TUI Cruises currently operates four ships in the high growth, underpenetrated premium German market. Mein Schiff 5 will join the fleet in July 2016. We have a strong competitive advantage, having secured additional capacity, with three further ships ordered and one being delivered in each of the coming three 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 launch of TUI Discovery (formerly Splendour of the Seas) in Q2 2016. It is also intended that, with the delivery of Mein Schiff 7 and Mein Schiff 8 to TUI Cruises, Mein Schiff 1 and Mein Schiff 2 will be moved to Thomson Cruises, leaving TUI Cruises with a six ship fleet.

With Hapag-Lloyd Cruises, we continue to focus on luxury and expedition cruises. The successful repositioning of the brand has been completed and the turnaround was delivered last year.

1.4 Destination Services

Our unique destination service brings our brand alive, operating in more than 100 destinations with over 6,500 employees with access to around 11 million customers, managing airport transfers, excursions and resort services. The carve out of Destination Services from Hotelbeds Group to Tourism is now complete, delivering enhanced operational efficiency. €5m of synergies relating to the carve out were delivered in H1 2015/16 and a further €15m will be delivered by the end of financial year 2016/17.

1.5 Integrated Platforms, Integrated Management

We take advantage of global economies of scale resulting from our size and international scope to deliver competitive advantages. We therefore act as one in six areas:

- **One shared global brand**
- **Aviation** - central control of configuration, purchasing, finance, maintenance, ground handling
- **Hotel investments/hotel purchasing** - international marketing of our core brands (Riu, Robinson, Magic Life, TUI Blue) and our hotel concepts (Sensimar, Sensatori, Family Life)
- **Cruises** - joint decisions about investment in new vessels and marketing of our core brands (TUI Cruises, Hapag Lloyd Cruises, Thomson Cruises)
- **Destination Services** - shared international team to serve our guests in destinations
- **IT** - customer platform, customer relationship management (CRM), customer app and yield management

2. MAXIMISE GROWTH AND VALUE OF OTHER BUSINESSES

In May 2015, we set out our strategy to maximise the growth and value of our other businesses – Hotelbeds Group, Specialist Group and our shareholding in Hapag-Lloyd AG which is held for sale – with a view to delivering superior returns for our shareholders. We have made significant progress in achieving our objectives.

<u>Hotelbeds Group</u>

On 28 April 2016, we announced that we had reached agreement to sell Hotelbeds Group for €1.2 billion. This strategic disposal represents a significant step in TUI's progress as a content centric, vertically integrated tourism business. Proceeds will be used to invest in future growth opportunities and further strengthen TUI's balance sheet. The transaction is still subject to customary closing conditions and certain regulatory approvals and is expected to complete by the end of September 2016.

<u>Specialist Group</u>

Specialist Group is a profitable portfolio of specialist travel brands led by strong management teams. Following completion of our strategic review of the business, we see limited linkage to our content centric, vertically integrated model, and limited ability to scale with our global platforms such as the TUI brand, therefore we announce our intention to dispose the business as one transaction. Ahead of disposal, Crystal and Thomson Lakes & Mountains will be transferred from Specialist into the UK Source Market, due to the synergies between these businesses. Marketing of the remaining Specialist Group is expected to commence Autumn 2016.

<u>Hapag-Lloyd AG</u>

The completion of the Hapag-Lloyd IPO in November 2015 enhances our opportunities to exit our remaining shareholding. TUI Group holds 14.5 million shares equating to a 12.3% shareholding. This shareholding is accounted for as an available for sale financial asset and is therefore revalued based on the listed share price at the end of each quarter.

3. DELIVER MERGER SYNERGIES

Following the merger of TUI AG with TUI Travel PLC, corporate streamlining is expected to deliver cost savings of €50m per annum by the end of 2016/17, mainly from the consolidation of overlapping functions. We delivered €10m of savings in 2014/15 and have delivered a further €10m in H1 2015/16, bringing the total to date to €20m. Estimated one-off integration costs of €35m are expected in order to achieve these savings, €31m of which were incurred in 2014/15 and a further €4m in H1 2015/16.

Our unified ownership structure enables a more efficient tax grouping and use of carried forward tax losses. As a consequence, the Group's underlying effective tax rate has reduced to 25% and is expected to remain at this level following the disposal of Hotelbeds.

We are also delivering 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.

Additional savings of at least €20m per annum are expected from the integration of Destination Services into the Tourism businesses. Estimated one-off cash costs in order to achieve are approximately €69m (including P&L, capex and tax costs). The separation of legal entities and IT functions from Hotelbeds is now complete, with €5m of synergies delivered so far this year.

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

We are focussed on improving free cash flow and therefore delivering superior returns on investment for shareholders. Our growth strategy reflects this goal, with the aim of creating a strong, flexible balance sheet which supports our long-term growth plans.

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, and progress has already been made in this area, with Moody's announcing an upgrade in TUI Group's corporate family rating from Ba3 to Ba2 on 26 April 2016. We have set financial targets for 2015/16 based on a leverage ratio of 3.5 to 2.75 times, and an interest coverage ratio of 4.5 to 5.5 times interest (ratios were set prior to the disposal of Hotelbeds). 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 over the past 18 months, 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% on the base dividend in respect of 2015/16 as outlined at the time of the merger.

CURRENT TRADING IN LINE WITH OUR EXPECTATIONS

Winter 2015/16

In the Source Markets, the Winter 2015/16 season closed out as expected, with revenues up 3%. Bookings were flat compared with prior year, with increased volumes in the UK and Benelux partly offset by Germany. Average selling prices increased by 3%, partly reflecting the growth in long haul bookings, up 9%. Direct distribution accounted for 71% of bookings with online accounting for 45%, 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.

Summer 2016

Overall, Summer 2016 trading remains in line with our expectations. 59% of the programme has been sold to date, which is broadly in line with prior year, with revenues up 2% and bookings up 1%. As expected, we have seen a continued shift in demand for Turkey to alternative destinations, with bookings outside Turkey up 8%. We are making continued progress in increasing controlled and online distribution – 68% of bookings to date were made via controlled channels (up two percentage points on prior year), with 39% made online (up three percentage points).

Current Trading[1]				
		Summer 2016		
YoY variation%	**Total Revenue[2]**	**Total Customers[2]**	**Total ASP[2]**	**Programme sold (%)**
Northern Region	**+6**	**+5**	**+1**	**63**
UK	+7	+7	Flat	65
Nordics	-4	-9	+6	54
Central Region	**-1**	**-2**	**Flat**	**59**
Germany	-2	-3	+1	60
Western Region	**-1**	**Flat**	**-1**	**54**
Benelux	-1	Flat	-1	55
Total Source Markets	**+2**	**+1**	**+1**	**59**

[1] These statistics are up to 1 May 2016 and are shown on a constant currency basis
[2] These statistics relate to all customers whether risk or non-risk

In the UK, the programme is 65% sold, ahead of prior year. We are continuing to deliver a strong performance with revenue and bookings up 7%. Short and medium haul growth is driven by destinations across Spain, Greece and Cyprus. We are also continuing to grow our long haul programme, with Mexico, Dominican Republic and Jamaica remaining our most popular destinations and Costa Rica being added to the Summer programme this year. In addition UK cruise sales are up significantly, including our new addition to the fleet, the TUI Discovery.

In Nordic, the programme is 54% sold. Revenues are down 4% with bookings down 9%. Turkey accounted for over 20% of Nordics customers in Summer 2015, therefore lower demand currently for this destination has impacted on current trading. This is particularly evident in the shoulder months. Excluding Turkey, bookings are up 12%, with growth driven by the Balearics, Canaries, Greece and Cyprus.

In Germany, the programme is 60% sold. Revenues are down 2% with bookings down 3%. This is again driven by Turkey, which accounted for nearly 20% of German customers in Summer 2015. Bookings to destinations outside Turkey are up 5%, with increased demand for destinations across Spain as well as an increase in long haul package bookings, with Mexico, Dominican Republic and Cuba proving popular. In the wider context, we continue to experience pressure on margins as a result of the continued third party overcapacity to sun and beach destinations.

In Benelux, the programme is 55% sold. Revenues are down slightly against flat bookings, with a positive performance by Netherlands offset by a general slow down in demand in Belgium following the attacks on Brussels Airport and as a result of subdued demand for Turkey. Bookings to destinations outside Turkey are up 5%, with increased demand for destinations across Spain and growth in long haul.

As for Winter, trading in Hotels & Resorts largely reflects bookings made through our Source Markets. The popularity of our hotels outside Turkey and North Africa continues to drive improvement in Hotels occupancy and performance this Summer, and we are well placed to benefit from the increase in demand for the Western Mediterranean and long haul destinations. In 2015/16 we have six new openings planned in our core hotel, club and concept brands.

In Cruises, TUI Cruises will launch Mein Schiff 5 in July 2016. We are very pleased with the progress in bookings for the new ship, with booked load factor for calendar 2016 already in excess of 85%.

RESTATEMENT OF RESULTS

We have revised our segmental reporting for the current and prior year. The most significant restatement relates to Hotelbeds Group. The Destination Services result has been carved out from Hotelbeds Group and is now reported within Other Tourism and, following the carve out, the Hotelbeds Group result has been reclassified to discontinued operations. In addition, costs relating to IT services have been reclassified from All Other Segments to Other Tourism, as they relate to the Tourism businesses. Minor reclassifications have also been made from Western and Central Region to All Other Segments.

ADJUSTMENTS

Adjustments of €51m were incurred during H1 2015/16. The following table provides a breakdown of these items, which have been restated to treat Hotelbeds Group as discontinued operations.

Six months ended 31 March in €m	2016	2015
Restructuring expense	-5	-14
Losses on disposals	-1	-1
Other one-off items	-11	-42
Purchase price allocation (PPA)	-34	-28
Total Adjustments	**-51**	**-85**

The total charge of €51m for H1 2015/16 includes €7m merger related costs, €4m in respect of corporate streamlining and €3m for the integration of Destination Services into Tourism.

NET INTEREST EXPENSE

Net interest expense (including expense from the measurement of interest hedges) for the period improved by €25m to €82m net expense (H1 2014/15: net expense €107m). The prior year charge included €22m in respect of the TUI AG and TUI Travel bonds which converted during 2014/15.

INCOME TAXES

The tax income posted for H1 is partly attributable to the seasonality of the tourism business. Income tax credit for the period decreased to €89m (H1 2014/15: credit €274m). The prior year included €123m credit in respect of the post-merger reorganisation of the German tax group. In addition, the current year includes a provision of €37m, reflecting the risk associated with a recent German trade tax ruling.

PRO FORMA UNDERLYING EARNINGS PER SHARE

In order to provide a comparable basis for TUI Group's underlying earnings per share, a pro forma calculation is included below. The calculation is based on the current issued share capital of 587 million shares, 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. In addition, the figures now exclude Hotelbeds Group as a discontinued operation.

In €m	H1 15/16	H1 14/15	2014/15
Underlying EBITA (restated to exclude Hotelbeds Group)	-237	-283	1,001
Net interest expense (excluding prior year convertible bond interest)	-82	-88	-163
Underlying earnings before tax	**-319**	**-371**	**838**
Underlying effective tax rate	*25%*	*25%*	*25%*
Tax charge	80	93	-210
Minority interest (excluding TUI Travel PLC in prior year)	-54	-35	-90
Hybrid dividend	-	-10	-11
Net income	**-293**	**-323**	**527**
Basic number of shares	587	587	587
Pro forma underlying earnings per share in €	**-0.50**	**-0.55**	**0.90**

NET DEBT

The net debt position (cash and cash equivalents less capital market financing, loans, overdrafts and finance leases) at 31 March 2016 was €1,579m, or €1,406m including €173m net cash within Hotelbeds Group (31 March 2015: net debt €1,694m including Hotelbeds Group).

The net debt position at 31 March 2016 of €1,579m consisted of €926m of cash and cash equivalents (€179m of which was subject to disposal restrictions), €223m of current liabilities and €2,282m of non-current liabilities.

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, which account for over 90% of our Group currency and fuel exposure.

	Summer 2016	Winter 2016/17
Euro	93%	60%
US Dollars	92%	71%
Jet Fuel	94%	87%
As at 6 May 2016		

OUTLOOK

We have delivered a good first half, with an improved operating result, agreement to dispose Hotelbeds and the announcement of our intention to dispose Specialist Group. We are focussed on delivering our TUI Group strategy in becoming a content centric, vertically integrated tourism business and will use the proceeds of disposals to invest in future growth opportunities and to strengthen the balance sheet. Summer 2016 trading is in line with our expectations, therefore we reiterate our guidance below (which excludes Hotelbeds as a discontinued operation in the current and prior year):

- Brand turnover – at least 5% growth[4,5]
- Turnover – at least 3% growth[4]
- Underlying EBITA – at least 10% growth[4]
- Adjustments (separately disclosed items plus purchase price allocations) – approximately €160m[4]
- Net interest expense – approximately €170m[4]
- Net capex and investments (including aircraft order book) – approximately €750m[4]
- Net debt – broadly neutral at year-end[4]
- Underlying effective tax rate – approximately 25%[4]

In addition, based on our growth plans and resilience of our business model, we reiterate our previous guidance of at least 10% underlying EBITA CAGR over the three years to 2017/18[4]. We will provide a strategy update at our full year results presentation in December 2016.

[4] *Assuming constant foreign exchange rates are applied to the result in the current and prior period and treating Hotelbeds Group as discontinued operations*
[5] *Reported turnover plus 100% turnover for TUI Cruises and Canadian strategic ventures, excluding Hotelbeds Group (treated as discontinued operation)*

INVESTOR AND ANALYST PRESENTATION AND WEBCAST

A presentation and webcast for investors and analysts will take place at 10:00 BST / 11:00 CEST. The presentation will be made available just after 07:00 BST / 08:00 CEST via our website, which can be found at www.tuigroup.com/en-en/investors/reports-and-presentations. Details of the webcast, which will be available for replay, will also be available there.

Q3 2015/16
TUI Group will issue its Q3 2015/16 Report on 11 August 2016.

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