9 February 2016

TUI GROUP

First Quarter Results ended 31 December 2015

- Good underlying performance in Q1 with 7.2% improvement in underlying EBITA in spite of impact from geopolitical events[1]
- €10m of merger synergies in relation to corporate streamlining and Destination Services delivered in the quarter
- Disposal process for Hotelbeds on track
- Current trading for Winter 2015/16 and Summer 2016 remains in line with our expectations, taking into account the geopolitical backdrop
- Reiterate earnings guidance of at least 10% growth in underlying EBITA in 2015/16[1]

KEY FINANCIALS

€m		Underlying		Reported	
	Q1 15/16	Q1 14/15 Restated	**Change%**	Q1 15/16	Q1 14/15 Restated
Turnover	**3,718.4**	3,526.4	**5.4**	3,718.4	3,526.4
EBITA	**-101.7**	-104.8	**3.0**	-137.5	-141.4
EBITA – at constant currency rates[1]	**-97.3**	-104.8	**7.2**	-132.3	-141.4

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

Chief Executive of TUI Group, Friedrich Joussen, commented:

"We have delivered a good underlying performance in Q1 in spite of the backdrop of geopolitical turbulence in some of our destinations, with a 7.2% improvement in underlying EBITA[1]. Northern Region and Riu have performed particularly well, and we remain pleased with demand and yield performance in our Cruise business. We are continuing to deliver our merger synergies as planned, with a further €10m realised in the quarter, and the disposal process for Hotelbeds remains on track.

It is evident that there has been a significant shift in demand away from Turkey, with Summer 2016 bookings to that destination currently down around 40%. Our scale business model and own hotel content means that we have been able to act quickly to remix capacity to alternative, profitable destinations. In addition, our own hotels in destinations outside Turkey (such as Spain and the Canaries) are benefitting from the shift in demand. Based on current trading, and the resilience of our integrated business model, we continue to expect to deliver underlying EBITA growth of at least 10% in 2015/16[1]."

Q1 RESULTS

In €m	
Underlying EBITA Q1 2014/15 (restated)	**-105**
Non-repeat prior year gain on disposal of hotel (Riu Waikiki)	-16
Underlying trading	+5
Merger synergies (€5m Corporate Streamlining, €5m Destination Services)	+10
Refinancing of Europa 2	+5
Year-on-year impact of aircraft financing	+4
Underlying EBITA 2015/16 excluding FX	**-97**
Foreign exchange translation	-5
Underlying EBITA 2015/16	**-102**

- **Turnover** increased by 5.4% to €3,718m (Q1 2014/15: €3,526m), or by 2.5% excluding the positive impact of foreign exchange translation. Brand turnover (which includes the non-consolidated turnover of TUI Cruises and our

Canadian strategic venture) increased by 6.9% to €4,357m (Q1 2014/15: €4,076m), or by 4.3% excluding the positive impact of foreign exchange translation. Growth was driven by Northern Region and Cruises.

- **Group underlying EBITA loss** for the quarter improved to €102m (Q1 2014/15: €105m loss), or €97m loss excluding the negative impact of foreign exchange translation.
- Within the **Source Markets**, underlying EBITA loss was €82m (Q1 2014/15: €78m loss), or €77m loss excluding the negative impact of foreign exchange translation.
    - Northern Region delivered a good performance, with a strong end of Summer trading result in the UK and continued trading margin improvement in Nordics.
    - The result in Central Region declined as a result of the continued challenging trading conditions in Germany, compounded by lower demand for North Africa and Turkey, and lower Canaries margins. The new management team, who took over at the end of June 2015, are taking corrective actions to improve profitability.
    - Western Region's operating result impacted by planned additional marketing costs in Netherlands in relation to the successful TUI rebranding.
- In **Hotels & Resorts**, underlying EBITA was €25m (Q1 2014/15: €29m, including €16m gain on disposal of Riu Waikiki) or €23m excluding the positive impact of foreign exchange translation.
    - Riu delivered a strong operating performance, with a 2.3% point improvement in occupancy and 12.7% increase in average rate per bed. This was partly offset by the non-repeat of the gain on disposal of Riu Waikiki in the prior year.
    - Robinson's result impacted by planned additional marketing costs to grow the brand, as well as the under occupancy cost relating to a leased property in Tunisia (opened Summer 2015) and lower demand for Turkey.
    - Result for other hotels adversely impacted by the events in Egypt and reduced demand for Turkish destinations.
- In **Cruises**, underlying EBITA increased to €8m (Q1 2014/15: €2m), including €5m benefit from the refinancing of Europa 2 and strong trading by Mein Schiff 4 which launched in June 2015. This was partly offset by €2m dry-dock costs for Hapag-Lloyd Cruises and non-repeat of a €2m shipyard financing provision release in the prior year in TUI Cruises.
- Following the carve out of Destination Services (formerly Inbound Services) into Other Tourism, €5m of synergies have been delivered in the quarter.
- On a post-carve out basis, **Hotelbeds Group** underlying EBITA increased to €3m (Q1 2014/15: €2m) as the business continues to outperform the market. The disposal process remains on track.
- **Specialist Group** underlying EBITA loss of €32m (Q1 2014/15: €19m loss), or €30m loss excluding the negative impact foreign exchange translation, reflects difficult trading in the adventure and ski divisions (impacted by geopolitical events and poor snow conditions respectively), and in the US tour operators.
- **All other segments** underlying EBITA loss of €14m (Q1 2014/15: €26m loss) includes €5m further benefit from the delivery of further corporate streamlining synergies, bringing the total delivered to date to €15m.

CURRENT TRADING REMAINS IN LINE WITH OUR EXPECTATIONS

- Winter 2015/16 : 82% sold to date, with flat bookings and average selling prices up 3%. Overall Source Market long-haul bookings are up 10% and the UK continues to deliver good growth in total bookings, up 3%.
- Summer 2016 in line with our expectations at this early stage : 33% sold to date, with overall volumes up 1% and average selling prices up 2%. UK bookings performance remains strong, up 9%. Demand for Turkey has decreased significantly compared with prior year, and we have rapidly reshaped the programme to alternative destinations.
- Continued progress in increasing controlled and online distribution within the Source Markets.

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

- Based on current trading and the resilience of our business model, we continue to expect to deliver underlying EBITA growth of at least 10% in 2015/16[1].

[1] *Assuming constant foreign exchange rates are applied to the result in the current and prior year and based on current Group structure*

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. 82% of the Source Market programme has been sold to date, in line with prior year, with flat bookings and average selling prices up 3%. Long-haul bookings continue to grow strongly, up 10%. Bookings through our controlled channels account for 70% of Winter bookings, up one percentage point, with the online channel accounting for 43% of bookings, up two percentage points.

Trading in our Hotels & Resorts businesses largely reflects bookings made through our Source Markets. We continue 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.

Following advice from several governments in November 2015, we ceased flying to and from Sharm el Sheikh and took rapid action to remix the tour operator programme. 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 operates 34 hotels in Egypt (as at December 2015), 22 of which are managed, nine owned, one leased and two franchised. Most of the owned and leased hotels are operated by joint ventures. 11 of the hotels in Egypt are located in Sharm el Sheikh.

We remain pleased with the booking and yield performance of both TUI Cruises and Hapag-Lloyd Cruises, 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	**+3**	**+5**	**+2**	**81**
UK	+1	+5	+3	76
Nordics	+6	+7	Flat	93
Central Region	**+6**	**+3**	**-3**	**83**
Germany	+5	+2	-3	82
Western Region	**-1**	**Flat**	**+1**	**82**
Benelux	Flat	+3	+2	81
Total Source Markets	**+3**	**+3**	**Flat**	**82**
Hotelbeds Group - Bedbank[3]	**+6**	**+18**	**+11**	**n/a**

[1] These statistics are up to 31 January 2016 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 3% and average selling prices are up 1%, with lower jet fuel costs and the impact of the weaker Euro on accommodation costs partly offsetting the increase in long-haul. To date, 76% of the Winter programme has been sold. The key driver of volume expansion is long-haul, for which overall bookings are currently up 16%, including growth in demand for Mexico, Dominican Republic and Jamaica, plus the addition of Costa Rica to the programme. Short and medium haul is 1% ahead of prior year, despite lower demand for Egypt which we have offset by remixing the programme and channelling demand to alternative destinations.

In the Nordics, bookings are flat, with good trading since our last update. To date, 93% of the Winter programme has been sold. Average selling prices continue to perform well (up 6%) and trading margins continue to improve compared with prior year, in particular for short and medium haul. The roll-out of our Riu hotels to the Nordics source markets continues to prove successful.

In Germany, bookings are down 3% in what remains a very competitive market. To date, 82% of the Winter programme has been sold. Average selling prices are up 5%, which reflects a higher proportion of long-haul bookings (up 10%) and increases in accommodation costs. Performance has been adversely impacted by the recent events in Egypt and Turkey (which is a significant destination for German tourists) and as a result of the increase in flight capacity to sun and beach destinations (in particular the Canaries).

In Benelux bookings are up 2% with flat average selling prices. Bookings in the Netherlands have remained strong following the TUI rebrand, up 6%. Demand has been more subdued in Belgium following events in Tunisia, Paris and Egypt.

The Hotelbeds Group bedbank is continuing to deliver a significant increase in both TTV and roomnights for Winter, up 18% and 11% respectively.

<u>Summer 2016</u>

Summer 2016 trading remains in line with our expectations, taking into account the geopolitical backdrop, with bookings up 1% and average selling prices up 2%. We are still at an early stage of the booking cycle, with approximately 33% of the Source Markets' programmes sold, in line with prior year. In the UK, where the highest proportion of the programme (41%) has been sold to date, trading remains strong with bookings up 9%. Short-haul, long-haul and cruise are performing well. Average selling prices for the UK are down 1%, reflecting the development of input costs (including fuel).

Due to ongoing geopolitical uncertainty in the region, Summer bookings to Turkey from all Source Markets are around 40% below prior year. In Summer 2015, 14% of our Source Market customers travelled to Turkey, with a lower proportion from the UK, and a higher proportion from Germany and Nordics. In response to the decline in demand, we have rapidly reshaped the Summer programme by adding capacity to alternative popular and profitable destinations, such as Spain and Greece, including taking additional capacity in our Group hotels.

Bookings and yields for both TUI Cruises and Hapag-Lloyd Cruises remain strong. We are pleased with the progress in bookings for Mein Schiff 5, which launches in July 2016.

NET DEBT AND LIQUIDITY

The net debt position (cash and cash equivalents less financial debt) at 31 December 2015 was €1,876m (30 September 2015: net debt €214m). The increase since year-end was driven by customary seasonal cash outflows within the tour operators. The net debt position consisted of €1,042m of cash and cash equivalents, €225m of current financial liabilities and €2,693m of non-current financial liabilities. We remain satisfied with our long-term debt funding and liquidity position. This includes external bank revolving credit facilities totalling €1.75bn which are used to manage the seasonality of the Group's cash flows. The maturity date of the revolving credit facility was recently extended from June 2018 to December 2020 on broadly the same terms.

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.

	Winter 2015/16	**Summer 2016**
Euro	96%	83%
US Dollars	92%	76%
Jet Fuel	96%	85%
As at 29 January 2016		

OUTLOOK

We have delivered a good start to the year, with underlying EBITA up 7.2%[1] in the first quarter. This demonstrates the resilience of our integrated model, which has helped us to absorb the impact of geopolitical unrest and the challenges we sometimes face in specific source markets and destinations. The shift in demand away from Turkey is a challenge for Summer 2016, and we have taken actions to mitigate this. Delivery of merger synergies and the Hotelbeds disposal process are on-track. Based on current trading and the resilience of our integrated business model, we continue to expect to deliver at least 10% growth[1] in underlying EBITA in 2015/16.

[1] *Assuming constant foreign exchange rates are applied to the result in the current and prior year and based on current Group structure*

INVESTOR AND ANALYST CONFERENCE CALL AND WEBCAST

A full copy of our Q1 Report 2015/16 can be found via our corporate website: http://www.tuigroup.com/en-en/investors

A conference call and audio webcast for investors and analysts will take today at 7:15am GMT / 8:15am CET.

The dial-in arrangements for the call are as follows:
For Germany: +49 30 232 531 428
For UK: +44 203 367 9216
For France: +33 172 253 098
For US: +1 408 916 9838

A presentation and the quarterly report to accompany the conference call will be made available at 6:00am GMT / 7:00am CET on our corporate website. Details of the webcast will be found at the same link: http://www.tuigroup.com/en-en/investors.

PRE-CLOSE TRADING UPDATE

TUI Group will release a pre-close trading update on Thursday 31 March 2016.

HALF-YEAR FINANCIAL REPORT 2015/16

TUI Group will issue its H1 interim results on Wednesday 11 May 2016.

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