28 September 2017

TUI GROUP
Pre-Close Trading Update

Prior to entering its close period ahead of reporting its full year results for the twelve months ending 30 September 2017 on 13 December 2017, TUI Group announces the following update on current trading.

Chief Executive of TUI Group, Friedrich Joussen, commented:

"As we near the end of the third financial year post merger, our results and trading performance show that we are consistently delivering our growth strategy. Our hotel and cruise brands continue to perform very well, having further expanded their unique offering this year; and the growth in Source Market customers demonstrates the strong appeal of our holidays and distribution capability. At this early stage, overall trading for future seasons remains in line with our expectations. Whilst there are at times external factors which can create uncertainty in specific markets and destinations, we are confident that our balanced portfolio, content led growth strategy and integrated model leave us well positioned to continue to deliver against our plans. We are therefore pleased to reiterate our guidance of at least 10% growth in underlying EBITA for the financial year 2016/17[1], and look forward to providing an update on our strategy this December."

[1] At constant foreign exchange translation rates applied in the current and prior period, and based on the current group structure

Summer 2017

Overall, trading since our last update has remained in line with our expectations. Hotels & Resorts have continued to perform well, with high occupancy rates in most destinations and an increase in average revenue per bed compared with prior year. We will have opened ten new hotels in financial year 2016/17, bringing the total openings since merger to 28. In Cruise the launches of Mein Schiff 6 and TUI Discovery 2 this Summer have gone well. Yields and load factors remain strong.

The Source Markets' programme is almost fully sold, with good growth in customer volumes, especially in Nordics, Germany and Benelux. Across our markets, customer volumes have grown versus last year for most destinations, especially Greece, Bulgaria, Croatia, Italy, Cape Verde and long haul. We are also pleased with the increase in bookings made direct and online (up 4% and 7% respectively), and with a further increase in sales of our own hotel and cruise brands. As previously stated, volumes in the UK have remained in line with last year's strong performance, despite the impact of the weaker Sterling on accommodation costs. In France, although the integration of Transat's tour operating business is progressing to plan, the lates market has been very competitive, with an adverse impact on margin.

During the recent hurricanes, which affected our operations in the Caribbean and Florida, our primary focus has been on supporting customers staying in these areas and assisting with rebooking to alternative destinations where necessary. Despite this impact, we have reiterated our guidance of at least 10% growth in underlying EBITA for the current financial year, demonstrating the resilience of our business model and our ability to deal with such external unforeseen events.

Source Markets - Current Trading[2]	Summer 2017			
YoY variation%	**Total Revenue**	**Total Customers**	**Total ASP**	**Programme sold (%)**
Northern Region	**+8**	**+1**	**+7**	**98**
UK	+7	Flat	+7	98
Memo: UK incl. Thomson Cruise	*+9*	*+1*	*+8*	*98*
Nordics	+14	+5	+9	100
Central Region	**+9**	**+6**	**+3**	**98**
Germany	+6	+3	+3	98
Western Region	**+6**	**+4**	**+2**	**95**
Benelux	+7	+4	+2	94
Total Source Markets	**+8**	**+3**	**+4**	**97**
Memo: Total Source Markets incl. Thomson Cruises	*+9*	*+4*	*+5*	*97*

[2] These statistics are up to 24 September 2017, shown on a constant currency basis and relate to all customers whether risk or non-risk

Future Seasons

At this early stage, trading for future seasons is overall in line with our expectations. We will open five new year round properties in Hotels & Resorts this Winter for Riu, Robinson and Blue Diamond, and will reposition further hotels under our TUI Blue brand in 2018. We expect some hotel closures as a result of the recent hurricanes to allow for repair work to be carried out, but are overall pleased with demand for our clubs and hotels. In Cruise we have the first Winter of operations of our ships which launched in Summer 2017. Cruise demand remains strong for all three cruise brands and we remain pleased with yield performance.

The Winter 2017/18 booking cycle for most Source Markets is still at an early stage, with just over a third of the programme sold, in line with prior year. Overall performance is positive, with revenues booked to date up 7% and customer volumes up 3%. There is good growth in bookings for Cape Verde, Cyprus, North Africa and Thailand, although we are seeing some impact on demand for some parts of the Caribbean and Florida as a result of the recent hurricanes. Germany has had a strong start to the season, as TUI continues to gain market share. Nordics has also had a strong start, with customer volumes up compared with prior year and selling price performance reflecting the earlier sale of lower margin and shoulder season product. In the UK, booking and selling price performance are in line with our expectations, given the very strong start in prior year trading (when bookings were up 22%) and impact of currency inflation on selling price. Both load factor and percentage of the UK programme sold are in line with prior year, as we continue to balance capacity in line with demand. We are very pleased to launch the TUI rebrand in the UK in the coming weeks, ahead of the key Summer 2018 selling period.

Source Markets - Current Trading[2]		**Winter 2017/18**		
YoY variation%	**Total Revenue**	**Total Customers**	**Total ASP**	**Programme sold (%)**
Northern Region	**+4**	**-2**	**+6**	**41**
UK	+2	-7	+10	37
Memo: UK incl. Thomson Cruise	*+7*	*-5*	*+13*	*39*
Nordics	+8	+9	-1	51
Central Region	**+14**	**+11**	**+3**	**34**
Germany	+13	+10	+3	34
Western Region	**+3**	**Flat**	**+3**	**29**
Benelux	+1	Flat	+2	27
Total Source Markets	**+7**	**+3**	**+5**	**36**
Memo: Total Source Markets incl. Thomson Cruises	*+9*	*+3*	*+5*	*36*

[2] These statistics are up to 24 September 2017, shown on a constant currency basis and relate to all customers whether risk or non-risk

In Summer 2018, we are planning to open a Sensatori in Rhodes. We will also launch new ships for TUI Cruises (new Mein Schiff 1) and Thomson Cruises (TUI Explorer, previously Mein Schiff 1 in TUI Cruises), the sales for which continue to progress well. As usual, trading for the Source Markets is at a very early stage, and only the UK is more than 10% sold. UK revenue is up 2% compared with prior year, with bookings down 3%, in line with our expectations against strong prior year comparatives (when bookings were up 7%).

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

	Summer 2017	**Winter 2017/18**	**Summer 2018**
Euro	97%	90%	55%
US Dollars	96%	89%	72%
Jet Fuel	95%	91%	80%
As at 22 September 2017			

We do not hedge the impact of foreign exchange translation of results in non-Euro currencies. Based on exchange rates at current levels we anticipate an adverse impact of approximately €10 million to €15 million from foreign exchange translation on the full year 2016/17 underlying EBITA result.

Outlook

Overall, Summer 2017 is closing out in line with our expectations and we reiterate our guidance of at least 10% growth in underlying EBITA for the financial year 2016/17[1]. Trading for future seasons, albeit at an early stage, is also overall in line with our expectations. Whilst there are external factors which can impact specific parts of the business, we are confident that our balanced portfolio, content led growth strategy and integrated model leave us well positioned to continue to deliver against our plans.

Annual Report 2016/17

TUI Group will issue its Annual Report on Wednesday 13 December 2017 and hold a presentation for investors and analysts on the same day. Further details will follow.

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