Inside Information according to article 17 MAR

TUI updates dividend policy effective for dividend payouts from 2021 onwards

Hanover, 11.12.2019, 10:56 CET. TUI's Executive Board, with the Supervisory Board's approval, has today decided to update the Group's dividend policy as one element of TUI's revised capital allocation framework. The new policy will be applied for the first time for Financial Year 2020 (1 October 2019 - 30 September 2020), i.e. for dividend payments from 2021 onwards.

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For Financial Year 2019 (1 October 2018 - 30 September 2019), we will submit a dividend proposal to the Annual General Meeting scheduled for 11 February 2020 of €0.54 per share, which remains in line with our current dividend policy (dividend per share growth in line with Underlying EBITA[1] at constant currency).

From Financial Year 2020 onwards, the Group's dividend policy will change as follows:

- a core dividend payout of 30 - 40% of the Group's Underlying EAT[2] with
- a dividend floor (minimum payout) of €0.35 per share.

While the new dividend policy is expected to result in lower payouts, the dividend floor guarantees shareholders a minimum payout irrespective of the market environment of the tourism industry and subsequent impacts on Underlying EAT[2]. Based on TUI's share price at the end of Financial Year 2019, the dividend floor would represent a dividend yield of 3.3% p.a.

The new dividend policy is one element of TUI's updated capital allocation framework which reflects our financial priorities as follows:

(i) Organic growth
(ii) Payout of a core dividend
(iii) Accretive Mergers & Acquisitions and portfolio optimisation
(iv) Excess cash to be returned to shareholders

At the same time we are disciplined in maintaining a solid balance sheet and keep our target gross leverage ratio comfortably within the range of 3.0x - 2.25x.

This updated capital allocation framework will provide TUI Group with increased flexibility as it facilitates investments in our strategic initiatives and future growth opportunities, as well as an attractive dividend to shareholders, underpinned by a solid and robust financial structure.

Footnotes:

1. We define (Underlying) EBITA as earnings before interest, income taxes and expenses for the measurement of interest hedges, and amortisation of goodwill. Underlying EBITA has been adjusted for gains on disposal of investments, restructuring expenses in accordance with IAS 37, all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments, and other expenses for and income from one-off effects. The one-off items carried as adjustments are income and expense items impacting or distorting the assessment of the operating profitability of the segments and the Group due to their level and frequency. These one-off items include major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, profit and loss from the sale of aircraft and other material business transactions of a one-off nature.

   As from FY 2020, we will be using the indicator 'Underlying EBIT', which is more common in the international sphere, for our management system. Underlying EBITA will therefore no longer be used as a KPI. We define the EBIT in underlying EBIT as earnings before interest, taxes and expenses for the measurement of the Group's interest hedges. Unlike the previous KPI EBITA, EBIT by definition includes amortisation of goodwill. Should any goodwill impairments arise in future, they would therefore be adjusted for in the reconciliation to underlying EBIT. In this respect, the amount carried for underlying EBIT will correspond to the amount previously carried for underlying EBITA.

2. Underlying EAT post minorities at constant currency is calculated as Underlying EBIT minus interest expenses adjusted by one-off items minus tax based on underlying tax rate of currently 18% minus minorities adjusted for one-off items.

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