# H1 2018

## TUI Group – financial highlights

| € million | Q2 2018 | Q2 2017 restated | Var. % | H1 2018 | H1 2017 restated | Var. % | Var. % at constant currency |
|---|---|---|---|---|---|---|---|
| **Turnover** | **3,264.1** | **3,071.8** | **+ 6.3** | **6,813.5** | **6,353.8** | **+ 7.2** | **+ 8.5** |
| **Underlying EBITA** [1] | | | | | | | |
| Hotels & Resorts | 84.8 | 73.6 | + 15.2 | 179.2 | 122.8 | + 45.9 | + 48.2 |
| Cruises | 54.9 | 46.9 | + 17.1 | 92.4 | 75.0 | + 23.2 | + 24.0 |
| Destination Experiences | – 9.1 | – 2.5 | – 264.0 | – 9.3 | 0.3 | n. a. | – |
| Holiday Experiences | 130.6 | 118.0 | + 10.7 | 262.3 | 198.1 | + 32.4 | + 35.0 |
| Northern Region | – 89.4 | – 108.7 | + 17.8 | – 120.5 | – 138.0 | + 12.7 | + 11.8 |
| Central Region | – 89.4 | – 91.3 | + 2.1 | – 145.8 | – 143.7 | – 1.5 | – 1.6 |
| Western Region | – 59.7 | – 54.5 | – 9.5 | – 105.6 | – 102.2 | – 3.3 | – 3.3 |
| Sales & Marketing | – 238.5 | – 254.5 | + 6.3 | – 371.9 | – 383.9 | + 3.1 | + 2.8 |
| All other segments | – 25.8 | – 17.5 | – 47.4 | – 49.0 | – 28.5 | – 71.9 | – 56.6 |
| **TUI Group** | **– 133.7** | **– 154.0** | **+ 13.2** | **– 158.6** | **– 214.3** | **+ 26.0** | **+ 29.8** |
| Discontinued operations | – | – 3.1 | n. a. | – | – 15.3 | n. a. | – |
| **Total** | **– 133.7** | **– 157.1** | **+ 14.9** | **– 158.6** | **– 229.6** | **+ 30.9** | **+ 34.5** |
| **EBITA** [2,3] | **– 147.2** | **– 182.4** | **+ 19.3** | **– 192.3** | **– 251.9** | **+ 23.7** | |
| **Underlying EBITDA** [3] | **– 31.5** | **– 59.9** | **+ 47.4** | **37.8** | **– 27.3** | **n. a.** | |
| **EBITDA** [3] | **– 40.2** | **– 82.1** | **+ 51.0** | **15.3** | **– 52.3** | **n. a.** | |
| Net loss for the period | – 141.5 | – 163.9 | + 13.7 | – 200.2 | – 245.5 | + 18.5 | |
| Earnings per share [3] € | – 0.29 | – 0.32 | + 9.4 | – 0.46 | – 0.51 | + 9.8 | |
| Net capex and investments | 66.5 | 365.8 | – 81.8 | 207.3 | 695.1 | – 70.2 | |
| Equity ratio (31 March) [4] % | | | | 21.3 | 20.0 | + 1.3 | |
| Net debt position (31 March) [3] | | | | 576.0 | 1,404.1 | – 59.0 | |
| Employees (31 March) | | | | 55,773 | 58,698 | – 5.0 | |

Differences may occur due to rounding.
This Half Year Financial Report of the TUI Group was prepared for the reporting period H1 2018 from 1 October 2017 to 31 March 2018. The terms for previous periods were renamed accordingly.

[1] In order to explain and evaluate the operating performance by the segments, EBITA adjusted for one-off effects (underlying EBITA) is presented. Underlying EBITA has been adjusted for gains on disposal of financial investments, restructuring measures according to IAS 37, all effects of purchase price allocations, ancillary acquisition costs and conditional purchase price payments and other expenses for and income from one-off items. Please also refer to page 14 for further details.

[2] We define EBITA as earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges and in the prior year also earnings effects from container shipping.

[3] Continuing operations.

[4] Equity divided by balance sheet total in %, variance is given in percentage points.

## On track to deliver our growth targets

- We have delivered a good H1 performance, with a further improvement in the seasonal result. Turnover increased by 7.2 % to € 6,813.5 m and underlying EBITA improved by 26.0 % to € – 158.6 m. Growth in earnings was delivered as a result of continued strong demand for our Holiday Experiences – including additional hotel and cruise ship capacity as we continue to deploy the proceeds of disposals into higher returning assets – and a good portfolio performance by Sales & Marketing.
- The key drivers of the year on year improvement in underlying EBITA are shown in the table below.

### H1 results at a glance

| € million | H1 2018 |
|---|---|
| **Underlying EBITA H1 FY2017** | **– 214** |
| Holiday Experiences | + 28 |
| Sales & Marketing | + 11 |
| All other segments | – 16 |
| Riu hotel disposals (Q1) | + 38 |
| Impact Niki bankruptcy (Q1) | – 20 |
| Easter timing impact | + 22 |
| Foreign exchange translation | – 8 |
| **Underlying EBITA H1 FY2018** | **– 159** |

*Please see pages 7 to 11 for further commentary on segmental performance.*

During H1 we announced the following strategic developments:

- We will become the world's leading provider of destination experiences, with the acquisition of Destination Management from Hotelbeds Group. The acquisition is expected to complete in H2 FY2018, funded from the remaining proceeds of business disposals.
- Due to the continued strong demand for TUI Cruises, Mein Schiff Herz (previously Mein Schiff 2) will remain within the TUI Cruises fleet. Marella Cruises will instead acquire SkySea Golden Era from Royal Caribbean. The ship will be renamed Marella Explorer 2, launching Summer 2019.
- In addition, approval has been given for a third new build expedition cruise ship for Hapag-Lloyd Cruises. Planning and negotiation will shortly launch for a scheduled delivery of the further Hanseatic class ship in 2021.

## Current trading

### HOLIDAY EXPERIENCES

Our portfolio of over 380 hotels continue to perform very well, thanks to the strength of our portfolio of destinations, new hotel openings and integrated model. Following a very strong performance in the past few years in Spain and more subdued demand for Turkey and North Africa, we are seeing a continued rebalancing towards the latter destinations, as well as strong demand for Greece (where we have over 40 Group and own concept hotels). Other destinations such as the Caribbean and Cape Verde also continue to see good demand. Our hotel and club brands will continue to expand their offering with five openings in Summer 2018 plus further openings in FY2019. We also continue to streamline the existing portfolio, having disposed of three Riu hotels in Q1 and with repositionings under the TUI Blue and TUI Magic Life brands in FY2018. The renovation of the Robinson Jandia Playa in Fuerteventura is also underway, with the closure of this popular club for most of FY2018.

In Cruises new launches are scheduled for TUI Cruises, Marella Cruises and Hapag-Lloyd Cruises in 2018, 2019, 2021 and 2023. Demand for our cruises remains strong, with higher yields year on year for the periods currently on sale in all three brands. In Marella, Majesty exited the fleet in November 2017 and Spirit will exit in November 2018, and from Summer 2019 the entire fleet will be fully all-inclusive.

Volumes in Destination Experiences (formerly Destination Services) are expected to develop in line with our Sales & Marketing business. The acquisition of the Destination Management business of Hotelbeds Group is expected to complete in H2 FY2018, adding a further 25 countries to our global destination presence.

### SALES & MARKETING

As expected, Winter 2017 / 18 closed out well, with revenues up 5 % on prior year and bookings up 3 %. Growth was driven by North Africa, Cape Verde, Thailand and Turkey, with stable demand for Spain.

Summer 2018 is also progressing well, with 59 % of the programme sold, in line with prior year. Following a couple of very strong years, Spain remains the number one destination by customer volume for Sales & Marketing, but with year on year growth driven by destinations such as Turkey, North Africa and Greece. We also see good growth in bookings for other smaller destinations such as Bulgaria, Cyprus and Croatia.

**Sales & Marketing – Current trading Summer 2018 ***

| YoY variation % | Total revenue | Total customers | Total ASP | Programme sold (%) |
|---|---|---|---|---|
| Northern Region | +4 | +2 | +2 | 60 |
| Central Region | +11 | +8 | +3 | 60 |
| Western Region | +4 | +3 | +1 | 58 |
| **Total** | **+7** | **+5** | **+2** | **59** |

* These statistics are up to 29 April 2018, shown on a constant currency basis and relate to all customers whether risk or non-risk.

In Northern Region, Nordics continue to deliver a strong, earlier booking performance (+8 % currently, although the prior year comparatives will strengthen in the coming months). Margins are ahead of prior year, reflecting an increase in demand for Turkey and Greece, the introduction of our proprietary Cyrus yield management system and actions taken by management to improve the efficiency of the business. UK demand is resilient, with bookings up 1 % on prior year, and margin performance continues to normalise in line with our expectations, reflecting the impact on the cost base of the weaker Pound Sterling. As expected, the UK is seeing a growth in demand for non-Euro destinations such as Turkey, North Africa, Bulgaria and Croatia, as well as a shortening of the average duration of holidays.

Within Central Region, bookings from Germany are up 4 %. This reflects a significant increase in bookings to Turkey, North Africa and Greece, as well as the continued popularity of Spain. Strong mainstream holiday bookings are partly offset by lower bookings at this stage for some of our specialist brands, however, we expect this to improve as we trade through the Summer. Despite an increase in capacity (following the bankruptcy of Air Berlin / Niki and subsequent changes to the TUI airline fleet), load factor is ahead of prior year, helping to limit exposure to the lates market. The Central Region bookings and revenue performance also reflects our strategy to grow market share significantly in Poland.

In Western Region, bookings in Belgium and Netherlands are ahead of prior year (+6 % overall), with growth destinations in general similar to the other source markets. This is partly offset by trading in France, where bookings are currently down on prior year, mainly due to lower sales of tours. These were previously traded under the Transat brand and have now switched to TUI, with some disruption to sales by third party distributors. We remain focussed on the continued integration of the Transat business and delivering an improved result in France this year.

## Outlook

- We reiterate our guidance of our Annual Report 2017.
- We are continuing to deliver our growth strategy as set out in December 2017, based on market demand, digitalisation and investments, including the announcements in H1 of further actions to enhance our destination experiences business and accelerate growth in cruise.
- Based on a good H1 performance and strong current trading we are on track to deliver at least 10 % underlying EBITA growth in FY2018.
- We are delivering our ambition – strong strategic positioning, strong earnings growth and strong cash generation, with underlying EBITA doubling between FY2014 and FY2020.

**Expected development of Group turnover, underlying EBITA and adjustments[1]**

| | Expected development vs. PY | |
|---|---|---|
| € million | 2017 | **2018** |
| Turnover[2] | 18,535 | around 3 % growth |
| Underlying EBITA | 1,102 | at least 10 % growth |
| Adjustments | 76 | approx. € 80 m cost |

[1] Variance year-on-year assuming constant foreign-exchange rates are applied to the result in the current and prior period and based on the current group structure; guidance relates to continuing operations and excludes the acquisition of the Destination Management business from Hotelbeds Group.

[2] Excluding cost inflation relating to currency movements.

## Analyst and investor enquiries

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The presentation slides and the video webcast for H1 2018 are available at the following link: www.tuigroup.com/en-en/investors

## Financial Calendar

**9 MAY 2018**
*Half Year Financial Report 2018*
*Capital Markets Day*

**9 AUGUST 2018**
*Quarterly Statement Q3 2018*

**27 SEPTEMBER 2018**
*Pre-Close Trading Update*

**13 DECEMBER 2018**
*Annual Report 2018*

**12 FEBRUARY 2019**
*Annual General Meeting 2019*