TUI GROUP

28 September 2016

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Pre Close Trading Update

Prior to entering its close period ahead of reporting its full year results for the twelve months ending 30 September 2016 on 8 December 2016, TUI Group announces the following update on current trading.

Chief Executive of TUI Group, Friedrich Joussen, commented:

"We are continuing to deliver our strategy as a content centric, vertically integrated tourism group. The Summer 2016 season is almost fully sold, with a continued strong performance by the UK, Riu and Cruises, the launch this Summer of two additional cruise ships and the opening of five additional hotels in our core brands. Winter 2016/17 is trading in line with our expectations, with further growth driven by long haul. In addition, we are pleased to have announced the completion of the Hotelbeds Group disposal on 12 September and marketing of Travelopia (formerly part of Specialist Group) has commenced.

As we approach our 2015/16 year end, we are therefore confident of delivering between 12% and 13% growth in underlying EBITA[1]. This demonstrates the strength of our integrated business model and the success of our content centric strategy, as well as the continued delivery of our merger synergies."

HIGHLIGHTS

Continuing to deliver our strategy as a content centric, vertically integrated tourism group

- Delivering our content centric strategy, with the launch of two further cruise ships and the opening of five additional hotels in Summer 2016, with further additions announced for future seasons.
- Focussing on our Tourism business, with the completion of the Hotelbeds Group disposal for total cash consideration of €1.2 billion, and the commencement of marketing of Travelopia in September.

Source Market trading remains robust

- Summer 2016 closing out as we expected, 97% sold to date with revenue and bookings up 1%.
  - Sustained strong performance by the UK, with revenue and bookings up 5%.
  - Continuing to build on our direct relationship with our customers, with controlled mix up one percentage point to 72% and online mix up two percentage points to 43%.
- Winter 2016/17 trading in line with our expectations. Overall, revenue is up 11% and bookings are up 5%, driven in particular by UK long haul growth which in turn drives an earlier booking profile.

Hotels & Resorts performance benefitting from popularity of Western Mediterranean and long haul

- We are continuing to benefit from the popularity of our hotels in the Western Mediterranean and long haul, and delivering further occupancy improvements in these regions as a result of further vertical integration with the Source Markets.
- Five additional hotels opened in Summer 2016 in our core hotel, club and concept brands, including three long haul, with further openings to come for Winter 2016/17 and Summer 2017.

Strong growth in Cruises and further modernisation of fleet

- Continued strong trading by TUI Cruises, following the launch of Mein Schiff 5 in July. Sales for Mein Schiff 6 (which launches in Summer 2017) are also going well.
- Further modernisation of the Thomson Cruises fleet, with the successful launch of TUI Discovery in June and additional ship TUI Discovery 2 for Summer 2017.
- Expansion and modernisation of Hapag-Lloyd Cruises expedition offering, with two new vessels scheduled for launch in the Spring and Autumn of 2019.

Outlook – confident of achieving between 12% and 13% growth in underlying EBITA in 2015/16[1]

- As we approach our 2015/16 year end, we are confident of delivering between 12% and 13% growth in underlying EBITA[1].
- This demonstrates the strength of our integrated business model and the success of our content centric strategy, as well as the delivery of our merger synergies.
- As previously announced, we will provide a strategy update with our full year results announcement on 8 December 2016.

[1] Assuming constant foreign exchange rates are applied to the result in the current and prior period and treating Hotelbeds Group as discontinued operations

CURRENT TRADING

Summer 2016

Summer 2016 trading remains in line with our expectations. 97% of the Source Markets' programme has been sold to date, in line with prior year, with revenue and bookings up 1%. As expected, demand for Turkey remains lower than prior year, however, Source Market bookings excluding Turkey are up 7%, proving the sustained strength in underlying demand for our package holidays and the flexibility of our model in our ability to remix capacity. We are continuing to build on our direct relationship with our customers, with controlled mix up one percentage point to 72% and online mix up two percentage points to 43%.

Current Trading[1]		***Summer 2016***		
YoY variation%	**Total Revenue[2]**	**Total Customers[2]**	**Total ASP[2]**	**Programme sold (%)**
Northern Region	**+3**	**+2**	**+1**	**98**
UK	+5	+5	Flat	98
Nordics	-8	-10	+2	99
Central Region	**-1**	**-2**	**+1**	**96**
Germany	-1	-2	+1	96
Western Region	**Flat**	**+2**	**-2**	**97**
Benelux	-1	+2	-3	96
Total Source Markets	**+1**	**+1**	**Flat**	**97**

[1] These statistics are up to 18 September 2016 and are shown on a constant currency basis
[2] These statistics relate to all customers whether risk or non-risk

Trading in Hotels & Resorts largely reflects bookings made through our Source Markets. The popularity of our hotels outside Turkey and North Africa continued to drive improvement in Hotels & Resorts' performance this Summer, and we are well placed to benefit from the increase in demand for the Western Mediterranean and long haul destinations. We are also continuing to deliver occupancy improvements in these destinations as a result of further vertical integration with the Source Markets. In Summer 2016 we have opened five additional hotels in our core brands (one Riu and one Sensatori in Dominican Republic, a further Riu in Sri Lanka, plus two Robinson clubs in Greece and Turkey) and repositioned two more as TUI Blue (both in Turkey).

Strong trading continues in TUI Cruises, following the launch of Mein Schiff 5 in July. Sales for Mein Schiff 6 (which launches in Summer 2017) are also going well, and we have delivered further modernisation of the Thomson Cruises fleet, with the successful launch of TUI Discovery in June and an additional ship, TUI Discovery 2, planned for Summer 2017. In addition, we are expanding and modernising the Hapag-Lloyd Cruises expedition offering, with two new vessels scheduled for launch in the Spring and Autumn of 2019.

Winter 2016/17

Winter 2016/17 trading is in line with our expectations, with around one third of the programme sold to date. For the Source Markets, revenue is up 11% and bookings are up 5%, driven in particular by UK long haul growth.

In the UK, revenue is up 29% and bookings are up 22%. This is driven by the further expansion of our long haul programme, with an additional 787-9 aircraft (our fourteenth 787 to date). Long haul bookings are currently up 26%, in line with capacity increases, with Mexico, Dominican Republic continuing to grow, and the addition of new 787 destinations such as Cuba and Sri Lanka. Medium haul destinations such as the Canaries, Cyprus and Cape Verde are also performing well. This season also sees the first Winter operations of the TUI Discovery, which will be based in the Caribbean.

In the Nordics, revenue is down 4% against bookings down 3%, reflecting the impact of Turkey trading for October and reduced demand for Egypt, which has not been fully offset by increased demand for alternative destinations. We will continue to focus on remixing to other destinations, in line with demand. In addition, the TUI rebrand has just been launched, with the marketing campaign commencing in October.

In Germany, revenue is up 2% against bookings down 4%. We are continuing to increase our market share, despite challenging conditions. Long haul bookings (which account for around one third of the programme) are up 10%, with growth driven by Thailand, USA and Mexico. However, this is offset by a reduction in demand for Turkey (which is a Winter destination for Germany) and Egypt. The Canaries continue to grow as an alternative to these destinations, albeit with a significant level of competition.

In Benelux, revenue is up 4% with bookings down 2%. In Belgium, following the more subdued demand for Summer 2016 (as a result of the terrorist attack on Brussels Airport in March), trading in Belgium has improved. This booking performance is partly offset in Netherlands, where last year's comparatives include the timing impact of the TUI brand launch.

In Hotels & Resorts we have new openings scheduled for Riu in Jamaica, one new hotel for TUI Blue in Tenerife and two repositioned hotels for TUI Blue in Austria and Germany. We also continue to expand our unique tour operator concepts in third party hotels, with several additions to our Sensimar and Family Life portfolio this Winter, including Lanzarote, Thailand, Mauritius and Cape Verde.

In Cruise we continue to see strong demand for our most recent addition, Mein Schiff 5, with a good performance across the TUI Cruises fleet.

<u>Summer 2017</u>

Trading for the Source Markets is at a very early stage. In line with the usual Summer season launch dates for each Source Market, only the UK is more than 10% sold. UK revenue is up 14% and bookings are up 7%, with growth again driven by long haul and cruise. Sales for our additional cruise ships, Mein Schiff 6 and TUI Discovery 2, are going well. In Hotels & Resorts we have new openings scheduled for Sensatori in Rhodes and for TUI Blue in Croatia, as well as the continued expansion of our unique tour operator concepts in third party hotels.

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**	**Summer 2017**
Euro	95%	90%	57%
US Dollars	96%	85%	66%
Jet Fuel	96%	93%	85%
As at 23 September 2016			

We do not hedge the impact of foreign exchange translation of results in non-Euro currencies. Based on exchange rates at current levels we continue to anticipate an adverse impact of approximately €100m from foreign exchange translation on the full year underlying EBITA result, primarily due to the translation of peak season profits from Sterling denominated operations.

OUTLOOK

We are continuing to deliver our strategy as a content centric, vertically integrated tourism group, with the completion of the Hotelbeds Group disposal and marketing of Travelopia having commenced. The Summer 2016 season is almost fully sold, and Winter 2016/17 is trading in line with our expectations. As we approach our 2015/16 year end, we are therefore confident of delivering between 12% and 13% growth in underlying EBITA[1]. This demonstrates the strength of our integrated business model and the success of content centric strategy, as well as the delivery of our merger synergies.

[1] Assuming constant foreign exchange rates are applied to the result in the current and prior period and treating Hotelbeds Group as discontinued operations

ANNUAL REPORT 2015/16

TUI Group will issue its Annual Report for the full year 2015/16 on Thursday 8 December 2016 and hold a presentation for investors and analysts on the same day. Further details will follow.

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