TUI AG / Annual Financial Report

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8 December 2016

TUI GROUP

Full year results to 30 September 2016

- We have delivered a second year of strong performance post-merger with 12.5% increase in underlying EBITA including Travelopia or 14.5% for continuing operations[1].

- Our sustained strong performance is a clear demonstration of the success of our growth strategy and the strength of our competitive position.

- We believe our strategy creates value for our customers, our people and our shareholders alike, and we remain committed to paying an attractive dividend, proposed at 63 cents per share in respect of 2015/16.

- Having completed the disposal of Hotelbeds Group in September, and with the disposal process for Travelopia underway, we are focussed on delivering transformational growth in our own hotel and cruise brands, supported and enabled by a strong and flexible balance sheet.

- Current trading for Winter 2016/17 and Summer 2017 remains in line with our expectations.

- Based on our roadmap for growth and current trading, we expect to deliver at least 10% growth in underlying EBITA in 2016/17[1], and extend our previous guidance of at least 10% underlying EBITA CAGR to 2018/19[1].

- This balanced guidance is a clear demonstration of the confidence we have in our growth strategy, against what continues to be an uncertain geopolitical and macroeconomic backdrop.

KEY FINANCIALS

Year ended 30 September

EURm	**2016**	2015 Restated[2]	**Change%**	**Constant currency change%**[1]
Turnover - continuing operations	**17,185**	17,515	-1.9%	**+1.4%**
Underlying EBITA - continuing operations	**1,001**	953	+5.0%	**+14.5%**
Underlying EBITA - including Travelopia	**1,030**	1,001	+2.9%	**+12.5%**
Reported EBITA - continuing operations	**898**	795	+13.0%	**+24.4%**
Pro forma earnings per share[3]	**0.86**	0.84	+2.4%	**+15.5%**
Normalised operating cash flow[4]	**944**	794	+18.9%	n/a
Return on invested capital (ROIC)[5]	**21.9%**	22.4%	-0.5ppts	n/a
Dividend per share	**63 cents**	56 cents	+12.5%	n/a

Note: 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/losses on disposal of investments, restructuring costs according to IAS 37, ancillary acquisition costs and conditional purchase price payments under purchase price allocations and other expenses for and income from one-off items. Reported EBITA comprises earnings before net interest result, income tax and impairment of goodwill excluding the losses on container shipping measured at equity and excluding the result from the measurement of interest hedges.
[1] Assuming constant foreign exchange rates are applied to the result in the current and prior period.
[2] Prior year figures restated, including the treatment of Hotelbeds Group and Travelopia as discontinued operations. Further explanation is included on page 6.
[3] Please refer to Earnings Per Share section on page 7.
[4] Operating cash flowpre net capex and investments and dividend payments, assuming normalised working capital inflowand excluding additional UK pension top-up of EUR174m in 2015/16.
[5] ROIC (return on invested capital) is calculated as the ratio of underlying EBITA to the average for invested interest bearing capital for the Group or relevant segment.

Annual Report 2015/16 and Investor & Analyst Presentation and Webcast

A full copy of our Annual Report 2015/16 can be found on our corporate website: http://www.tuigroup.com/en-en/investors. A presentation and webcast for investors and analysts will take place today at 09:30 GMT / 10:30 CET. The presentation will be made available via our website shortly beforehand. Details of the webcast, which will be available for replay, will also be available there.

SECOND YEAR OF STRONG PERFORMANCE POST-MERGER

In EURm	
Underlying EBITA 2014/15	**1,069**
Prior year restatement (including Hotelbeds & Travelopia treated as discontinued)[2]	-116
Underlying EBITA restated 2014/15	**953**
Underlying trading	+114
Turkey / North Africa	-50
Merger synergies	+60
Aircraft & Europa 2 financing	+15
Underlying EBITA 2015/16 excluding FX	**1,092**
Foreign exchange translation	-91
Underlying EBITA 2015/16	**1,001**

Results in the current and prior year have been restated to include Destination Services within Other Tourism, to reclassify Crystal Ski and Thomson Lakes & Mountains from Travelopia to Northern Region, and to include both Hotelbeds Group and Travelopia as discontinued operations. For further explanation of restatements please see page 6.

- Within the **Source Markets**, underlying EBITA was EUR635m (2014/15: EUR711m) or EUR731m excluding EUR96m negative foreign exchange translation. The Source Markets continue to build on their strength in direct distribution and direct relationship with the customer. In 2015/16 direct distribution mix increased by two percentage points to 72% and online mix increased by two percentage points to 43%.

- **Northern Region** underlying EBITA was EUR461m (2014/15: EUR538m) or EUR556m excluding EUR95m negative foreign exchange translation:

  - The **UK** delivered a strong operating performance, with customer volumes up over 4% and an increase in load factor. This was driven by the strength of customer demand for our unique holidays, with growth across short, medium and long haul, and the launch of our new ship TUI Discovery. We have also made further significant progress in increasing online distribution, with 58% of UK holidays booked online this year, up four percentage points.

  - The **Nordics** result this year was adversely impacted by lower demand for Turkey, having more than halved in size as a destination. A significant proportion of the programme was remixed to alternative destinations, however, this did not fully mitigate the impact and customer volumes overall fell as a result. Further progress has been delivered in respect of online, which accounted for 75% of all bookings in the year. The result also includes some upfront costs in respect of the TUI brand migration, which commenced at the start of November 2016 and is progressing well.

  - In **Canada**, Winter margins came under pressure as a result of the unfavourable movement in the Canadian dollar exchange rate. However, the Summer result improved on prior year due to continued growth in unique content.

- **Central Region** underlying EBITA was EUR88m (2014/15: EUR103m) or EUR89m excluding negative foreign exchange translation:

  - In **Germany**, market conditions remained challenging and margins were adversely impacted by subdued demand for Turkey. Despite this, we continued to grow market share in the year, building on the strength of the TUI brand. We have also delivered an improvement in direct distribution mix to 45% (up two percentage points) and in online mix to 14% (up one percentage point), and continue to deliver further savings as a result of restructuring programmes, including the alignment of our operations in Germany and Austria.

  - The result includes the impact of a court ruling in November regarding airport services and marketing agreements with an Austrian airport, and the partial impact on holidays commenced in September of unexpectedly high levels of sickness among TUIfly flight crew.

  - Our priorities in Germany are to build scale through growth in market share with a broader product offering, increase direct and online distribution and improve operational efficiency. On the latter, TUI AG's Supervisory Board has approved the plan to contribute its German leisure airline subsidiary TUI fly GmbH to a joint venture with Etihad, together with the leisure operations of Air Berlin and including Air Berlin's participation in NIKI. It is intended that this will create a new airline joint venture with around 60 aircraft and a seat capacity of 15 million seats per year, operating from key departure airports in Germany, Austria and Switzerland. It is expected that TUI AG will hold a stake of 24.8% in the joint venture, with Etihad holding 25% of the interests and the remaining 50.2% held by the existing private foundation NIKI Privatstiftung. Details regarding the joint venture will be jointly presented by Etihad and TUI after successful completion of the negotiations.

- **Western Region** underlying EBITA improved to EUR86m (2014/15: EUR69m):

  - The result in **France** improved significantly following delivery of restructuring and remix of the programme away from North Africa. In addition, **Netherlands** delivered a good performance following the TUI brand migration in Autumn

2015, with a 3% increase in customers and further increases in direct and online distribution mix to 71% and 50% respectively.

- These were partly offset by the difficult trading environment in **Belgium** following the Brussels attack, particularly for package holiday sales. Trading for subsequent seasons has improved and is also being helped by the TUI brand migration which commenced in October 2016.

- The acquisition of Transat's French tour operating business completed at the end of October 2016 and is expected to further improve the profitability of this source market.

- In **Hotels & Resorts**, underlying EBITA increased to EUR287m (2014/15: EUR235m) or EUR291m excluding EUR4m negative foreign exchange translation:

- In line with our plans to grow our own hotel brands, we have opened a further seven hotels this year, and a further two were repositioned from other brands into TUI Blue. In total 18 additional hotels have been opened since the end of 2013/14 in our core brands, and we intend to open circa 40 to 45 additional hotels by the end of 2018/19.

- **Riu** delivered a strong performance in the year, with underlying EBITA up EUR68m (excluding EUR11m negative foreign exchange translation), a 4% point improvement in occupancy, 1% increase in capacity and 6% increase in average revenue per bed. Spain, Cape Verde and Caribbean have performed particularly well.

- We have delivered an additional EUR20m benefit from occupancy improvement in the year, hitting our merger target in full. This clearly demonstrates the benefits of our vertically integrated model.

- However, as expected, earnings for hotels in Turkey and North Africa have been adversely impacted by reduced demand following geopolitical events. This is estimated to have impacted the result by around EUR50m in the year, compared with 2014/15.

- ROIC for Hotels & Resorts increased from 10.5% to 12.3% in the year.

- In **Cruises**, underlying EBITA increased to EUR130m (2014/15: EUR81m):

- **TUI Cruises** delivered EUR32m growth in earnings with the full year impact of Mein Schiff 4 and the launch of Mein Schiff 5 in July 2016. Average daily rate and occupancy across the fleet also remain very strong. We will launch Mein Schiff 6 in Summer 2017, with a further two deliveries to come in 2018 and 2019, at which point we intend to move Mein Schiff 1 and 2 into the UK market.

- **Hapag-Lloyd Cruises** delivered EUR17m growth in earnings, following completion of their turnaround last year. Fleet performance continues to improve, including an 8% increase in average daily rate. The result also includes the benefit of refinancing Europa 2.

- ROIC for Cruises increased from 17.3% to 21.3% in the year.

- In **Other Tourism**, underlying EBITA was EUR5m (2014/15: EUR8m), or EUR1m excluding the positive impact of foreign exchange translation. A significantly improved performance in Corsair was offset by the impact of lower demand to Turkey and North Africa in Destination Services and additional IT costs in relation to strategic projects.

- **All other segments** underlying EBITA loss reduced to EUR56m (2014/15: EUR81m loss), or EUR62m loss excluding the positive impact of foreign exchange translation.

- **Synergy delivery** - We have delivered EUR60m additional merger synergies in 2015/16. This includes EUR30m corporate streamlining, EUR20m occupancy improvement in our target hotels and EUR10m as a result of the restructuring of Destination Services into Other Tourism. We expect the remaining EUR20m of synergies to be delivered in 2016/17.

- **Strong operating cash generation -** We are focussed on delivering a strong operating cash flow performance and generated over EUR0.9bn in 2015/16 on a normalised basis (2014/15: EUR0.8bn).

- **Financial targets delivered -** We have delivered against our financial targets for 2015/16 with a leverage ratio of 3.3 times (target 3.5 to 2.75 times), and an interest coverage ratio of 4.8 times (target 4.5 to 5.5 times interest). We have tightened our targets for 2016/17 to 3.25 to 2.5 times for leverage ratio and 4.75 to 5.75 times for interest coverage.

- **Committed to paying an attractive dividend -** proposed at 63 cents per share in respect of 2015/16, which reflects 14.5% growth in underlying EBITA at constant currency on the 2014/15 base, plus the additional 10% outlined at the time of the merger.

CURRENT TRADING & OUTLOOK

- **Winter 2016/17 trading is in line with our expectations:**

- Source Markets revenues up 9% with bookings up 5% and 60% of the programme sold. Strong growth in UK long haul and cruise is partly offset by continued pressure in Nordics and Germany as a result of lower demand for Turkey and North Africa.

- Further openings in our hotel brands, with a new Riu in Jamaica, a new TUI Blue in Tenerife and further expansion of our unique tour operator concepts in third party hotels including Lanzarote, Thailand, Mauritius and Cape Verde.

- First Winter of operations for Mein Schiff 5 and TUI Discovery going well.

- **Summer 2017 is progressing in line with our expectations:**

  - Most Source Markets still at very early stage - UK over 20% sold with revenues up 16% and bookings up 9%, showing the continued resilience in demand for our holidays;

  - Openings in our hotel brands include a new Sensatori in Rhodes, a new Robinson club in South East Asia and new TUI Blue hotels in Croatia and Italy, as well as the continued expansion of our unique tour operator concepts in third party hotels including Sardinia, Croatia, Spain, Greece and Bulgaria.

  - Mein Schiff 6 and TUI Discovery 2 launch next Summer, with bookings progressing well.

- Having completed the disposal of Hotelbeds Group in September, and with the disposal process for Travelopia underway, we are focussed on delivering transformational growth in our own hotel and cruise brands, supported and enabled by a strong and flexible balance sheet.

- Medium term cash flow will therefore reflect reinvestment of proceeds from the Hotelbeds Group disposal.

- Based on our roadmap for growth and current trading, we expect to deliver at least 10% growth in underlying EBITA in 2016/17[1], and extend our previous guidance of at least 10% underlying EBITA CAGR to 2018/19[1].

- This balanced guidance is a clear demonstration of the confidence we have in our growth strategy, against what continues to be an uncertain geopolitical and macroeconomic backdrop.

CURRENT TRADING IS IN LINE WITH OUR EXPECTATIONS

Winter 2016/17

Current trading for Winter, which is the low season for most of our businesses, is in line with our expectations. In Hotels & Resorts, where performance is reflective of bookings made via our Source Markets, we have a new opening 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. Thomson Cruises (which is currently reported within UK trading data) continues to benefit from the addition of TUI Discovery to the fleet, based in the Caribbean this Winter.

With 60% of the programme sold to date, Source Market revenue is 9% ahead of prior year, with bookings up 5%. This reflects long haul growth (bookings up 13%), in particular in the UK with an additional 787 flying this Winter.

Current Trading[1]	**Winter 2016/17**			
YoY variation%	**Total Revenue[2]**	**Total Customers[2]**	**Total ASP[2]**	**Programme sold (%)**
Northern Region	**+14%**	**+11%**	**+3%**	**61%**
UK	+26%	+19%	+6%	57%
Nordics	-5%	-2%	-3%	72%
Central Region	**+5%**	**-2%**	**+6%**	**55%**
Germany	+3%	-4%	+6%	54%
Western Region	**+8%**	**+5%**	**+3%**	**64%**
Benelux	+5%	+2%	+3%	63%
Total Source Markets	**+9%**	**+5%**	**+4%**	**60%**

[1] These statistics are up to 27 November 2016 and are shown on a constant currency basis

[2] These statistics relate to all customers whether risk or non-risk

In the UK, revenue is currently up 26% with bookings up 19% and 57% of the programme sold to date, ahead of prior year. This is driven by growth across package holidays and cruise. Sales to the Canaries and long haul have been particularly strong, with bookings up 16% and 21% respectively. Long haul expansion has been facilitated by the new Boeing 787-900, delivered in Summer 2016, with Mexico, Dominican Republic and Jamaica proving popular and new destinations added such as Cuba and Sri Lanka. Cape Verde and Cyprus continue to grow as alternative destinations to North Africa. This Winter season also sees the first winter operations of the TUI Discovery and we are pleased with performance to date for the new ship.

In the Nordics, revenues are down 5% with bookings down 2% and 72% of the programme sold to date, in line with prior year. This reflects the impact of lower demand for Turkey in October (October is reported within Winter for Nordics, but within Summer for other Source Markets), reduced volumes to Egypt where demand remains subdued, and lower long haul volumes. These have been partly offset by higher demand for the Canaries. Winter trading is also impacted by the timing of key holidays, with Christmas falling on a weekend (therefore less popular for departures) and the Easter holidays falling in April (April is reported within Summer for Nordics, but within Winter for other Source Markets). The TUI rebrand was launched in the Nordics at the start of November 2016 and is progressing well.

In Germany, revenues are up 3% with bookings down 4% and 54% of the programme sold to date. We are continuing to increase our market share, despite challenging conditions. Trading reflects lower demand for Turkey, which is a Winter destination for Germany, and for Egypt, partly offset by growth in the Canaries (albeit with continued high levels of competition) and long haul.

In Benelux, revenues are up 5% with bookings up 2% and 63% of the programme sold to date, also ahead of prior year. Revenues in Belgium are up 5%, with subdued demand for Egypt offset by increased volumes for the Canaries, Mainland Spain and Morocco. The TUI rebrand launched in Belgium during October 2016 and is progressing well. Netherlands revenues are also up 5%, against strong comparatives as a result of the One Brand implementation last year.

Summer 2017

Trading for the Source Markets is at an early stage. In line with the usual Summer season launch dates for each Source Market, only the UK is over 20% sold. UK revenue is up 16% and bookings are up 9%, with growth again driven by long haul and cruise, including the launch of TUI Discovery 2. Sales for our additional TUI Cruises ship, Mein Schiff 6, are also progressing well. In Hotels & Resorts we are opening a new Sensatori in Rhodes, a new Robinson club in South East Asia and new TUI Blue hotels in Croatia and Italy, as well as continuing to expand our unique tour operator concepts in third party hotels including Sardinia, Croatia, Spain, Greece and Bulgaria.

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.

	Winter 2016/17	**Summer 2017**	**Winter 2017/18**
Euro	95%	82%	40%
US Dollars	90%	75%	45%
Jet Fuel	92%	88%	66%

As at 2 December 2016

PRIOR YEAR RESTATEMENT

We have revised our segmental reporting for the current and prior year. The most significant restatement relates to Hotelbeds Group. The Destination Services result has been carved out from Hotelbeds Group and is now reported within Other Tourism and, following the carve out, the Hotelbeds Group result has been reclassified to discontinued operations. In addition, the Crystal Ski and Thomson Lakes & Mountains result has been reclassified from Specialist Group to Northern Region, in preparation for the disposal of Travelopia. The result of Travelopia has been reclassified to discontinued operations. Also, costs relating to IT services have been reclassified from All Other Segments to Other Tourism, as they relate to the Tourism businesses. Minor reclassifications have also been made from Western and Central Region to All Other Segments

ADJUSTMENTS

Adjustments (including separately disclosed items and purchase price allocation, for continuing operations) of EUR102m were incurred during 2015/16, a reduction of EUR57m on prior year. The following table provides a breakdown of these items:

In EURm	**2015/16**	**2014/15**
Restructuring expense	12	59
Gains on disposals	1	-3
Other one-off items	47	61
Purchase price allocation (PPA)	42	42
Total Adjustments	**102**	**159**
Of which are merger related costs	11	39

NET INTEREST EXPENSE

Net interest expense (including expense from the measurement of interest hedges) for the year improved by EUR3m to EUR180m net expense (2014/15: net expense EUR183m). The improvement was driven by lower interest in relation to convertible bonds (which converted in the prior year), offset partly by the inclusion of EUR12m charge in the current year in respect of interest on the October 2019 high yield bond, which we have chosen to recognise up front. The bond was called on 19 October 2016 and redeemed in full on 18 November 2016. New senior notes with the same nominal amount were successfully issued on 26 October 2016 with a more favourable interest coupon. The notes will mature on 26 October 2021.

INCOME TAXES

Tax charge for the year was EUR153m (2014/15: EUR58m). Following the merger of TUI AG and TUI Travel PLC a reassessment of deferred tax assets on tax loss carry forwards was performed during the second quarter of 2014/15. This led to a tax credit of EUR114m in the prior year, primarily driven by the planned reorganisation of the German tax group. The underlying effective tax rate (which is calculated based on underlying earnings before tax, excluding separately disclosed items, acquisition related expenses and impairment charges) for TUI Group therefore reduced to 25% in 2014/15 and remained at this level in 2015/16.

PRO FORMA EARNINGS PER SHARE

The following table shows underlying earnings per share for continuing operations on a pro forma basis. This provides like-for-like figures on a year on year basis, adjusted for bond conversions and the merger with TUI Travel PLC in the prior year. Earnings per share performance reflects growth in underlying EBITA (offset partly by EUR91m adverse foreign exchange translation). Pro forma earnings per share increased by 2.4% on the prior year, or 15.5% excluding the negative impact of foreign exchange translation.

Pro forma figures in EURm	**2015/16**	**2014/15**
Underlying EBITA (including prior year restatements)	1,001	953
Net interest expense (excluding convertible bond interest in prior year)	-180	-163
Underlying earnings before tax	**821**	**790**
Underlying effective tax rate	*25%*	*25%*
Tax charge	-205	-197
Minority interest (excluding TUI Travel PLC in prior year)	-111	-90
Hybrid dividend	-	-11
Net income	**504**	**491**
Number of shares in issue as at 30.9.2016	587	587
Pro forma earnings per share in EUR	**0.86**	**0.84**

ACQUISITIONS AND DIVESTMENTS

No major acquisitions were made during 2015/16. On 31 October 2016 TUI AG acquired Transat's French tour operating business for an enterprise value of EUR55m, with the aim of increasing our market presence in France. A payment of EUR65m was made, including an assumption for working capital, subject to receipt of final completion accounts.

The Hotelbeds Group disposal was completed in September 2016 for a total cash consideration of EUR1.2bn. Proceeds from the disposal will be reinvested in our growth strategy for hotels and cruises, and to strengthen the core of our business.

Travelopia (formerly part of Specialist Group) is treated as discontinued operations, with marketing having commenced in September 2016. The disposal process is progressing to plan.

Our 12.3% shareholding in Hapag-Lloyd AG, which will be diluted to 8.9% following the merger of Hapag-Lloyd AG and United Arab Shipping Company, is accounted for as an available for sale financial asset, with a viable route to exit following the IPO at the end of 2015. As at 30 September 2016 the fair value of our shareholding (based on the Hapag-Lloyd AG closing share price that day) was EUR266m.

DIVIDEND

The Executive Board and the Supervisory Board are recommending a dividend of 63 cents per share (2014/15: 56 cents per share) in respect of the financial year 2015/16. Subject to approval at the Annual General Meeting on 14 February 2017, the dividend will be paid to shareholders on 17 February 2017 to holders of relevant shares at close of business on 14 February 2017.

NET DEBT, RATING AND FINANCIAL TARGETS

The net cash position (cash and cash equivalents less capital market financing, loans, overdrafts and finance leases) at 30 September 2016 was EUR32m for continuing operations, or EUR350m including Travelopia (30 September 2015: net debt EUR214m including Travelopia and Hotelbeds Group). The development of net cash reflects our strong operating cash flow performance, receipt of Hotelbeds proceeds and the benefit of foreign exchange translation, offset as anticipated by capital expenditure, pension contributions and dividend outflows. We also added EUR350m additional asset backed finance during the year, primarily for a new 787 aircraft and an additional cruise ship in the UK. The net cash position of EUR32m at 30 September 2016 consisted of EUR2,073m of cash and cash equivalents (EUR129m of which was subject to disposal restrictions), EUR1,232m of finance lease liabilities, EUR306m high yield bond and EUR503m bank and other financial liabilities (including owned cruise ship and aircraft finance).

Our focus on rating will allow us to obtain advantageous financing conditions and continue to ensure access to debt capital markets. This has already delivered benefits. Moody's upgraded TUI to Ba2 in April 2016, and Standard & Poor's revised its outlook on TUI from Stable to Positive in February 2016. We have delivered against our financial targets for 2015/16 with a leverage ratio of 3.3 times (target 3.5 to 2.75 times) and an interest coverage ratio of 4.8 times (4.5 to 5.5 times interest). For 2016/17, our financial targets have been tightened - leverage ratio target is 3.25 to 2.5 times, and interest cover target is 4.75 to 5.75 times.

In October 2016, we completed the issue of a Euro denominated senior bond, maturing October 2021, with a coupon of 2.125%. The proceeds are used for general corporate purposes including the refinancing of the former EUR300m 4.5% high yield bond, which was redeemed in November 2016.

OUTLOOK

Our sustained strong performance is a clear demonstration of the success of our growth strategy and the strength of our competitive position against what continues to be a turbulent geopolitical and macroeconomic backdrop. We believe our strategy creates value for our customers, our people and our shareholders alike.

Having completed the disposal of Hotelbeds Group in September, and with the disposal process for Travelopia underway, we are focussed on delivering transformational growth in our own hotel and cruise brands, supported and enabled by a strong and flexible balance sheet. Our medium term cash flow will therefore reflect the reinvestment of proceeds from the Hotelbeds Group disposal. Based on our roadmap for growth and current trading, we expect to deliver at least 10% growth in underlying EBITA in 2016/17[1], and extend our previous guidance of at least 10% underlying EBITA CAGR to 2018/19[1]. This balanced guidance is a clear demonstration of the confidence we have in our growth strategy, against what continues to be an uncertain geopolitical and macroeconomic backdrop.

The following detailed guidance is given in respect of 2016/17[1]:

- Turnover - around 3% growth

- Underlying EBITA - balanced guidance of at least 10% growth

- Adjustments - around EUR80m

- Net interest - around EUR160m

- Net capex and investments - around EUR1bn, including the acquisition of Transat's French tour operating business and purchase of Legend of the Seas for Thomson Cruises. This figure excludes aircraft order book finance.

- Year end net debt - around EUR0.8bn, reflecting investment in transformational growth and aircraft order book finance.

- Financial targets - leverage ratio 3.25 to 2.5 times, interest coverage 4.75 to 5.75 times

[1] 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 any disposal proceeds for Travelopia and Hapag-Lloyd AG

ANNUAL GENERAL MEETING AND Q1 2016/17

TUI Group will hold its Annual General Meeting and issue its Q1 2016/17 Report on 14 February 2017.

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