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13 December 2018

**TUI GROUP****Full year results to 30 September 2018****HIGHLIGHTS**

- Fourth consecutive year of double-digit earnings growth post-merger, with 10.9% increase in underlying EBITA<sup>1</sup> and continued strong ROIC performance.
- TUI's sustained strong performance in a challenging market environment demonstrates its successful transformation as an integrated provider of holiday experiences, with strong strategic positioning and double diversification across destinations and markets.
- Looking ahead, we continue to expect to deliver superior annual earnings growth with improved seasonality, strong cash conversion and strong ROIC performance. This will be driven by the benefits of our digitalisation efforts, efficiency measures and differentiation strategy through the disciplined expansion of own hotel and cruise offering, plus destination experience content.
- Based on our growth strategy, we reiterate our guidance of at least 10% CAGR in underlying EBITA for the three years to FY20<sup>1,2</sup>. In the nearer term, we expect to deliver at least 10% underlying EBITA growth in FY19<sup>1,3</sup>, with growth from investments, digitalisation and efficiency, as well as our double-diversified business model, helping to mitigate market challenges.

**KEY FINANCIALS**

<b>Year ended 30 September</b>					
		<b>2018</b>	2017	<b>Change</b>	<b>Constant currency change<sup>1</sup></b>
EURm					
Turnover		<b>19,524</b>	18,535	+5.3%	<b>+6.3%</b>
Underlying EBITA <sup>4</sup>		<b>1,147</b>	1,102	+4.1%	<b>+10.9%</b>
Reported EBITA <sup>5</sup>		<b>1,060</b>	1,027	+3.3%	<b>+10.4%</b>
Underlying earnings per share <sup>6</sup>		<b>1.17</b>	1.14	+2.6%	<b>+10.5%</b>
Earnings before tax <sup>7</sup>		<b>972</b>	1,080	-10.0%	<b>-3.7%</b>
Group profit attributable to shareholders of TUI AG		<b>732</b>	645	+13.6%	<b>+22.7%</b>
Leverage ratio <sup>8</sup>		<b>2.7 times</b>	2.5 times	-0.2 times	n/a
Return on invested capital (ROIC) <sup>9</sup>		<b>23.0%</b>	23.6%	-0.6% points	n/a
Dividend per share		<b>EUR0.72</b>	EUR0.65	+10.9%	n/a

<sup>1</sup> Based on constant currency growth<sup>2</sup> Three year CAGR from FY17 base to FY20<sup>3</sup> The FY18 base for underlying EBITA guidance is EUR1,187m, which excludes EUR40m adverse impact from the revaluation of Euro loan balances in Turkish hotel entities.<sup>4</sup> Underlying EBITA has been adjusted for gains/losses on disposal of investments, restructuring costs according to IAS 37, ancillary acquisition costs, conditional purchase price payments under purchase price allocations, amortisation of intangibles from purchase price allocations, and other expenses and income from one-off items<sup>5</sup> Reported EBITA comprises earnings before net interest result, income tax and impairment of goodwill and excluding the result from the measurement of interest hedges<sup>6</sup> For calculation of underlying earnings per share please refer to page 39 of the Annual Report<sup>7</sup> For reconciliation of earnings before tax to underlying EBITA, please refer to page 65 of the Annual Report<sup>8</sup> Leverage ratio is calculated as the ratio of gross debt (including net pension liabilities and discounted value of operating leases) to reported EBITDAR<sup>9</sup> 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 and Investor & Analyst Presentation and Webcast**

A full copy of our Annual Report 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 beforehand. Details of the webcast, which will be available for replay, will also be available there.

**FY18 RESULTS**

- We have delivered a fourth consecutive year of strong earnings growth, with underlying EBITA increasing to EUR1,147m, up 10.9% on prior year at constant currency rates. This sustained strong performance demonstrates TUI's successful transformation as an integrated provider of holiday experiences, with strong strategic positioning and double diversification across markets and destinations.

<b>In EURm</b>	
<b>Underlying EBITA FY17</b>	<b>1,102</b>
Holiday Experiences	+176
Markets & Airlines (formerly Sales & Marketing)	-44

All other segments	-22
Riu gains on hotel disposals (net of lost earnings)	+43
Niki bankruptcy	-20
Airline disruption	-13
<b>Underlying EBITA FY18 excluding FX translation</b>	<b>1,222</b>
Foreign exchange translation <sup>10</sup>	-75
<b>Underlying EBITA FY18</b>	<b>1,147</b>
Rebase for Turkish revaluations	+40
<b>FY18 rebased for FY19 guidance</b>	<b>1,187</b>

<sup>10</sup> Includes EUR40m adverse non-cash impact from the revaluation of Euro loan balances within Turkish hotel entities. The adverse impact was driven by the weaker Turkish Lira. The FY18 base for underlying EBITA guidance is EUR1,187m, which excludes this impact

- The significant growth in underlying EBITA was driven by a strong Holiday Experiences performance, with continued high demand for our portfolio of hotels and clubs, cruises and destination experiences. Markets & Airlines delivered 4.7% growth in customers, further increases in direct and online distribution, and with all markets now successfully rebranded as TUI. As previously flagged in our Q3 results and pre-close trading statement, the ability of Markets & Airlines to outperform was limited by the prolonged hot weather this Summer in Northern Europe and significant levels of airline disruption, in what continues to be a challenging market environment.

Underlying EBITA in EURm	FY18 at constant currency rates <sup>1</sup>	FY17	Variance at constant currency rates	FY18 at actual rates	Variance at actual rates
Hotels & Resorts	494.5	356.5	+138.0	425.7	+69.2
Cruises	324.6	255.6	+69.0	324.0	+68.4
Destination Experiences	46.9	35.1	+11.8	44.7	+9.6
<b>Holiday Experiences</b>	<b>866.0</b>	<b>647.2</b>	<b>+218.8</b>	<b>794.4</b>	<b>+147.2</b>
Northern Region	251.1	345.8	-94.7	254.1	-91.7
Central Region	89.4	71.5	+17.9	89.1	+17.6
Western Region	109.3	109.2	+0.1	109.3	+0.1
<b>Markets &amp; Airlines</b>	<b>449.8</b>	<b>526.5</b>	<b>-76.7</b>	<b>452.5</b>	<b>-74.0</b>
All other segments	-94.1	-71.6	-22.5	-99.9	-28.3
<b>Total TUI Group</b>	<b>1,221.7</b>	<b>1,102.1</b>	<b>+119.6</b>	<b>1,147.0</b>	<b>+44.9</b>

- Hotels & Resorts delivered strong earnings growth, with segmental ROIC increasing to 14.5% (versus segmental WACC of 7.9%).**
  - Our portfolio strategy continues to pay off - the increase in earnings (excluding net gains on disposals) was driven by a significant improvement in earnings in our Turkish and North African hotels, as demand increased significantly, as well as strong demand for Greece and continued high demand for the Caribbean. Spain remains a key destination, with demand normalising as expected in FY18.
  - Occupancy rate increased from 79% to 83%, and average rate per bed by 2%.
  - ROIC increased for the fourth successive year to 14.5%, demonstrating the attractiveness of our portfolio of hotel and club brands across multiple destinations, the benefit of having high levels of our own distribution, and our disciplined approach to investment.
  - We have opened 44 hotels since merger. Around 60% of these openings are lower capital intensity (management contracts and 50% of owned hotels due to joint venture structures). We remain on track to open around 60 new hotels by the end of FY19.
  - For further commentary on Hotels & Resorts, please see page 68 of the Annual Report.
- Cruise delivered another year of strong growth, with record ROIC of 22.8% (versus segmental WACC of 6.2%).**
  - Growth was driven by new ship launches in Germany and UK, with continued high occupancy and average daily rates across the fleets.
  - Average daily rates increased across all three fleets, despite the increase in capacity, demonstrating the strength of demand for our brands.
  - Segmental ROIC grew to a record 22.8%, reflecting our equity participation in TUI Cruises as well as strong performances by our Marella Cruises and Hapag-Lloyd Cruises subsidiaries.
  - For further commentary on Cruise, please see page 69 of the Annual Report.
- Destination Experiences delivered a significant increase in underlying EBITA, with a strong ROIC of 26%.**
  - Performance was driven by higher volumes in Turkey, Greece and North Africa, efficiencies in Spain, Portugal and Greece, and the inclusion of earnings of Destination Management following completion of the acquisition from Hotelbeds in August 2018.
  - For further commentary on Destination Experiences, please see page 70 of the Annual Report.
- Markets & Airlines (formerly Sales & Marketing) delivered further growth in customer volumes, as well as growth in earnings in several source markets, in a challenging market environment.**
  - Despite the Summer heatwave and airline disruption, we delivered earnings growth in several source markets, as well as an overall 4.7% increase in customer volumes.
  - Direct and online distribution mix increased to 74% (from 73%) and 48% (from 46%) respectively, and the TUI rebrand has now been successfully completed in all relevant markets.
  - Continued high net promoter score of 50, demonstrating the strength of our customer offer and focus on their holiday experience.
  - We are focused on delivering further efficiency improvements through the harmonisation of our three regional businesses, as

well as the benefits of digitalisation. Having successfully delivered the TUI rebranding, we now have one common Markets & Airlines CEO, and have identified further potential for harmonisation in business processes and overheads. In addition, we will continue to expand the synergies from One Aviation.

- For further commentary on Markets & Airlines please refer to page 70 of the Annual Report.

- The underlying EBITA result for All Other Segments reflects the impact of a planned airline maintenance event at the start of the year, and an aircraft towing incident in Q4, both in Corsair.
- Reported EBITA increased significantly, by 10.4% at constant currency rates, as a result of the strong underlying performance and disciplined management of separately disclosed items (SDIs). For further detail on Adjustments, please refer to page 66 of the Annual Report. In order to deliver further business harmonisation and efficiency in Markets & Airlines, we expect an elevated level of Adjustments in FY19 of approximately EUR125m.
- Underlying EPS increased to EUR1.17, or 10.5% growth at constant currency rates. This was driven by a strong earnings performance, the effect of more efficient financing, and continued low underlying effective tax rate of 20%. For the calculation of underlying EPS, please refer to page 39 of the Annual Report.
- The year on year reduction in EBT relative to the strong EBITA performance reflects the inclusion in prior year EBT of EUR172m gain on disposal of shares in Hapag-Lloyd AG, partly offset by lower net financing costs.
- We operate within a clearly defined and disciplined capital allocation framework. Our strong cash generation allows us to invest, pay dividends and strengthen the balance sheet. Since the merger, we have generated around EUR2 billion of disposal proceeds, which we have reinvested primarily into our higher margin, lower seasonality and better quality Holiday Experiences business, with a ROIC hurdle rate for growth investments of at least 15% on average. We also invest via ring-fenced joint ventures, make use of highly efficient asset finance and other finance instruments, as well as more "asset light" hotel management contracts, to optimise the cash flow available to shareholders. Finally, we have a clear financial policy to ensure balance sheet stability, targeting a leverage ratio of 3.0 times to 2.25 times and coverage ratio of 5.75 times to 6.75 times.

## DIVIDEND

We remain committed to delivering attractive returns to our shareholders, with a proposed dividend which has grown in line with underlying EBITA at constant currency rates. The Executive Board and the Supervisory Board are recommending a dividend of 72 cents per share in respect of the financial year 2018. Subject to approval at the Annual General Meeting on 12 February 2019, shareholders who held relevant shares at close of business on 12 February 2019 will receive the dividend on 15 February 2019 and holders of depositary instruments will receive the dividend on 26 February 2019. Looking forward to FY19, we remain committed to growing dividend per share in line with underlying EBITA<sup>1,3</sup>.

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

	Winter 2018/19	Summer 2019	Winter 2019/20
Euro	96%	72%	38%
US Dollars	90%	76%	42%
Jet Fuel	92%	87%	56%

*As at 6 December 2018*

## OUTLOOK AND EXPECTED DEVELOPMENT

In FY18 we delivered the fourth consecutive year of double digit earnings growth since the merger, with a continued strong ROIC performance. TUI's sustained strong performance in a challenging market environment demonstrates its successful transformation as an integrated provider of holiday experiences, with strong strategic positioning and diversification across destinations and markets. Looking ahead, we expect growth to continue, driven by the benefits of our digitalisation efforts, efficiency measures and differentiation strategy through the disciplined expansion of our own hotel, cruise and destination experience content.

In Hotels & Resorts, our diversified portfolio means we will continue to benefit from growth in demand for Turkey and North Africa, with a normalisation in demand for Spain, including the Canaries. Demand also remains strong for our year round destinations such as Mexico, the Caribbean and Cape Verde. We will continue to develop our portfolio of destinations, with a strong pipeline of own hotel openings for FY19 and beyond, and we remain on track to open approximately 60 additional hotels since merger by the end of FY19.

We will also launch three ships for our cruise brands in FY19. Bookings for the new ships and the existing fleet are progressing well, with a continued strong yield performance. Two ships exited our fleets (Marella Spirit and Hapag-Lloyd Cruises' Hanseatic) in Autumn 2018. Five further new builds are on order for TUI Cruises and Hapag-Lloyd Cruises, for delivery between end of 2019 and FY26, as we continue to build on our leadership position in the German-speaking cruise market.

We are re-shaping our Destination Experiences business based on the recent acquisitions of Destination Management and Musement, from 23 to 49 countries and from an off-line to fully digitalised business. We are also developing our tailored TUI Tours offer. In order to achieve these strategic goals, some additional investment into the digital platform (as operating cost) will be required in FY19.

In Markets & Airlines, we are focussed on delivering business harmonisation, especially in terms of business processes, overheads and aviation, and the benefits of digitalisation. We expect the challenging market environment to continue, and that this will be evident in our

Q1/Q2 FY19 results. This reinforces the importance of TUI's transformation away from the traditional tour operator space, to become an integrated provider of holiday experiences, and which helps to mitigate continued market challenges. Currently Winter 2018/19 bookings are down 1% versus prior year and average selling prices are down 2% versus prior year, with 60% of the programme sold, two percentage points behind prior year<sup>11</sup>. As outlined above, the programme to North Africa and Turkey has been expanded, offset by a reduction in the programme to the Canaries. Flight capacity from Nordics has been proactively reduced, with the planned closure of three airport bases as we continue to drive efficiency in our airlines, and also following the prolonged hot weather this Summer which has continued to subdue demand. We have also reduced our flight capacity from Germany, as we continue to improve our flight plan efficiency following the bankruptcies of Air Berlin and Niki. Bookings for next Summer 2019 are at a very early stage. Only the UK is more than 20% booked, and at this stage bookings are up 5% with average selling price down 1%.

<sup>11</sup> These statistics are up to 2 December 2018, shown on a constant currency basis and relate to all customers whether risk or non-risk

With regard to the UK's exit from the EU in 2019, the main concern remains whether our airlines will continue to have access to EU airspace. We will continue to address the importance of there being a special agreement for aviation to protect consumer choice with the relevant UK and EU ministers and officials, and are in regular exchange with relevant regulatory authorities. We are currently developing scenarios and mitigating strategies for various outcomes, including a "hard Brexit", depending on the political negotiations, with a focus to alleviate any potential impacts from Brexit for the Group.

Based on our growth strategy, we reiterate our guidance of at least 10% CAGR in underlying EBITA for the three years to FY20<sup>1,2</sup>. In the nearer term, we expect to deliver at least 10% underlying EBITA growth in FY19<sup>1,3</sup>, with growth from investments, digitalisation and efficiency, as well as our double-diversified business model, helping to mitigate market challenges. Further detail on FY19 expected development is set out in the table below.

	<b>FY19 guidance<sup>1</sup></b>	<b>FY18</b>
Turnover <sup>12</sup>	Around 3% growth	EUR19,524m
Underlying EBITA rebased <sup>13</sup>	At least 10% growth	EUR1,187m <sup>13</sup>
Adjustments	~EUR125m	EUR87m
Net capex & investments <sup>14</sup>	~EUR1.0bn-1.2bn	EUR0.8bn
Leverage ratio	3.0 times to 2.25 times	2.7 times
Dividend per share	Growth in line with underlying EBITA rebased <sup>13</sup>	EUR0.72

<sup>12</sup> Excluding cost inflation relating to currency movements

<sup>13</sup> Rebased to take into account EUR40m impact of revaluation of Euro loan balances within Turkish Lira entities in FY18

<sup>14</sup> Including PDPs, excluding aircraft assets financed by debt or finance leases

## **ANNUAL GENERAL MEETING AND Q1 FY19**

TUI Group will hold its Annual General Meeting and issue its Q1 FY19 Report on 12 February 2019.

## **ANALYST & INVESTOR ENQUIRIES**

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