Q1

QUARTERLY STATEMENT 2019

Q1 in line with our expectations – Markets & Airlines weak, partly offset by Holiday Experiences ——— Sector challenges continue in Markets & Airlines, continued strong performance expected for Holiday Experiences ——— Expect FY19 underlying EBITA to be broadly stable compared with record performance in FY18* ——— Growth strategy intact – TUI well positioned

* Based on constant currency; FY18 comparative rebased in December 2018 to € 1,187 m to take into account € 40 m impact for revaluation of Euro loan balances within Turkish Lira entities in FY18, and adjusted further to € 1,177 m for retrospective application of IFRS 15

TUI GROUP

QUARTERLY STATEMENT Q1 2019

TUI Group – financial highlights

€ million		Q1 2019	Q1 2018 adjusted	Var. %	Var. % at constant currency
Turnover		**3,704.8**	**3,548.9**	**+4.4**	**+4.7**
Underlying EBITA[1]					
Hotels & Resorts		68.7	91.9	–25.2	–25.8
Cruises		47.0	37.5	+25.3	+25.6
Destination Experiences		–4.7	–3.5	–34.3	–28.6
Holiday Experiences		111.0	125.9	–11.8	–12.0
Northern Region		–74.3	–37.3	–99.2	–98.1
Central Region		–37.1	–54.8	+32.3	+32.1
Western Region		–66.7	–48.7	–37.0	–36.8
Markets & Airlines		–178.1	–140.8	–26.5	–26.2
All other segments		–16.5	–21.8	+24.3	+21.1
TUI Group		**–83.6**	**–36.7**	**–127.8**	**–129.2**
EBITA[2]		**–105.6**	**–56.9**	**–85.6**	
Underlying EBITDA[3]		**26.8**	**57.5**	**–53.4**	
EBITDA[3]		**11.9**	**43.6**	**–72.7**	
EBITDAR[4]		**189.6**	**214.4**	**–11.6**	
Net loss for the period		–111.9	–68.3	–63.8	
Earnings per share	€	–0.24	–0.19	–26.3	
Equity ratio (31 Dec)[5]	%	26.9	26.7	+0.2	
Net capex and investments		294.8	140.7	+109.5	
Net financial position (31 Dec)		–1,832.0	–874.2	–109.6	
Employees (31 Dec)		60,839	55,061	+10.5	

Differences may occur due to rounding.

This Quarterly Statement of the TUI Group was prepared for the reporting period Q1 2019 from 1 October 2018 to 31 December 2018.

The TUI Group applied IFRS 15 and IFRS 9 retrospectively from 1 October 2018. Previous year' figures were adjusted due to the first-time application of IFRS 15 and previous year's structure was adjusted due to the first-time application of IFRS 9.

In Q1 2019, the Italian tour operators were transferred from All other segments to the Central Region. In addition, the Crystal Ski companies, which provide services in the destinations, were reclassified from Northern Region to Destination Experiences. Prior-year figures were adjusted 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/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. Please also refer to page 15 for further details.
2 EBITA comprises earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges.
3 EBITDA is defined as earnings before interest, income taxes, goodwill impairment and amortisation and write-ups of other intangible assets, depreciation and write-ups of property, plant and equipment, investments and current assets. The amounts of amortisation and depreciation represent the net balance including write-backs. Underlying EBITDA 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.
4 For the reconciliation from EBITDA to the indicator EBITDAR, long-term leasing and rental expenses are eliminated.
5 Equity divided by balance sheet total in %, variance is given in percentage points.

Q1 Summary

- Q1 performance was in line with our expectations. Our product-focussed strategy and investment in unique hotel and cruise brands continues to pay off.
- As flagged, this was offset by a weak performance in our Markets & Airlines business, where the seasonal loss increased significantly. This was primarily due to the knock-on impact of the Summer 2018 heatwave, overcapacities in Spain arising from the shift in demand to the Eastern Mediterranean, pressure on yields, continued Pound Sterling weakness, and strong comparatives for Nordics in Q1 last year.
- The current year result also includes a net € 11 m benefit from special items, as stated below. Please refer to pages 6 to 10 below for further detail on segmental performance in Q1.
- As detailed in our announcement on 6 February 2019, we expect underlying EBITA rebased at constant currency to be broadly stable in FY19 compared with the record performance in FY18 of € 1,177 m[1], with a continued strong performance in Holiday Experiences offset by a continuation of sector headwinds in Markets & Airlines.
- Our growth strategy remains intact and TUI is well positioned.

[1] Based on constant currency; FY18 comparative rebased in December 2018 to € 1,187 m to take into account € 40 m impact for revaluation of Euro loan balances within Turkish Lira entities in FY18, and adjusted further to € 1,177 m for retrospective application of IFRS 15

Q1 results at a glance

€ million	Q1 2019
Underlying EBITA Q1 FY18 (originally reported)	**– 25**
IFRS 15 impact[2]	**– 12**
Underlying EBITA Q1 FY18 (adjusted)	**– 37**
Holiday Experiences	+ 23
Markets & Airlines	– 86
All other segments	+ 5
Special items	
Prior year: Riu gains on disposal	– 38
Prior year: Niki bankruptcy impact	+ 20
Current year: Northern Region hedging gain[3]	+ 29
Underlying EBITA Q1 FY19 constant currency	**– 84**
Foreign exchange translation	–
Underlying EBITA Q1 FY19	**– 84**

[2] TUI Group has applied IFRS 15 from 1 October 2018 using the retrospective method. This means that the prior year reference period is presented in accordance with IFRS 15. The main impacts of this were set out on page 248 of our Annual Report 2018.

[3] Relates to gains crystallised on a hedge taken out in Northern Region, which is no longer required.

OUTLOOK AND EXPECTED DEVELOPMENT

We are continuing to deliver our growth strategy, with a focus on product and investment in unique Holiday Experiences, together with the ongoing digitalisation and platforming of our business. We currently have 28 hotel openings, mainly in year-round destinations, and three cruise ship launches scheduled in FY19, and are on track with the integration of last year's Destination Management and Musement acquisitions in Destination Experiences. These acquisitions have significantly enhanced our geographic coverage and excursions & activities product offer, as well as providing a digitalised platform for future growth with the Musement platform now including content from Destination Experiences. In addition, TUI UK retail are using Musement as their booking platform for excursions & activities. In terms of destinations, Turkey and North Africa continue to grow in popularity, with demand for Spain continuing to normalise. In Cruises, the strong demand continues for TUI Cruises, Marella Cruises and Hapag-Lloyd Cruises, as we look forward to our ship launches in 2019 and beyond. Looking ahead, load factor and yield performance are in line with our expectations, and reflect the additional capacity coming to market.

As published in our announcement on 6 February 2019, Markets & Airlines continue to face significant sector headwinds. Previously, it was anticipated that these headwinds would impact negatively on H1 (Winter), however we are seeing from current bookings an adverse impact on H2 (Summer), and have updated our guidance accordingly. Markets & Airlines bookings[4] for Winter 2018 / 19 are down 1 % on prior year, with average selling price down 2 % and a lower margin performance than prior year. 85 % of the programme has been sold to date. For Summer 2019, 34 % of the programme has been booked to date. Bookings are broadly in line with prior year and average selling price is flat, again with a lower margin performance than prior year.

[4] These statistics are up to 3 February 2019, shown on a constant currency basis and relate to all customers whether risk or non-risk

The lower margin performance is driven by a continuation of the sector headwinds already discussed at our FY18 results presentation in December 2018, in particular:

- negative impact from the extraordinary hot weather in 2018, resulting in later bookings and weaker Markets & Airlines margins;
- shift in demand from the Western to Eastern Mediterranean, which has created overcapacities in certain destinations such as the Canaries, resulting in lower margins for Markets & Airlines; and
- continued weakness of the Pound Sterling, making it difficult to improve margins on holidays sold to UK customers.

We therefore expect underlying EBITA to be broadly stable in FY19 compared with the record performance in FY18 of € 1,177 m[5], with a continued strong performance in Holiday Experiences offset by a continuation of sector headwinds in Markets & Airlines.

[5] Based on constant currency; FY18 comparative rebased in December 2018 to € 1,187 to take into account € 40 m impact for revaluation of Euro loan balances within Turkish Lira entities in FY18, and adjusted further to € 1,177 m post retrospective application of IFRS 15

We are already taking specific measures to address Markets & Airlines headwinds, including harmonisation under one leadership to drive cost savings and efficiencies; reducing distribution costs by shifting to more direct, more online, more mobile; and increasing upselling of activities & excursions to drive revenue and margin benefits. We also expect that the continued sector headwinds may trigger market consolidation, and that TUI could be a beneficiary of this.

Despite the challenges experienced by Markets & Airlines, demand for leisure travel continues to grow in our core markets. We have positioned TUI to benefit from this through the successful transformation as an integrated provider of Holiday Experiences (hotels, cruises and activities & excursions), based on its strong strategic and financial position. On top of that, we are planning to enter into new markets generating € 1 billion of revenue from 1 million customers by 2022, driving more demand for our own hotels. Holiday Experiences delivered 70 % of underlying EBITA in FY18 and we expect continued strong performance from these parts of our business. Having delivered this transformation, we expect the ongoing digitalisation and platforming of our business to drive future earnings, positioning TUI to continue to benefit from the strong mid- to long-term growth in consumer demand for leisure travel.

Due to the application of IFRS 15, turnover for FY18 has been adjusted to € 19.2 billion. Our guidance of around 3 % turnover growth in FY19[6] remains unchanged.

[6] Based on constant currency; prior year comparatives presented in accordance with IFRS 15

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 are continuing 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 continue to develop scenarios and mitigating strategies for various outcomes, including a "hard Brexit", depending on the political negotiations, with a focus to alleviate potential impacts from Brexit for the Group.

Consolidated earnings

Turnover

€ million	Q1 2019	Q1 2018 adjusted	Var. %
Hotels & Resorts	139.3	144.8	– 3.8
Cruises	193.0	192.3	+ 0.4
Destination Experiences	158.3	39.2	+ 303.8
Holiday Experiences	490.6	376.3	+ 30.4
Northern Region	1,153.8	1,183.9	– 2.5
Central Region	1,333.6	1,275.5	+ 4.6
Western Region	573.7	575.9	– 0.4
Markets & Airlines	3,061.1	3,035.3	+ 0.8
All other segments	153.1	137.3	+ 11.5
TUI Group	**3,704.8**	**3,548.9**	**+ 4.4**
TUI Group at constant currency	**3,716.6**	**3,548.9**	**+ 4.7**

Underlying EBITA

€ million	Q1 2019	Q1 2018 adjusted	Var. %
Hotels & Resorts	68.7	91.9	– 25.2
Cruises	47.0	37.5	+ 25.3
Destination Experiences	– 4.7	– 3.5	– 34.3
Holiday Experiences	111.0	125.9	– 11.8
Northern Region	– 74.3	– 37.3	– 99.2
Central Region	– 37.1	– 54.8	+ 32.3
Western Region	– 66.7	– 48.7	– 37.0
Markets & Airlines	– 178.1	– 140.8	– 26.5
All other segments	– 16.5	– 21.8	+ 24.3
TUI Group	**– 83.6**	**– 36.7**	**– 127.8**
TUI Group at constant currency	**– 84.1**	**– 36.7**	**– 129.2**

EBITA

€ million	Q1 2019	Q1 2018 adjusted	Var. %
Hotels & Resorts	68.7	91.9	– 25.2
Cruises	47.0	37.5	+ 25.3
Destination Experiences	– 8.7	– 3.8	– 128.9
Holiday Experiences	107.0	125.6	– 14.8
Northern Region	– 91.1	– 41.6	– 119.0
Central Region	– 39.0	– 58.4	+ 33.2
Western Region	– 68.3	– 58.6	– 16.6
Markets & Airlines	– 198.4	– 158.6	– 25.1
All other segments	– 14.2	– 23.9	+ 40.6
TUI Group	**– 105.6**	**– 56.9**	**– 85.6**

Segmental performance

Holiday Experiences

€ million	Q1 2019	Q1 2018 adjusted	Var. %
Turnover	490.6	376.3	+30.4
Underlying EBITA	111.0	125.9	–11.8
Underlying EBITA at constant currency rates	110.8	125.9	–12.0

Hotels & Resorts

		Q1 2019	Q1 2018 adjusted	Var. %
Total turnover	in € million	313.5	295.4	+6.1
Turnover	in € million	139.3	144.8	–3.8
Underlying EBITA	in € million	68.7	91.9	–25.2
Underlying EBITA at constant currency rates	in € million	68.2	91.9	–25.8
Capacity hotels total[1]	**in '000**	**9,135**	**8,870**	**+3.0**
Riu		4,415	4,395	+0.4
Robinson		677	691	–2.0
Blue Diamond		949	810	+17.2
Occupancy rate hotels total [2]	**in %, variance in % points**	**76**	**75**	**+0.6**
Riu		82	85	–2.3
Robinson		71	64	+7.6
Blue Diamond		74	78	–4.0
Average revenue per bed hotels total[3, 4]	**in €**	**65**	**63**	**+2.7**
Riu		65	64	+1.4
Robinson		88	91	–3.3
Blue Diamond[4]		113	106	+6.2

Turnover measures include fully consolidated companies, all other KPIs incl. companies measured at equity

1 Group owned or leased hotel beds multiplied by opening days per quarter
2 Occupied beds divided by capacity
3 Arrangement revenue divided by occupied beds
4 FY18 Average revenue per bed restated

- Excluding last year's € 38 m gain on three hotel disposals in Riu, underlying EBITA of Hotels & Resorts increased by € 15 m, driven by the continued recovery in demand for Turkey and North Africa.
- Occupancy for the segment remains high, at 76 %, reflecting the continued strong benefit of our integrated business model. Average revenue per bed increased by 3 %.
- Twelve new hotels were opened in the quarter in year-round destinations (Caribbean, Mexico, Cape Verde and Egypt).
- Our diversified portfolio of hotels and destinations means that we continue to benefit from the increased demand for Turkey and North Africa. Occupancy, rates and earnings in these hotels continued to grow this quarter.
- Riu's performance was driven primarily by the non-repeat of last year's disposal gains. Overall, occupancy remains high at 82 %, and average rate per bed increased by 1 % versus prior year. As expected, demand for Spain (including Canaries) is continuing to normalise. Riu opened three new hotels this quarter in Mexico and Cape Verde.
- Robinson's performance was slightly behind prior year, due to the planned closure of a club in Fuerteventura for major renovation, partly offset by improved performance in Maldives, Turkey and North Africa. Average rate decreased due to lower pricing in Spain, which was not fully offset by higher pricing for Turkish clubs due to seasonal planned closures.
- Blue Diamond's earnings decreased in the quarter as a result of higher interest costs in relation to the financing of new hotels. The reduction in occupancy this quarter reflects the impact of new openings, as they continue to build up to run-rate.

Cruises

		Q1 2019	Q1 2018 adjusted	Var. %
Turnover[1]	in € million	193.0	192.3	+0.4
Underlying EBITA	in € million	47.0	37.5	+25.3
Underlying EBITA at constant currency rates	in € million	47.1	37.5	+25.6
Occupancy	**in %, variance in % points**			
TUI Cruises		100	99	+1.3
Marella Cruises[2]		102	101	+0.8
Hapag-Lloyd Cruises		75	76	–0.4
Passenger days	**in '000**			
TUI Cruises		1,372	1,266	+8.3
Marella Cruises[2]		704	692	+1.8
Hapag-Lloyd Cruises		71	75	–5.1
Average daily rates[3]	**in €**			
TUI Cruises		149	149	–
Marella Cruises[2,4]		137	129	+6.2
Hapag-Lloyd Cruises		591	533	+10.9

1 No turnover is carried for TUI Cruises as the joint venture is consolidated at equity
2 Rebranded from Thomson Cruises in October 2017
3 Per day and passenger
4 Inclusive of transfers, flights and hotels due to the integrated nature of Marella Cruises, in GBP

- The Cruises underlying EBITA result increased by € 10 m in the quarter, driven primarily by increased earnings for Hapag-Lloyd Cruises.
- TUI Cruises earnings increased due to the launch of the new Mein Schiff 1 in 2018 and good performance across the fleet, offset partly by the exit of the former Mein Schiff 1 to Marella.
- Marella Cruises earnings increased due to the launch of Marella Explorer in 2018 (the former Mein Schiff 1) and a good performance across the fleet, offset partly by dry dock days for the Discovery and exit of the Spirit.
- Hapag-Lloyd Cruises earnings increased significantly, with increased rates across the fleet and the non-repeat of dry dock days in prior year, partly offset by the exit of the Hanseatic.

Destination Experiences

€ million	**Q1 2019**	Q1 2018 adjusted	Var. %
Total turnover*	226.3	83.2	+172.0
Turnover*	158.3	39.2	+303.8
Underlying EBITA	–4.7	–3.5	–34.3
Underlying EBITA at constant currency rates	–4.5	–3.5	–28.6

* Previous year's figures restated for reclassification of Destination Experiences companies of Crystal Ski previously reported in Northern Region

- The Destination Experiences result reflects the positive impact from the acquisition of Destination Management, offset by the start-up losses in our Musement acquisition. As flagged previously, we expect the Musement acquisition to become earnings accretive from year two.
- The integration of Destination Management is on track and synergies will start to be delivered during FY19. The Musement platform is now live with Destination Experiences products, and has also been rolled out as the agency solution for TUI UK retail.

Markets & Airlines

		Q1 2019	Q1 2018 adjusted	Var. %
Turnover	in € million	3,061.1	3,035.3	+0.8
Underlying EBITA	in € million	–178.1	–140.8	–26.5
Underlying EBITA at constant currency rates	in € million	–177.7	–140.8	–26.2
Direct distribution mix[1]	in %, variance in % points	73	74	–1.0
Online mix[2]	in %, variance in % points	49	48	+1.0
Customers	in '000	3,667	3,623	+1.2

[1] Share of sales via own channels (retail and online)
[2] Share of online sales

- As expected and outlined in our FY18 results in December 2018, the weak performance in Markets & Airlines was primarily due to the knock-on impact of the Summer 2018 heatwave, overcapacities in Spain arising from the shift in demand to the Eastern Mediterranean, pressure on yields, continued Pound Sterling weakness, and strong comparatives for Nordics in Q1 last year.
- The current year result for Northern Region includes a gain which was crystallised on a hedge which is no longer required.

Northern Region

		Q1 2019	Q1 2018 adjusted	Var. %
Turnover	in € million	1,153.8	1,183.9	–2.5
Underlying EBITA	in € million	–74.3	–37.3	–99.2
Underlying EBITA at constant currency rates	in € million	–73.9	–37.3	–98.1
Direct distribution mix[1]	in %, variance in % points	93	92	+1.0
Online mix[2]	in %, variance in % points	67	65	+2.0
Customers	in '000	1,237	1,249	–1.0

[1] Share of sales via own channels (retail and online)
[2] Share of online sales

- For both UK and Nordics, demand has been significantly impacted by the factors outlined above. In addition, this has made it harder in the Nordics to pass on relatively high cost inflation this Winter (currency and departure taxes).
- Northern Region customer numbers declined by 1.0 % compared with prior year. In the UK, although customer numbers were broadly in line with prior year, trading margin performance was significantly lower due to the factors outlined above.
- In the Nordics, volumes were down 5.6 % on prior year, with many customers having used up their annual leave over the Summer to enjoy the hot weather. This compares with a very strong performance in Nordics in the previous year.
- The share of earnings for Canada decreased in the quarter, primarily as a result of the year on year impact of fuel and currency rates.
- The negative effects outlined above were partly offset by € 29 m gain which crystallised during the quarter on a hedge which is no longer required.

Central Region

		Q1 2019	Q1 2018 adjusted	Var. %
Turnover	in € million	1,333.6	1,275.5	+4.6
Underlying EBITA	in € million	–37.1	–54.8	+32.3
Underlying EBITA at constant currency rates	in € million	–37.2	–54.8	+32.1
Direct distribution mix[1]	in %, variance in % points	49	49	–
Online mix[2]	in %, variance in % points	21	20	+1.0
Customers	in '000	1,404	1,373	+2.3

Previous year's figures adjusted due to the reclassification of Italian tour operators

[1] Share of sales via own channels (retail and online)
[2] Share of online sales

- The improvement in Central Region underlying EBITA was driven by Germany. This included the non-repeat of the impact of the bankruptcy of Niki (€ 20 m cost in prior year) as well as reduced overheads. These positive effects were offset partly by the increase in airline cost base due to the loss of the Air Berlin / Niki contract, as well as reduced trading as a result of the headwinds outlined above.
- Central Region customer volumes increased by 2.3 %. Germany was broadly in line with prior year. The increase was driven by Poland, where we continue to build scale and market share.

Western Region

		Q1 2019	Q1 2018 adjusted	Var. %
Turnover	in € million	573.7	575.9	–0.4
Underlying EBITA	in € million	–66.7	–48.7	–37.0
Underlying EBITA at constant currency rates	in € million	–66.6	–48.7	–36.8
Direct distribution mix[1]	in %, variance in % points	76	75	+1.0
Online mix[2]	in %, variance in % points	59	58	+1.0
Customers	in '000	1,026	1,001	+2.5

[1] Share of sales via own channels (retail and online)
[2] Share of online sales

- In Western Region, margins were impacted by the factors outlined above. In addition, especially in France, there was a negative consumer sentiment against the backdrop of the "Gilets Jaunes" protests.
- In addition, the result reflects a higher level of airline disruption and staffing costs in Belgium.
- Customer volumes increased by 2.5 %, with a higher increase in Belgium (mainly driven by seat only) offset by lower volumes than prior year in France.

All other segments

€ million	Q1 2019	Q1 2018 adjusted	Var. %
Turnover	153.1	137.3	+11.5
Underlying EBITA	–16.5	–21.8	+24.3
Underlying EBITA at constant currency rates	–17.2	–21.8	+21.1

- The result for All other segments improved primarily due to a reduction in head office costs.
- The Corsair result further deteriorated due to increased costs and the impact of the recent 'Gilets Jaunes' protests in France.

Cash flow / Net capex and investments / Net debt

The cash outflow from operating activities increased by € 260 m to € – 1,580 m. This was driven by a higher working capital outflow for the payment of hotel creditors than prior year, mainly as a result of increased capacity in Summer 2018 in Central Region.

As at 31 December 2018, the net debt rose by € 958 m. The year-on-year increase in net debt primarily reflected the planned reinvestment of the proceeds of disposals generated in the two prior years as well as additional aircraft finance leases.

From the Half Year Financial Report 2018, we have adjusted the definition of our net debt. While net debt has so far been calculated as the balance between current and non-current financial debt and cash and cash equivalents, we will also consider future short-term interest-bearing investments as a debt-deduction item. The majority of these investments become due between three and six months. In accordance with IFRS regulations, these investments are not shown as cash and cash equivalents in the consolidated balance sheet but within current trade receivables and other assets. This adjustment had no effect on the previous year.

Net financial position

€ million	31 Dec 2018	31 Dec 2017	Var. %
Financial debt	2,761.5	1,871.4	+47.6
Cash and cash equivalents	919.7	997.2	−7.8
Short-term interest-bearing investments	9.8	–	n.a.
Net debt	**−1,832.0**	**−874.2**	**−109.6**

Net capex and investments

€ million	Q1 2019	Q1 2018 adjusted	Var. %
Cash gross capex			
Hotels & Resorts	79.1	62.1	+27.4
Cruises	146.2	35.4	+313.0
Destination Services	2.0	0.9	+122.2
Holiday experiences	227.3	98.4	+131.0
Northern Region	10.7	8.3	+28.9
Central Region	6.0	6.9	−13.0
Western Region	11.3	6.1	+85.2
Markets & Airlines	28.0	21.3	+31.5
All other segments	21.8	55.3	−60.6
TUI Group	**277.1**	**175.0**	**+58.3**
Net pre delivery payments on aircraft	−32.0	40.5	n.a.
Financial investments	61.4	10.4	+490.4
Divestments	−11.7	−85.2	+86.3
Net capex and investments	**294.8**	**140.7**	**+109.5**

The increase in net capex and investments in Q1 2019 was mainly driven by the acquisition of Marella Explorer 2 and the acquisitions of the online platform Musement as well as further companies from Hotelbeds, and the phasing of capital expenditure previously expected in FY18. The decline in divestments resulted from the sale of three Riu hotels in the prior year.

Foreign exchange / Fuel

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

Foreign Exchange / Fuel

%	Winter 2018/19	Summer 2019
Euro	98	86
US Dollars	93	82
Jet Fuel	92	89

As at 7 February 2019

Financial position

Financial position of the TUI Group as at 31 Dec 2018

€ million	31 Dec 2018	30 Sep 2018 adjusted*	1 Oct 2017 adjusted*
Assets			
Goodwill	2,958.7	2,911.4	2,889.5
Other intangible assets	638.6	631.6	548.1
Property, plant and equipment	5,113.5	4,899.2	4,253.7
Investments in joint ventures and associates	1,403.3	1,402.3	1,284.1
Trade receivables and other assets	333.2	287.7	211.8
Touristic payments on account	176.5	157.3	185.2
Derivative financial instruments	30.2	83.2	79.9
Financial assets available for sale	75.0	54.3	69.5
Income tax assets	9.7	9.6	–
Deferred tax assets	250.3	228.0	326.0
Non-current assets	**10,989.0**	**10,664.6**	**9,847.8**
Inventories	129.9	118.5	110.2
Trade receivables and other assets	967.1	981.9	794.5
Touristic payments on account	825.6	731.3	583.9
Derivative financial instruments	316.5	441.8	215.4
Income tax assets	152.7	113.8	98.7
Cash and cash equivalents	919.7	2,548.0	2,516.1
Assets held for sale	–	5.5	9.6
Current assets	**3,311.5**	**4,940.8**	**4,328.4**
Total assets	**14,300.5**	**15,605.4**	**14,176.2**

* Prior-year figures adjusted due to retrospective application of IFRS 15 and PPA adjustment for Destination Management

Financial position of the TUI Group as at 31 Dec 2018

€ million	**31 Dec 2018**	30 Sep 2018 adjusted*	1 Oct 2017 adjusted*
Equity and liabilities			
Subscribed capital	1,502.9	1,502.9	1,501.6
Capital reserves	4,200.5	4,200.5	4,195.0
Revenue reserves	–2,523.9	–2,058.2	–2,798.3
Equity before non-controlling interest	**3,179.5**	**3,645.2**	**2,898.3**
Non-controlling interest	667.0	635.5	594.0
Equity	**3,846.5**	**4,280.7**	**3,492.3**
Pension provisions and similar obligations	988.5	962.2	1,094.7
Other provisions	764.5	768.1	801.4
Non-current provisions	**1,753.0**	**1,730.3**	**1,896.1**
Financial liabilities	2,415.1	2,250.7	1,761.2
Derivative financial instruments	71.4	12.8	50.4
Income tax liabilities	69.7	108.8	150.2
Deferred tax liabilities	85.9	197.4	106.4
Other liabilities	106.4	103.4	150.2
Non-current liabilities	**2,748.5**	**2,673.1**	**2,218.4**
Non-current provisions and liabilities	**4,501.5**	**4,403.4**	**4,114.5**
Pension provisions and similar obligations	31.7	32.6	32.7
Other provisions	343.7	348.3	349.9
Current provisions	**375.4**	**380.9**	**382.6**
Financial liabilities	346.4	192.2	171.9
Trade payables	1,761.3	2,697.1	2,434.0
Touristic advance payments received	2,601.8	2,824.8	2,700.4
Derivative financial instruments	149.9	65.7	217.2
Income tax liabilities	126.8	86.2	65.3
Other liabilities	590.9	674.4	598.0
Current liabilities	**5,577.1**	**6,540.4**	**6,186.8**
Current provisions and liabilities	**5,952.5**	**6,921.3**	**6,569.4**
Total provisions and liabilities	**14,300.5**	**15,605.4**	**14,176.2**

* Prior-year figures adjusted due to retrospective application of IFRS 15 and PPA adjustment for Destination Management

Income statement

Income statement of the TUI Group for the period from 1 Oct 2018 to 31 Dec 2018

€ million	**Q1 2019**	Q1 2018 adjusted*	Var. %
Turnover	3,704.8	3,548.9	4.4
Cost of sales	3,560.4	3,364.8	5.8
Gross profit	**144.4**	**184.1**	**–21.6**
Administrative expenses	320.8	306.8	4.6
Other income	5.5	45.7	–88.0
Other expenses	1.3	0.3	333.3
Impairment of financial assets	–4.4	24.9	n. a.
Financial income	48.0	14.2	238.0
Financial expenses	49.6	37.1	33.7
Share of result of joint ventures and associates	34.4	40.8	–15.7
Earnings before income taxes	**–135.0**	**–84.3**	**–60.1**
Income taxes	–23.1	–16.0	–44.4
Result from continuing operations	**–111.9**	**–68.3**	**–63.8**
Group loss for the year	**–111.9**	**–68.3**	**–63.8**
Group loss for the year attributable to shareholders of TUI AG	–139.1	–109.2	–27.4
Group profit for the year attributable to non-controlling interest	27.2	40.9	–33.5

* Prior-year figures adjusted due to restrospective application of IFRS 15 and previous year's structure was adjusted due to the first-time application of IFRS 9

Cash flow statement

Condensed cash flow statement of the TUI Group

€ million	**Q1 2019**	Q1 2018
Cash outflow from operating activities	–1,580.2	–1,320.4
Cash outflow from investing activities	–284.7	–140.7
Cash outflow / inflow from financing activities	**232.2**	**–48.8**
Net change in cash and cash equivalents	–1,632.7	–1,509.9
Change in cash and cash equivalents due to exchange rate fluctuation	4.4	–9.0
Cash and cash equivalents at beginning of period	2,548.0	2,516.1
Cash and cash equivalents at end of period	919.7	997.2

Alternative performance measures

Key indicators used to manage the TUI Group are underlying EBITA and EBITA.

EBITA comprises earnings before interest, taxes and goodwill impairments. EBITA includes amortisation of other intangible assets. It does not include the result from the measurement of interest hedges.

Underlying EBITA has been adjusted for gains on disposal of financial investments, restructuring expenses according to 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 items.

The table below shows the reconciliation of earnings before tax to underlying earnings.

Reconciliation to underlying EBITA

€ million	**Q1 2019**	Q1 2018 adjusted*	Var. %
Earnings before income taxes*	**–135.0**	**–84.3**	**–60.1**
plus: Net interest expense	27.5	25.6	7.4
plus: Expense from the measurement of interest hedges	1.9	1.8	5.6
EBITA*	–105.6	–56.9	–85.6
Adjustments:			
plus: Restructuring expense	1.5	9.1	
plus: Expense from purchase price allocation	8.3	7.6	
plus: Expense from other one-off items	12.2	3.5	
Underlying EBITA*	**–83.6**	**–36.7**	**–127.8**

* Prior-year figures adjusted due to restrospective application of IFRS 15

One-off items carried here include adjustments for income and expense items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the segments and the Group more difficult or causing distortions. These items include in particular major restructuring and integration expenses not meeting the criteria of IAS 37, material expenses for litigation, gains and losses from the sale of aircraft and other material business transactions with a one-off character.

In Q1 2019, adjustments (including individual items and purchase price allocations) totaling € 22.0 m (previous year: € 20.2 m) were made. The individual items adjusted in the quarter under review mainly relate to one-off payments in connection with the conversion of the pension plan in the United Kingdom to a defined contribution plan. In the prior-year quarter, in addition to expenses from purchase price allocations, restructuring costs for the integration of Transat in France in particular had to be adjusted.

The TUI Group's operating loss adjusted for special items increased by € 46.9 m to € 83.6 m in Q1 2019.

Key figures of income statement

€ million	**Q1 2019**	Q1 2018 adjusted	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)	**189.6**	**214.4**	**–11.6**
Operating rental expenses	177.7	170.7	+ 4.1
Earnings before interest, income taxes, depreciation and impairment (EBITDA)	**11.9**	**43.6**	**–72.7**
Depreciation / amortisation less reversals of depreciation*	117.5	100.5	+16.9
Earnings before interest, income taxes and impairment of goodwill (EBITA)	**–105.6**	**–56.9**	**–85.6**
Earnings before interest and income taxes (EBIT)	**–105.6**	**–56.9**	**–85.6**
Expense from the measurement of interest hedges	1.9	1.8	+ 5.6
Net interest expense	27.5	25.6	+7.4
Earnings before income taxes (EBT)	**–135.0**	**–84.3**	**–60.1**

* On property, plant and equipment, intangible assets, financial and other assets

Other segment indicators

Underlying EBITDA

€ million	Q1 2019	Q1 2018 adjusted	Var. %
Hotels & Resorts	94.3	114.4	–17.6
Cruises	66.7	57.3	+16.4
Destination Experiences	–0.9	–1.4	+35.7
Holiday Experiences	160.1	170.3	–6.0
Northern Region	–61.6	–28.9	–113.1
Central Region	–31.9	–50.0	+36.2
Western Region	–61.7	–44.5	–38.7
Markets & Airlines	–155.2	–123.4	–25.8
All other segments	21.9	10.6	+106.6
TUI Group	**26.8**	**57.5**	**–53.4**

EBITDA

€ million	Q1 2019	Q1 2018 adjusted	Var. %
Hotels & Resorts	94.2	114.4	–17.7
Cruises	66.7	57.3	+16.4
Destination Experiences	–3.0	–1.8	–66.7
Holiday Experiences	157.9	169.9	–7.1
Northern Region	–75.4	–30.3	–148.8
Central Region	–33.1	–52.0	+36.3
Western Region	–62.3	–53.3	–16.9
Markets & Airlines	–170.8	–135.6	–26.0
All other segments	24.8	9.3	+166.7
TUI Group	**11.9**	**43.6**	**–72.7**

Employees

	31 Dec 2018	31 Dec 2017 adjusted	Var. %
Hotels & Resorts	18,787	18,121	+3.7
Cruises*	340	312	+9.0
Destination Experiences	9,050	3,598	+151.5
Holiday Experiences	28,177	22,031	+27.9
Northern Region	12,365	13,282	–6.9
Central Region	10,684	10,293	+3.8
Western Region	6,142	5,950	+3.2
Markets & Airlines	29,191	29,525	–1.1
All other segments	3,471	3,505	–1.0
TUI Group	**60,839**	**55,061**	**+10.5**

* Excludes TUI Cruises (JV) employees. Cruises employees are primarily hired by external crew management agencies.

Cautionary statement regarding forward-looking statements

The present Quarterly Statement contains various statements relating to TUI's future development. These statements are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, they are not guarantees of future performance since our assumptions involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Such factors include market fluctuations, the development of world market prices for commodities and exchange rates or fundamental changes in the economic environment. TUI does not intend to and does not undertake any obligation to update any forward-looking statements in order to reflect events or developments after the date of this Statement.

Analyst and investor enquiries

Peter Krueger
Member of the Group Executive Committee,
Director Strategy, M & A and Investor Relations
Tel.: + 49 (0)511 566-1440

CONTACTS FOR ANALYSTS AND INVESTORS IN UK, IRELAND AND AMERICAS

Sarah Coomes
Head of Investor Relations
Tel.: + 44 (0)1293 645827

Hazel Chung
Senior Investor Relations Manager
Tel.: + 44 (0)1293 645823

CONTACTS FOR ANALYSTS AND INVESTORS IN CONTINENTAL EUROPE, MIDDLE EAST AND ASIA

Nicola Gehrt
Head of Investor Relations
Tel.: + 49 (0)511 566-1435

Ina Klose
Senior Investor Relations Manager
Tel.: + 49 (0)511 566-1318

Jessica Blinne
Junior Investor Relations Manager
Tel.: + 49 (0)511 566-1425

FINANCIAL CALENDAR

12 FEBRUARY 2019
Annual General Meeting 2019

15 MAY 2019
Half-year Financial Report 2019

AUGUST 2019
Quarterly Statement Q3 2019

SEPTEMBER 2019
Pre-close trading update

DECEMBER 2019
Annual Report 2019

PUBLISHED BY
TUI AG
Karl-Wiechert-Allee 4
30625 Hanover, Germany
Tel.: + 49 (0)511 566-00
Fax: + 49 (0)511 566-1901
www.tuigroup.com

CONCEPT AND DESIGN
3st kommunikation, Mainz, Germany

PHOTOGRAPHY
Cover: Hapag-Lloyd Cruises

The English and a German version of this
Quarterly Statement are available on the web:
www.tuigroup.com/en-en/investors

Published on 12 February 2019