TUI GROUP

QUARTERLY STATEMENT 2016 / 17

Q3

CONSISTENTLY DELIVERING ON OUR GROWTH STRATEGY

- Strong performance in Q3 across the business
- Good demand for the rest of Summer 2017
- Completion of Travelopia & Hapag-Lloyd AG disposals for € 0.8 billion
- Guidance reiterated – at least 10 % growth in underlying EBITA in 2016 / 17 *
- Well placed to deliver sustainable growth into the longer term

* At constant foreign exchange rates applied in the current and prior period, based on the current Group structure

TUI GROUP FINANCIAL HIGHLIGHTS

€ million	Q3 2016/17	Q3 2015/16 restated	Var. %	Var. % at constant currency	9M 2016/17	9M 2015/16 restated	Var. %	Var. % at constant currency
Turnover	**4,775.4**	**4,239.7**	**+12.6**	**+16.4**	**11,129.2**	**10,389.3**	**+7.1**	**+11.6**
Underlying EBITA [1]								
Northern Region	81.0	71.9	+12.7	+25.9	–57.0	–49.0	–16.3	–46.0
Central Region	24.5	3.5	+600.0	+ 597.1	–119.2	–107.1	–11.3	–11.3
Western Region	–11.9	–6.4	–85.9	–89.1	–114.2	–82.1	–39.1	–39.1
Hotels & Resorts	77.7	57.2	+35.8	+ 31.5	200.5	153.2	+30.9	+31.2
Cruises	67.1	45.0	+49.1	+54.2	142.1	94.3	+50.7	+56.4
Other Tourism	–6.3	–5.4	–16.7	–22.2	–19.6	–22.1	+11.3	+31.6
Tourism	**232.1**	**165.8**	**+40.0**	**+45.2**	**32.6**	**–12.8**	**n.a.**	**n.a.**
All other segments	–10.5	–4.9	–114.3	–142.9	–25.3	–32.7	+22.6	+6.1
TUI Group	**221.6**	**160.9**	**+37.7**	**+42.3**	**7.3**	**–45.5**	**n.a.**	**+94.7**
Discontinued operations	14.2	35.5	–60.0	–57.7	–1.1	13.7	n.a.	–91.4
Total	**235.8**	**196.4**	**+20.1**	**+24.2**	**6.2**	**–31.8**	**n.a.**	**+96.2**
EBITA [2,4]	**200.2**	**136.9**	**+46.2**		**–51.7**	**–104.0**	**+50.3**	
Underlying EBITDA [4]	**317.3**	**237.3**	**+33.7**		**290.0**	**203.9**	**+42.2**	
EBITDA [4]	**301.9**	**220.1**	**+37.2**		**249.6**	**167.1**	**+49.4**	
Net profit/loss for the period (continuing operations)	160.6	75.9	+111.6		–84.9	–271.0	+68.7	
Earnings per share [4] €	0.23	0.10	+130.0		–0.28	–0.59	+52.5	
Net capex and investments	213.3	148.0	+44.1		908.4	391.8	+131.9	
Equity ratio (30.6.) [3] %					16.2	13.5	+2.7	
Net financial position (30.6.) [4]					234.3	–458.6	n.a.	
Net financial position (30.6.) [5]					–	172.4	n.a.	
Employees (30.6.) [4]					65,965	62,708	+5.2	

Differences may occur due to rounding.

Due to the following changes to segmental reporting, the prior year's reference figures were restated accordingly:
Already in Q2 2016/17, the hotel operating company Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados, previously carried in the Northern Region segment, was integrated in the hotel business and has therefore been reported within Hotels & Resorts. Moreover, the British cruise business Thomson Cruises, which had also previously been reported within the Northern Region segment, was transferred to the Cruises segment. Moreover, due to the planned disposal of a large part of the Specialist Group segment (Travelopia, carried as discontinued operation since 30 September 2016) – Crystal Ski and Thomson Lakes & Mountains were reclassified to Northern Region. The disposal of Travelopia was completed in Q3 2016/17.

[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.

[2] EBITA comprises earnings before net interest result, income tax and impairment of goodwill excluding losses on container shipping and excluding the result from the measurement of interest hedges.

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

[4] Continuing operations

[5] Discontinued operations, includes Hotelbeds Group only

Consistently delivering on our growth strategy

- Strong performance in Q3 with 19 % growth in like for like[1] underlying EBITA (38 % growth including Easter and foreign exchange translation)
- Good demand for the rest of Summer 2017 for our hotels, cruises and holidays
- Disposal of Travelopia & Hapag-Lloyd AG shares complete – proceeds will be reinvested in transforming the business and strengthening the balance sheet
- Financial performance reflects success of our strategy – TUI Group has delivered its first positive 9M underlying EBITA, as well as a significant improvement in operating cash flow
- Reiterate our guidance of at least 10 % growth in underlying EBITA in 2016/17[1] and at least 10 % underlying EBITA CAGR to 2018/19[1]
- Strength of our integrated model and balanced portfolio of destinations leave us well placed to deliver sustainable growth into the longer term

[1] At constant foreign exchange rates applied in the current and prior period, based on the current Group structure and excluding timing impact of Easter (Q3 only).

Strong Q3 performance

RESULTS AT A GLANCE

€ million	Q3	9M
Underlying EBITA 2015/16	**180**	**– 57**
Restatements (including Travelopia treated as discontinued operations)	– 19	+ 12
Underlying EBITA 2015/16 restated[2]	**161**	**– 45**
Underlying trading	+ 24	+ 48
Merger synergies	+ 5	+ 15
Year on year impact of aircraft financing	+ 1	+ 3
TUI fly sickness	–	– 24
Like for like underlying EBITA 2016/17[2]	**191**	**– 3**
Easter timing impact	+ 38	–
Foreign exchange translation	– 7	+ 10
Underlying EBITA 2016/17[2]	**222**	**7**

[2] Continuing operations

- Hotels & Resorts continued to deliver growth in Q3, driven by good performances in Riu, Robinson and Blue Diamond. Occupancy increased by 3 % points to 74 %, with a 2 % increase in average revenue per bed[3]
- We have opened 10 new hotels since the end of the financial year 2015/16, bringing the total new hotel openings since merger to 28. Five further openings are scheduled this Winter for Riu, Robinson and Blue Diamond, as well as further repositionings to TUI Blue
- Cruises delivered strong growth in the quarter, with the launch of Mein Schiff 6 (TUI Cruises) and TUI Discovery 2 (Thomson Cruises) and a further increase in earnings at Hapag-Lloyd Cruises. Average daily rates were up across all three brands, with consistently high occupancy
- Source Markets delivered a like for like increase in earnings this quarter, with a significant improvement in performance in Nordics and Germany partly offset, as expected, by the impact of currency cost inflation in the UK
- Demand for our holidays remains high, with customer volumes up 7 % in the year to date and an increase in direct and online distribution to 73 % and 46 % respectively in the quarter. The TUI rebrand has been a success in Nordics and Belgium, and we are preparing for the UK launch this Autumn
- We have extended further the maturity date of our € 1.75 billion revolving credit facility to July 2022

[3] Hotels & Resorts occupancy rate figures currently exclude Blue Diamond

Details see segmental performance section on pages 5 to 8

Current trading

SUMMER 2017

Summer 2017 remains in line with our expectations, with good demand for our hotels, cruises and holidays.

In Hotels & Resorts, demand remains strong for Spain (including Canaries), Greece, Cape Verde, Italy, Cyprus and the Caribbean. Demand has also improved for North Africa and (in recent weeks) Turkey. We added two new TUI Blue properties in Tuscany and Croatia for this Summer, which are performing in line with our expectations.

In Cruises, following the launch of TUI Discovery 2 and Mein Schiff 6, demand remains strong as our UK and German customers continue to enjoy the wider range of itineraries on offer and our local offering.

The Source Markets' programme, which includes sales of holidays to our own and third party hotels, is 88 % sold, in line with prior year. Bookings are 4 % ahead of prior year, driven by growth in demand for Greece, Bulgaria, Croatia, Italy, Cape Verde and long haul. Customers continue to book increasingly direct and online.

In the UK, as we expected, demand for our holidays remains resilient. Bookings have remained at the same high level as prior year, despite the impact on pricing from cost inflation, in particular due to the weaker Pound Sterling. We believe that this is testament to the popularity of our holidays and to the high level of priority our customers place on them. We will continue to offer good value for money with a range of products and destinations, and remain the clear market leader.

CURRENT TRADING SUMMER 2017 *

YoY variance %	Total revenue	Total custormers	Total ASP	Programme sold (%)
Northern Region	**+8**	**+1**	**+7**	**88**
UK	+7	–	+7	88
Memo: UK incl. Thomson Cruises	+9	+1	+8	88
Nordics	+13	+5	+8	89
Central Region	**+10**	**+7**	**+3**	**86**
Germany	+7	+4	+3	86
Western Region	**+7**	**+3**	**+3**	**90**
Benelux	+7	+3	+3	90
Total source markets	**+8**	**+4**	**+5**	**88**
Memo: Total source markets incl. Thomson Cruises	+9	+4	+5	88

* These statistics are up to 30 July 2017, shown on a constant currency basis and relate to all customers whether risk or non-risk.

FUTURE SEASONS

At this early stage, trading for future seasons is in line with our expectations. In Hotels & Resorts we will continue to grow in year round destinations, with the opening of five new hotels and clubs this Winter for Riu (in Mexico), Robinson (one club in Thailand and one in Maldives) and Blue Diamond (two hotels in Dominican Republic). There will also be further repositionings to our TUI Blue brand, as we continue to simplify and enhance our customer offering.

In Cruise, growth will be driven by the first Winter of operations of our new ships, as well as the launch in Summer 2018 of the new Mein Schiff 1 in Germany and TUI Explorer (the current Mein Schiff 1) in the UK. We are pleased with the development of bookings and rates for both the new and existing fleet, with demand remaining very strong in both the UK and German markets.

In Source Markets, we are continuing to shape our programme for Winter 2017 / 18 and retain a significant degree of flexibility at this early stage when it comes to capacity planning for Summer 2018. In line with prior years, Winter 2017 / 18 is around 25 % booked. Bookings are currently up 9 % and average selling prices up 3 %, with growth driven by long haul, Cape Verde and Canaries. We are looking forward to the UK rebrand, which will commence in the Autumn.

Disposal of Travelopia and Hapag-Lloyd shares

As part of strategy announced at the time of the merger, TUI Group has been working to simplify its business model. On 15 June 2017, TUI Group completed the disposal of Travelopia to KKR for an enterprise value of £ 325 million, equating to 14.4 times 2015 / 16 underlying EBITA or 7.7 times underlying EBITDA (pro forma basis). Following some open market disposal earlier on this year, TUI disposed of its remaining shares in Hapag-Lloyd AG on 10 July 2017. Total net proceeds from the disposal of Hapag-Lloyd AG shares were € 407 million.

As outlined in TUI's full year results presentation in December 2016, these disposal proceeds will be reinvested in the transformation of TUI as the world's leading integrated tourism business, focused on own hotel and cruise brands, and to further strengthen TUI's balance sheet. In this context, TUI is contemplating to structure the intended cruise ship acquisitions (currently operated as Mein Schiff 1 and Mein Schiff 2) by TUI UK from TUI Cruises GmbH (50 % JV with Royal Caribbean Cruises Ltd.) in 2018 and 2019 as a straight cash transaction.

Outlook

Based on the strong year to date result and trading for the remainder of Summer 2017, we reiterate our guidance of at least 10 % growth in underlying EBITA in 2016 / 17 *. In addition, we expect the following:

- Turnover growth in excess of our previous guidance of around 3 %*, reflecting our strong year to date performance and current trading.
- Net debt as at 30 September 2017 broadly neutral *, compared with previous net debt guidance of approximately € 0.8 billion *, reflecting the receipt of proceeds from the Travelopia and Hapag-Lloyd AG share disposals.
- Based on current foreign exchange rates, we expect approximately € 10 million adverse impact on underlying EBITA compared with rates prevailing in the prior year.

As we near the end of the third year following the merger with TUI Travel, we have consistently delivered on our growth strategy. The merger synergies will be delivered in full by the end of the current financial year, and we have implemented a new management structure and an integrated decision making process based on six common global platforms. With the sale of Travelopia and the shares in Hapag-Lloyd AG our non-core disposal programme has been completed and marks a significant step in our transformation as the world's leading integrated tourism business. Our financial performance already reflects the success of this transformation, with TUI Group now having delivered its first positive 9M underlying EBITA, as well as a significant improvement in operating cash flow.

Our operational experience, scalable integrated model and balanced portfolio of destinations mean that we are well placed to deal with the challenges against the wider macroeconomic and geopolitical backdrop, and to deliver sustainable growth into the longer term. We therefore also reiterate our guidance of at least 10 % underlying EBITA CAGR to 2018 / 19 *, and will provide an update on our growth strategy at our full year results presentation in December 2017.

* At constant foreign exchange rates applied in the current and prior period, and based on the current group structure.

Consolidated earnings

TURNOVER

€ million	Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Northern Region	1,727.8	1,660.7	+ 4.0	3,932.1	3,989.9	– 1.4
Central Region	1,557.5	1,346.3	+ 15.7	3,585.5	3,333.4	+ 7.6
Western Region	926.3	734.6	+ 26.1	2,040.3	1,650.2	+ 23.6
Hotels & Resorts	151.3	143.2	+ 5.7	451.3	409.2	+ 10.3
Cruises	214.3	171.0	+ 25.3	560.2	479.9	+ 16.7
Other Tourism	145.5	143.8	+ 1.2	435.9	433.8	+ 0.5
Tourism	**4,722.7**	**4,199.6**	**+ 12.5**	**11,005.3**	**10,296.4**	**+ 6.9**
All other segments	52.7	40.1	+ 31.4	123.9	92.9	+ 33.4
TUI Group	**4,775.4**	**4,239.7**	**+ 12.6**	**11,129.2**	**10,389.3**	**+ 7.1**
TUI Group at constant currency	**4,936.1**	**4,239.7**	**+ 16.4**	**11,596.0**	**10,389.3**	**+ 11.6**
Discontinued operations	282.7	584.7	– 51.7	829.0	1,652.2	– 49.8
Total	**5,058.1**	**4,824.4**	**+ 4.8**	**11,958.2**	**12,041.5**	**– 0.7**

UNDERLYING EBITA

€ million	Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Northern Region	81.0	71.9	+ 12.7	– 57.0	– 49.0	– 16.3
Central Region	24.5	3.5	+ 600.0	– 119.2	– 107.1	– 11.3
Western Region	– 11.9	– 6.4	– 85.9	– 114.2	– 82.1	– 39.1
Hotels & Resorts	77.7	57.2	+ 35.8	200.5	153.2	+ 30.9
Cruises	67.1	45.0	+ 49.1	142.1	94.3	+ 50.7
Other Tourism	– 6.3	– 5.4	– 16.7	– 19.6	– 22.1	+ 11.3
Tourism	**232.1**	**165.8**	**+ 40.0**	**32.6**	**– 12.8**	**n. a.**
All other segments	– 10.5	– 4.9	– 114.3	– 25.3	– 32.7	+ 22.6
TUI Group	**221.6**	**160.9**	**+ 37.7**	**7.3**	**– 45.5**	**n. a.**
TUI Group at constant currency	**229.0**	**160.9**	**+ 42.3**	**– 2.4**	**– 45.5**	**+ 94.7**
Discontinued operations	14.2	35.5	– 60.0	– 1.1	13.7	n. a.
Total	**235.8**	**196.4**	**+ 20.1**	**6.2**	**– 31.8**	**n. a.**

EBITA

€ million	Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Northern Region	63.8	67.2	– 5.1	– 84.3	– 64.3	– 31.1
Central Region	23.8	1.4	n. a.	– 116.4	– 115.6	– 0.7
Western Region	– 12.8	– 8.8	– 45.5	– 141.6	– 88.2	– 60.5
Hotels & Resorts	77.7	56.1	+ 38.5	197.7	151.3	+ 30.7
Cruises	67.1	45.0	+ 49.1	142.1	94.3	+ 50.7
Other Tourism	– 6.7	– 9.8	+ 31.6	– 21.6	– 29.8	+ 27.5
Tourism	**212.9**	**151.1**	**+ 40.9**	**– 24.1**	**– 52.3**	**+ 53.9**
All other segments	– 12.7	– 14.2	+ 10.6	– 27.6	– 51.7	+ 46.6
TUI Group	**200.2**	**136.9**	**+ 46.2**	**– 51.7**	**– 104.0**	**+ 50.3**
Discontinued operations	0.3	26.0	– 98.8	– 21.9	– 45.7	+ 52.1
Total	**200.5**	**162.9**	**+ 23.1**	**– 73.6**	**– 149.7**	**+ 50.8**

Segmental performance in Q3 2016 / 17

NORTHERN REGION

		Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Turnover	in € million	1,727.8	1,660.7	+ 4.0	3,932.1	3,989.9	– 1.4
Underlying EBITA	in € million	81.0	71.9	+ 12.7	– 57.0	– 49.0	– 16.3
Underlying EBITA at constant currency	in € million	90.5	71.9	+ 25.9	– 71.6	– 49.0	– 46.0
Direct distribution[1]	in %, variance in % points	93	92	+ 1	92	91	+ 1
Online distribution[2]	in %, variance in % points	63	62	+ 1	63	60	+ 3
Customers	in '000	2,113	2,026	+ 4.3	4,476	4,276	+ 4.7

[1] Share of sales via own channels (retails and online); incl. Thomson Cruises
[2] Share of online sales; incl. Thomson Cruises

- Northern Region continues to deliver leading levels of direct and online distribution, at 93 % and 63 % respectively in Q3 2016 / 17. Customer volumes grew by 4 % in the same period.
- As outlined at H1 2016 / 17, the underlying EBITA result for Q3 2016 / 17 includes approximately € 20 m benefit from the later timing of Easter.
- UK customer volumes increased by 5 % in the quarter, reflecting the later timing of Easter. 60 % of Q3 2016 / 17 holidays in the UK were booked online. Demand for our holidays remains resilient in the UK. This resilience, coupled with a continued focus on efficiency, means that we have been able to mitigate to an extent the impact of the weaker Pound Sterling.
- Nordics delivered a significant improvement in earnings in the quarter. The business has successfully rebalanced its programme with more emphasis on destinations such as Greece and the Canaries. In addition, the roll out of the Group automated yielding solution is helping to drive superior margins. Performance was also aided by the TUI rebrand. Customer volumes increased by 3 %, partly reflecting the later timing of Easter. Online bookings mix increased by 3 % points to 80 %.

CENTRAL REGION

		Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Turnover	in € million	1,557.5	1,346.3	+ 15.7	3,585.5	3,333.4	+ 7.6
Underlying EBITA	in € million	24.5	3.5	+ 600.0	– 119.2	– 107.1	– 11.3
Underlying EBITA at constant currency	in € million	24.4	3.5	597.1	– 119.2	– 107.1	– 11.3
				–			–
Direct distribution[1]	in %, variance in % points	49	48	+ 1	48	46	+ 2
Online distribution[2]	in %, variance in % points	19	15	+ 4	18	15	+ 3
Customers	in '000	2,054	1,810	+ 13.5	4,201	4,025	+ 4.4

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

- Central Region has continued to increase the share of bookings via direct and online channels, to 49 % and 19 % respectively. Customer volumes grew by 14 % in the same period.
- The underlying EBITA result for Q3 2016 / 17 includes approximately € 4 m phasing benefit from the later timing of Easter.
- Germany has continued to build on its market share gains with an increased range of holidays and departure airports on offer, delivering an improved trading performance in the quarter. Customer volumes increased by 11 %, reflecting the later timing of Easter and the later timing of the Whitsun holiday which increased volume and margin.
- On 8 June 2017 TUI Group and Etihad Aviation Group announced that they would not continue their negotiations for a planned joint venture between the German aviation subsidiary TUI fly and Niki. As previously stated, we will continue to push the repositioning of TUI fly further ahead in order to develop long-term prospects for the airline and its employees.

WESTERN REGION

		Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Turnover	in € million	926.3	734.6	+26.1	2,040.3	1,650.2	+23.6
Underlying EBITA	in € million	–11.9	–6.4	–85.9	–114.2	–82.1	–39.1
Underlying EBITA at constant currency	in € million	–12.1	–6.4	–89.1	–114.2	–82.1	–39.1
Direct distribution[1]	in %, variance in % points	72	70	+2	72	70	+2
Online distribution[2]	in %, variance in % points	53	51	+2	55	52	+3
Customers	in '000	1,589	1,360	+16.8	3,424	3,032	+12.9

1 Share of sales via own channels (retails and online)
2 Share of online sales

- Western Region increased further the share of bookings via direct and online channels, to 72 % and 53 % respectively for Q3 2016/17.
- The result reflects the first time inclusion of Transat (small loss in the quarter), as well as the impact of rebrand costs in Belgium. These were partly offset by the € 5 m benefit of the later timing of Easter.
- Benelux delivered a good improvement in the quarter, following the attacks on Brussels Airport last year and reflecting the successful TUI rebrand. Customer volumes were up 9 %, with online bookings mix up 3 % points to 59 %. In France, the underlying result was offset partly by the timing of income statement credits in the prior year and inclusion of Transat losses. The integration of Transat is progressing to plan, with the delivery of synergies to commence in the next financial year.

HOTELS & RESORTS

		Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Total turnover	in € million	339.1	300.9	+12.7	903.7	831.2	+8.7
Turnover	in € million	151.3	143.2	+5.7	451.3	409.2	+10.3
Underlying EBITA	in € million	77.7	57.2	+35.8	200.5	153.2	+30.9
Underlying EBITA at constant currency rates	in € million	75.2	57.2	+31.5	200.9	153.2	+31.2
Capacity hotels total[1, 4]	**in '000**	**10,518.9**	**9,795.6**	**+7.4**	**24,806.6**	**23,765.9**	**+4.4**
Riu		4,777.3	4,565.5	+4.6	13,160.2	12,935.6	+1.7
Robinson		960.0	895.2	+7.2	2,126.9	2,038.4	+4.3
Occupancy rate hotels total[2]	**in %, variance in % points**	**74.3**	**71.6**	**+2.7**	**74.6**	**74.0**	**+0.6**
Riu		88.2	86.2	+2.0	88.2	87.2	+1.0
Robinson		57.8	59.8	–2.0	60.3	61.9	–1.6
Average revenue per bed hotels total[3]	**in €**	**54.57**	**53.47**	**+2.1**	**60.43**	**58.37**	**+3.5**
Riu		58.70	54.74	+7.2	65.44	61.21	+6.9
Robinson		82.49	82.29	+0.2	88.55	86.95	+1.8

These statistics include former TUI Travel hotels; Blue Diamond included in underlying EBITA
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 Previous year's KPIs restated

- Our popular brands, integrated model and strong presence in year round destinations continue to drive high levels of occupancy, up 3 % points to 74 %, with a 2 % increase in average revenue per bed.
- The result includes € 9 m benefit from the later timing of Easter.
- Riu continued to deliver a good performance, particularly in Spain and Mexico. Capacity increased by 5 % in the quarter, including the new Riu Reggae in Jamaica and closures for renovations in the prior year. Occupancy increased further to 88 %, with a 7 % increase in average revenue per bed.
- Robinson also delivered a good performance in the quarter. Although occupancy was impacted by lower demand for clubs in Turkey, this was offset by a strong performance in Greece, Spain and Portugal.
- Blue Diamond delivered further growth in earnings, as it continues its expansion in the Caribbean.

CRUISES

		Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Turnover[1]	in € million	214.3	171.0	+25.3	560.2	479.9	+16.7
Underlying EBITA	in € million	67.1	45.0	+49.1	142.1	94.3	+50.7
Underlying EBITA at constant currency rates	in € million	69.4	45.0	+54.2	147.5	94.3	+56.4
Occupancy	**in %, variance in % points**						
Hapag-Lloyd Cruises		73.1	73.4	–0.3	73.6	74.4	–0.8
TUI Cruises		101.2	101.2	–	100.2	101.0	–0.8
Thomson Cruises		100.3	99.3	+1.0	99.9	98.3	+1.6
Passenger days	**in '000**						
Hapag-Lloyd Cruises		86,348	87,654	–1.5	250,042	253,952	–1.5
TUI Cruises		1,094,675	775,819	+41.1	3,125,373	2,408,912	+29.7
Thomson Cruises		753,496	530,099	+42.1	1,843,474	1,382,859	+33.4
Average daily rates[2]	**in €**						
Hapag-Lloyd Cruises		562	546	+2.9	584	556	+5.0
TUI Cruises		183	179	+2.2	160	158	+1.3
Thomson Cruises[3]		163	154	+5.8	161	151	+6.6

[1] No turnover is carried for TUI Cruises as the joint venture is consolidated at equity
[2] Per day and passenger
[3] KPI revenue, inclusive all package elements

- TUI Cruises continues to deliver significant growth in its all inclusive German offering, whilst maintaining a strong occupancy and rate performance. Mein Schiff 6 was launched during the quarter, initially based in Kiel (Germany) before moving to New Jersey for itineraries in the USA and Caribbean.
- Thomson Cruises delivered significant growth in earnings, with continued modernisation of the fleet, including the launch of TUI Discovery 2 in the Mediterranean. There was also a good rate and occupancy performance across the fleet as UK demand for cruise remains very strong.
- Earnings for Hapag-Lloyd Cruises increased in the quarter, with overall increased average daily rate and good expedition cruise performance offsetting the lower number of operating days.

OTHER TOURISM

€ million	Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Turnover	145.5	143.8	+1.2	435.9	433.8	+0.5
Underlying EBITA	–6.3	–5.4	–16.7	–19.6	–22.1	+11.3
Underlying EBITA at constant currency	–6.6	–5.4	–22.2	–15.1	–22.1	+31.6

- Destination Services continued to deliver an improved result in the quarter, including further synergies.
- This was partly offset by performance at Corsair where there was a more competitive trading environment in the quarter.

Cash flow / Net capex and investments / Net financial position

The cash inflow from operating activities increased by € 339.7 m year-on-year. This was mainly driven by better trading and an improved working capital due to the disposal of the Hotelbeds Group.

The net financial position of the continuing operations improved from € – 458.6 million (30 June 2016) to € 234.3 million (30 June 2017), reflecting amongst others the receipt of proceeds from the Travelopia and Hapag-Lloyd AG share disposals.

NET CAPEX AND INVESTMENTS

€ million	Q3 2016/17	Q3 2015/16	Var. %	9M 2016/17	9M 2015/16	Var. %
Cash gross capex						
Northern Region	13.7	–5.8	n. a.	38.9	24.3	+60.1
Central Region	4.8	2.7	+77.8	12.2	11.8	+3.4
Western Region	6.1	5.2	+17.3	19.7	12.9	+52.7
Hotels & Resorts	55.8	79.2	–29.5	186.5	187.6	–0.6
Cruises	26.9	8.9	+202.2	274.7	32.2	+753.1
Other Tourism	37.8	24.9	+51.8	86.9	68.5	+26.9
Tourism	**145.1**	**115.1**	**+26.1**	**618.9**	**337.3**	**+83.5**
All other segments	1.9	3.3	–42.4	3.7	18.0	–79.4
TUI Group	**147.0**	**118.4**	**+24.2**	**622.6**	**355.3**	**+75.2**
Discontinued operations	18.0	24.2	–25.6	28.6	56.7	–49.6
Total	**165.0**	**142.6**	**+15.7**	**651.2**	**412.0**	**+58.1**
Net pre delivery payments on aircraft	78.5	–3.9	n. a.	195.9	17.4	n. a.
Financial investments	3.6	12.7	–71.7	106.7	26.7	+299.6
Divestments*	–33.8	–3.4	–894.1	–45.4	–64.3	+29.4
Net capex and investments	**213.3**	**148.0**	**+44.1**	**908.4**	**391.8**	**+131.9**

* Excludes proceeds from Hotelbeds, Travelopia and Hapag-Lloyd

The increase in cash gross capex in the Cruises sector mainly resulted from the purchase of the cruise liner TUI Discovery 2.

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.

FOREIGN EXCHANGE/FUEL

%	Summer 2017	Winter 2017/18	Summer 2018
Euro	97	82	40
US Dollar	96	87	64
Jet Fuel	95	91	79

As at 3 August 2017

Financial position

FINANCIAL POSITION OF THE TUI GROUP AS AT 30 JUN 2017

€ million	30 June 2017	30 Sep 2016
Assets		
Goodwill	2,893.7	2,853.5
Other intangible assets	567.8	545.8
Property, plant and equipment	4,292.9	3,714.5
Investments in joint ventures and associates	1,253.4	1,180.8
Financial assets available for sale	69.8	50.4
Trade receivables and other assets	417.4	315.3
Derivative financial instruments	62.0	126.8
Deferred tax assets	450.8	344.7
Non-current assets	**10,007.8**	**9,131.8**
Inventories	113.6	105.2
Financial assets available for sale	289.1	265.8
Trade receivables and other assets	1,956.1	1,320.1
Derivative financial instruments	250.7	544.6
Income tax assets	102.5	87.7
Cash and cash equivalents	2,226.5	2,072.9
Assets held for sale	0.1	929.8
Current assets	**4,938.6**	**5,326.1**
	14,946.4	**14,457.9**
Equity and liabilities		
Subscribed capital	1,500.7	1,500.7
Capital reserves	4,192.2	4,192.2
Revenue reserves	−3,844.2	−3,017.8
Equity before non-controlling interest	**1,848.7**	**2,675.1**
Non-controlling interest	567.7	573.1
Equity	**2,416.4**	**3,248.2**
Pension provisions and similar obligations	1,295.6	1,410.3
Other provisions	794.4	803.0
Non-current provisions	**2,090.0**	**2,213.3**
Financial liabilities	1,794.2	1,503.4
Derivative financial instruments	60.6	27.5
Income tax liabilities	150.9	22.2
Deferred tax liabilities	62.5	62.9
Other liabilities	158.9	160.1
Non-current liabilities	**2,227.1**	**1,776.1**
Non-current provisions and liabilities	**4,317.1**	**3,989.4**
Pension provisions and similar obligations	41.3	40.6
Other provisions	383.7	374.8
Current provisions	**425.0**	**415.4**
Financial liabilities	198.0	537.7
Trade payables	2,209.1	2,476.9
Derivative financial instruments	186.0	249.6
Income tax liabilities	55.7	196.0
Other liabilities	5,139.1	2,872.4
Current liabilities	**7,787.9**	**6,332.6**
Liabilities related to assets held for sale	–	472.3
Current provisions and liabilities	**8,212.9**	**7,220.3**
	14,946.4	**14,457.9**

Income statement

INCOME STATEMENT OF THE TUI GROUP FOR THE PERIOD FROM 1 OCT 2016 TO 30 JUN 2017

€ million	**Q3 2016/17**	Q3 2015/16 restated	Var. %	**9M 2016/17**	9M 2015/16 restated	Var. %
Turnover	4,775.4	4,239.7	+ 12.6	11,129.2	10,389.3	+ 7.1
Cost of sales	4,339.2	3,863.3	+ 12.3	10,467.1	9,750.7	+ 7.3
Gross profit	**436.2**	**376.4**	**+ 15.9**	**662.1**	**638.6**	**+ 3.7**
Administrative expenses	300.4	281.2	+ 6.8	901.5	875.0	+ 3.0
Other income	4.1	2.8	+ 46.4	9.2	31.2	– 70.5
Other expenses	– 0.4	2.7	n. a.	1.8	5.9	– 69.5
Financial income	42.9	14.0	+ 206.4	79.9	32.5	+ 145.8
Financial expenses	34.2	43.7	– 21.7	115.3	243.4	– 52.6
Share of result of joint ventures and associates	54.3	38.3	+ 41.8	159.9	103.0	+ 55.2
Earnings before income taxes	**203.3**	**103.9**	**+ 95.7**	**– 107.5**	**– 319.0**	**+ 66.3**
Income taxes	42.7	28.0	+ 52.5	– 22.6	– 48.0	+ 52.9
Result from continuing operations	**160.6**	**75.9**	**+ 111.6**	**– 84.9**	**– 271.0**	**+ 68.7**
Result from discontinued operations	– 88.7	31.0	n. a.	– 151.8	– 17.0	– 792.9
Group profit / loss for the year	**71.9**	**106.9**	**– 32.7**	**– 236.7**	**– 288.0**	**+ 17.8**
Group profit / loss for the year attributable to shareholders of TUI AG	47.7	86.9	– 45.1	– 315.2	– 362.0	+ 12.9
Group profit / loss for the year attributable to non-controlling interest	24.2	20.0	+ 21.0	78.5	74.0	+ 6.1

Cash flow statement

CONDENSED CASH FLOW STATEMENT OF THE TUI GROUP

€ million	**9M 2016/17**	9M 2015/16
Cash inflow from operating activities	1,380.6	1,040.9
Cash outflow from investing activities	– 841.0	– 385.3
Cash outflow from financing activities	– 685.0	– 566.2
Net change in cash and cash equivalents	**– 145.4**	**89.4**
Change in cash and cash equivalents due to exchange rate fluctuation	– 31.7	78.5
Cash and cash equivalents at beginning of period	**2,403.6**	**1,682.2**
Cash and cash equivalents at end of period	**2,226.5**	**1,850.1**
of which included in the balance sheet as assets held for sale	–	187.3

Alternative performance measures

Key indicators used to manage the TUI Group are EBITA and underlying EBITA. We consider EBITA to be the most suitable performance indicator for explaining the development of the TUI Group's operating performance. EBITA comprises earnings before interest, taxes and goodwill impairments; it does not include the results from container shipping operations nor the results from the measurement of interest hedging instruments.

The table below shows a reconciliation of earnings before taxes from continuing operations to underlying earnings. In 9M 2016/17, adjustments including purchase price allocations worth € 59.0 m for continuing operations were nearly flat year-on-year. Material adjustments in 9M 2016/17 related to expenses of around € 24 m for the integration of the French TUI tour operator following the acquisition of Transat. Adjustments made in Q3 also included one-off costs of around € 11 m in relation to IT restructuring projects in Northern Region. Material income was generated from the reversal of a restructuring provision no longer required in Central Region.

RECONCILIATION TO UNDERLYING EBITA FROM CONTINUING OPERATIONS

€ million	Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Earnings before income taxes	203.3	103.9	+ 95.7	– 107.5	– 319.0	+ 66.3
less/plus: Result from the partial sale/measurement in Container Shipping	– 32.9	–	n. a.	– 35.2	100.3	n. a.
plus: Net interest expense and expense from the measurement of interest hedges	29.8	33.0	– 9.7	91.0	114.7	– 20.7
EBITA	**200.2**	**136.9**	**+ 46.2**	**– 51.7**	**– 104.0**	**+ 50.3**
Adjustments:						
less: Profit on disposals (prior year losses)	– 2.1	–		– 1.4	0.9	
plus: Restructuring expense	–	2.0		17.1	7.5	
plus: Expense from purchase price allocation	7.0	7.7		22.2	25.3	
plus: expense/less: income from other one-off items	16.5	14.3		21.1	24.8	
Underlying EBITA	**221.6**	**160.9**	**+ 37.7**	**7.3**	**– 45.5**	**n. a.**

KEY FIGURES OF INCOME STATEMENT FROM CONTINUING OPERATIONS

€ million	Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)	**496.7**	**423.8**	**+ 17.2**	**811.7**	**763.2**	**+ 6.4**
Operating rental expenses	194.8	203.7	– 4.4	562.1	596.1	– 5.7
Earnings before interest, income taxes, depreciation and impairment (EBITDA)	**301.9**	**220.1**	**+ 37.2**	**249.6**	**167.1**	**+ 49.4**
Depreciation/amortisation less reversals of depreciation*	101.7	83.2	+ 22.2	301.3	271.1	+ 11.1
Earnings before interest, income taxes and impairment of goodwill (EBITA)	**200.2**	**136.9**	**+ 46.2**	**– 51.7**	**– 104.0**	**+ 50.3**
Earnings before interest and income taxes (EBIT)	**200.2**	**136.9**	**+ 46.2**	**– 51.7**	**– 104.0**	**+ 50.3**
Interest result and earnings from the measurement of interest hedges	29.8	33.0	– 9.7	91.0	114.7	– 20.7
Result from the partial sale/measurement of shares in Container Shipping	– 32.9	–	n. a.	– 35.2	100.3	n. a.
Earnings before income taxes (EBT)	**203.3**	**103.9**	**+ 95.7**	**– 107.5**	**– 319.0**	**+ 66.3**

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

Other segment indicators

UNDERLYING EBITDA

€ million	Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Northern Region	101.2	72.0	+ 40.6	– 9.6	– 20.2	+ 52.5
Central Region	27.6	8.4	+ 228.6	– 106.4	– 92.6	– 14.9
Western Region	– 8.2	– 2.7	– 203.7	– 101.8	– 70.6	– 44.2
Hotels & Resorts	98.0	77.7	+ 26.1	265.9	216.1	+ 23.0
Cruises	83.0	56.9	+ 45.9	184.6	126.9	+ 45.5
Other Tourism	9.8	7.9	+ 24.1	25.8	15.3	+ 68.6
Tourism	311.4	220.2	+ 41.4	258.5	174.9	+ 47.8
All other segments	5.9	17.1	– 65.5	31.5	29.0	+ 8.6
TUI Group	**317.3**	**237.3**	**+ 33.7**	**290.0**	**203.9**	**+ 42.2**
Discontinued operations	14.2	42.8	– 66.8	– 1.0	50.6	n. a.
Total	**331.5**	**280.1**	**+ 18.4**	**289.0**	**254.5**	**+ 13.6**

EBITDA

€ million	Q3 2016/17	Q3 2015/16 restated	Var. %	9M 2016/17	9M 2015/16 restated	Var. %
Northern Region	87.0	70.7	+23.1	– 27.8	– 25.2	– 10.3
Central Region	27.1	6.8	+ 298.5	– 102.5	– 99.4	– 3.1
Western Region	– 6.9	– 4.1	– 68.3	– 125.7	– 73.9	– 70.1
Hotels & Resorts	98.0	77.7	+ 26.1	265.2	217.5	+ 21.9
Cruises	83.0	56.9	+ 45.9	184.6	126.9	+ 45.5
Other Tourism	9.1	3.4	+167.6	24.0	7.5	+ 220.0
Tourism	297.3	211.4	+ 40.6	217.8	153.4	+ 42.0
All other segments	4.6	8.7	– 47.1	31.8	13.7	+132.1
TUI Group	**301.9**	**220.1**	**+ 37.2**	**249.6**	**167.1**	**+ 49.4**
Discontinued operations	0.3	36.8	– 99.2	– 21.8	7.7	n. a.
Total	**302.2**	**256.9**	**+ 17.6**	**227.8**	**174.8**	**+ 30.3**

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.

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The presentation slides and the video webcast for Q3 2016 / 17 are available at the following link:
www.tuigroup.com/en-en/investors

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PHOTOGRAPHY
Cover Getty Images

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

Published on 10 August 2017

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