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**THE FOLLOWING ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS AND TUI TRAVEL SHAREHOLDERS SHOULD NOT MAKE ANY INVESTMENT DECISION IN RELATION TO THE NEW TUI AG SHARES EXCEPT ON THE BASIS OF THE INFORMATION IN THE SCHEME DOCUMENT AND THE TUI AG PROSPECTUS WHICH ARE PROPOSED TO BE PUBLISHED IN DUE COURSE**

**FOR IMMEDIATE RELEASE**

**15 SEPTEMBER 2014**

### **RECOMMENDED ALL-SHARE MERGER OF TUI TRAVEL PLC AND TUI AG**

Further to the announcements made by TUI Travel and TUI AG on 27 June 2014 and 25 July 2014, the Independent Directors of TUI Travel and the Executive Board (*Vorstand*) of TUI AG are pleased to announce that they have reached agreement on the terms of a recommended all-share nil-premium merger of TUI Travel and TUI AG, which is to be implemented by way of a Scheme of Arrangement of TUI Travel.

Under the Merger, which will be subject to the Conditions and terms set out in Appendix I to this announcement and to the further terms to be set out in the Scheme Document, TUI Travel Shareholders (other than TUI AG and certain connected parties) will receive 0.399 New TUI AG Shares for each TUI Travel Share held by them at the Scheme Record Time.

Taking into consideration TUI AG's existing stake in TUI Travel, the Merger is expected to result in existing TUI Travel Shareholders (other than TUI AG and certain connected parties) owning 46% of the Combined Group and existing TUI AG Shareholders owning 54% of the Combined Group, on a fully-diluted basis.

Based on the Exchange Ratio and the closing share prices as at 12 September 2014 (being the last practicable date prior to the release of this announcement), the Combined Group would have a fully-diluted equity value of approximately €6.5 billion (£5.2 billion).

The Combined Group will be German domiciled with a premium listing on the London Stock Exchange, in parallel with a secondary market quotation on a German stock exchange. The FTSE Nationality Advisory Committee has announced that, subject to Completion, it would allocate the Combined Group a UK classification for FTSE index inclusion purposes.

TUI Travel Shareholders (including TUI AG) will receive a second interim dividend of 20.5 pence per TUI Travel Share, to include 10.5 pence per TUI Travel Share in lieu of a final dividend for the financial year 2013/14.

The Merger will result in the creation of the world's number one integrated leisure tourism business, clearly positioned as a fully vertically-integrated tour operator with enhanced long-term growth prospects.

Mr. Alexey Mordashov, TUI AG's largest shareholder, has confirmed his support for the Merger.

#### **Reasons for the Merger**

##### ***Accelerate growth and future-proof the vertically integrated business model***

- Opportunity to accelerate the long-term growth of the Combined Group by accessing high-quality hotel and cruise ship content on an exclusive basis
  - Enhances certainty of supply for the continued growth of Unique Holidays
- Enhances and de-risks Mainstream content growth as a result of integration

- Provides the potential for the Combined Group to double the pace of existing TUI AG content growth through further vertical integration – more than 30 additional hotels and up to two additional cruise ships
- Historic annual performance suggests a potential contribution to EBITA of €1.4 million (£1.1 million) per hotel and a substantial contribution per ship (under the TUI Cruises business model)<sup>1</sup>
- Acceleration of content growth is expected to drive customer and top-line growth
- Reinforces the Combined Group's competitive advantage versus non-integrated leisure travel businesses through further control over the end-to-end customer experience
- The Merger is expected to deliver material value to all TUI Travel Shareholders and existing TUI AG Shareholders, with a continuation of strong leadership

***Deliver significant synergies, increased occupancy and cost savings***

- The Merger is expected to deliver significant synergies
  - Corporate streamlining – potential cost savings of at least €45 million (£36 million) per annum
  - Significant tax optimisation – potential for a substantial reduction in the Combined Group's ongoing tax rate – a unified ownership structure would have delivered a decrease in the underlying effective tax rate of around 7 percentage points to 24% in the financial year 2012/13<sup>2</sup>
- Significant increase in occupancy levels achievable through joint yield management
  - Each 1 percentage point improvement in occupancy would be expected to deliver approximately €6.1 million (£4.9 million) of additional profit<sup>3</sup>
  - TUI Travel's vertically integrated Magic Life clubs have an occupancy level which is 5 percentage points higher than the level in TUI AG's hotel and resorts portfolio for the financial year 2012/13<sup>4</sup>
- Additional cost savings achievable through the integration of Inbound Services into the Mainstream tourism business, resulting in net cost savings of €20 million (£16 million) annually<sup>5</sup>

**Strategy of the Combined Group**

The Combined Group will utilise the scale of its fully-integrated Mainstream tourism business – content, Unique Holiday experiences and distribution – whilst driving growth and value from its non-Mainstream businesses, to enhance its growth and margin profile, thereby future-proofing its long-term sustainable competitive position.

In particular, the Combined Group will:

- Deliver a superior end-to-end customer experience through a fully-integrated Mainstream tourism business
- Accelerate long-term growth supported by an asset-right business model based on an optimal mix of owned and managed hotels and cruise ships, with a targeted minimum required return on capital of 15% for new content<sup>6</sup>

<sup>1</sup> See Bases and Sources in Appendix II for more information. No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for TUI AG or TUI Travel, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for TUI AG or TUI Travel, as appropriate.

<sup>2</sup> Based on the Combined Group's tax calculations for the financial year 2012/13 a cash tax benefit of €35 million (£28 million) would have been achieved had the two businesses been combined in that year.

<sup>3</sup> See Bases and Sources in Appendix II for more information. No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for TUI AG or TUI Travel, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for TUI AG or TUI Travel, as appropriate.

<sup>4</sup> TUI Travel's vertically integrated Magic Life clubs have a current occupancy level of 85% in the financial year 2013/14 compared to 80% in TUI AG's hotel and resorts portfolio for the financial year 2012/13.

<sup>5</sup> These additional cost savings could have been achieved on a standalone basis by TUI Travel.

<sup>6</sup> See Bases and Sources in Appendix II for more information.

- In the financial year 2012/13, approximately 50% of TUI AG hotels were operated under management contracts, approximately 9% were leased or franchised and the remainder were owned
- Maximise the growth and value of the Online Accommodation and Specialist & Activity businesses
- Treat the TUI AG stake in Hapag-Lloyd AG as a business for disposal and finalise the exit from Container Shipping
- Focus on balance sheet strength, flexibility and strong free cash flow generation with a view to increasing shareholder returns from the Merger

### **Financial effects of the Merger**

- Merger is expected to be EPS accretive<sup>7</sup> for both sets of shareholders from the first full financial year post-Merger<sup>8</sup>
  - Strong EPS accretion for TUI Travel Shareholders
  - Strong cash flow/dividend benefit for TUI AG Shareholders
- Strong EPS accretion for both sets of shareholders thereafter
- The New Executive Board of TUI AG is confident that value creation for both sets of shareholders should result from the creation of a pure play integrated leisure tourism business and from the elimination of the current TUI AG structural discount

### **Continuation of existing strong leadership**

- Expanded Executive Board of TUI AG and enlarged number of shareholder-elected members of the Supervisory Board of TUI AG, to be drawn equally from TUI AG and TUI Travel
- Peter Long and Friedrich Jousen to be joint CEOs of the Combined Group, with Peter Long planned to become Chairman of the Supervisory Board of TUI AG and Friedrich Jousen leading the Combined Group as sole CEO from February 2016

### **Dividend**

- The TUI Travel interim dividend of 4.05 pence per TUI Travel Share previously announced by TUI Travel will become payable on 3 October 2014
- In addition, TUI Travel will, immediately prior to Completion, declare and pay a second interim dividend of 20.5 pence per TUI Travel Share, to include 10.5 pence per TUI Travel Share in lieu of a final dividend for the financial year 2013/14. This second interim dividend will be payable to those TUI Travel Shareholders on the register of members of TUI Travel at the Scheme Record Time and will be paid prior to Completion conditional on the Court Order having been granted at the Scheme Court Hearing
- TUI Travel Shareholders will not be eligible for any final dividend paid by TUI AG for the financial year 2013/14. TUI AG anticipates that it will declare a final dividend for the financial year 2013/14 (subject to adequate balance sheet capacity, recommendations by the Executive Board of TUI AG and the Supervisory Board of TUI AG and approval at the TUI AG Annual General Meeting in 2015) of €0.33 per TUI AG Share. The anticipated dividend of TUI AG would represent an equivalent amount to the originally anticipated final dividend of 10.5 pence per TUI Travel Share, reflecting the agreed Exchange Ratio (which already takes account of the 4.05 pence TUI Travel interim dividend). The TUI AG dividend for the financial year 2013/14 will be paid after the TUI AG Annual General Meeting in 2015 to TUI AG Shareholders (other than holders of New TUI AG Shares)

<sup>7</sup> No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for TUI AG or TUI Travel, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for TUI AG or TUI Travel, as appropriate.

<sup>8</sup> Before implementation costs of the Merger are accounted for.

- TUI AG and TUI Travel each confirm that neither of them will make any distribution to their shareholders, other than the aforementioned dividends, either in respect of the financial year 2013/14 or before Completion
- Following Completion, the Combined Group intends to adopt a dividend policy in line with TUI Travel's present progressive dividend policy under which dividends grow broadly in line with earnings. Provided the performance of the Combined Group develops in line with expectations, the Combined Group will target an increase in its dividend per share for the financial years 2014/15 and 2015/16 of 10% in excess of the underlying growth in the Combined Group's earnings per share. This is subject to adequate balance sheet capacity, recommendations by the Executive Board of TUI AG and the Supervisory Board of TUI AG and approval at the respective TUI AG Annual General Meeting in the relevant year
- The net dividend receivable from TUI AG may be affected by German withholding tax. Further details are set out in paragraph 7 of this announcement

## **Financing**

- Credit facility agreements have been entered into regarding new credit facilities for the Combined Group, in an aggregate amount of €1.55 billion
  - These facilities will provide available financing for the Combined Group's general corporate and working capital requirements from Completion, replacing TUI Travel's existing revolving credit facility
- In addition, a credit facility agreement has been entered into for a €600 million term loan facility available at Completion, which it is envisaged will be refinanced by the issue of senior unsecured notes shortly after this announcement

## **Directors' irrevocables**

- TUI AG has received irrevocable undertakings to vote in favour of the Merger from the Independent Directors of TUI Travel, their families and related trusts, who hold or are beneficially entitled to TUI Travel Shares, representing in aggregate approximately 0.100% of TUI Travel's ordinary share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement)
- TUI AG has received an irrevocable undertaking to vote in favour of the Merger at the relevant TUI Travel shareholder meetings from Peter Long (who is a director of TUI Travel, but not one of the Independent Directors of TUI Travel), his family and related trusts, who hold or are beneficially entitled to TUI Travel Shares, representing in aggregate approximately 0.267% of TUI Travel's ordinary share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement)
- Friedrich Jousen, Horst Baier and Sebastian Ebel, who are directors of TUI Travel but not Independent Directors of TUI Travel, do not have interests in TUI Travel Shares and neither do their respective families or related trusts

## **Commenting on the Merger**

Sir Michael Hodgkinson, Deputy Chairman and Senior Independent Director of TUI Travel, said:

"The Board of TUI Travel is focused on delivering shareholder value and I and my fellow independent directors are confident that the finalised terms of this Merger represent significant value for our shareholders. By simplifying the structure and combining the two businesses substantial synergies and cost savings will be realised. In addition, the potential to deliver material commercial benefits will be unlocked. Peter Long's position as, firstly joint Chief Executive with continued responsibility for the former TUI Travel businesses, and then in 2016 as Chairman of the Supervisory Board should also serve to give TUI Travel shareholders confidence in the long-term prospects for the group."

Prof. Dr Klaus Mangold, Chairman of the Supervisory Board of TUI AG, said:

"The Supervisory Board of TUI AG strongly endorses the merger of the two companies. Significant operational and financial benefits are expected by the vertical integration which enables further efficiency

gains and growth owing to a new group structure. The listing of the TUI AG shares on the premium segment of the London Stock Exchange and the FTSE UK Index makes the shares attractive for international investors, the euro listing on the Frankfurt Open Market secures market access in Germany and emphasises the international nature of the group. With this euro listing on a German stock exchange we want to ensure that TUI AG shares will remain an attractive investment for private investors. Further, the newly formed Integration Committee of the Supervisory Board of TUI AG will actively accompany the phase of re-orientation and the merger of both companies as well as attend to the aspired benefits.”

Peter Long, Chief Executive of TUI Travel and Member of the Executive Board of TUI AG, said:

“The Merger will strengthen and future-proof our combined business by enhancing the certainty of long-term Unique Holiday growth, and by reinforcing our competitive advantage through further control over the end-to-end customer experience. Friedrich Joussem and I are committed to working closely to ensure that we achieve significant synergies, cost savings, commercial benefits and long-term growth as the world's number one integrated leisure tourism business. All of which will contribute to significant earnings accretion from the first full financial year post Completion and growth in shareholder returns.”

Friedrich Joussem, Chief Executive of TUI AG and Chairman of TUI Travel, said:

“We have conducted the negotiations goal orientated, seriously and fairly and have completed them successfully. The result is a clear and joint commitment to the merger of the companies. The potential cost savings are significantly higher than expected at the start of the negotiations. The new TUI will be the leading integrated tourism group in the world and an innovative pioneer in the industry. We will set new standards in our industry with respect to growth, quality as well as brand promise and create significant opportunities for shareholders, customers and our employees. Our shareholders benefit from faster growth, higher margins and an attractive dividend policy. Our customers receive unprecedented access to exclusive products and services and thereby individual and unique holiday experiences around the globe. Our 74,000 employees worldwide in approximately 130 countries will have completely new development and career prospects. The new TUI will definitely be a truly international group and thus also one of the most international employers in Europe.”

Mr. Alexey Mordashov, TUI AG's largest shareholder, has confirmed his support for the Merger and said:

“I am pleased with the recent business development of both companies. The combination will serve to improve the tourism business model and help drive future business growth for the benefit of both shareholder groups.”

## **Recommendations**

The Independent Directors of TUI Travel, who have been so advised by Lazard, consider the terms of the Merger to be fair and reasonable. In providing its advice, Lazard has taken into account the commercial assessments of the Independent Directors of TUI Travel. Accordingly, the Independent Directors of TUI Travel intend unanimously to recommend TUI Travel Shareholders to vote in favour of the Scheme at the TUI Travel Court Meeting and the resolutions to be proposed at the TUI Travel General Meeting, as the Independent Directors of TUI Travel who hold or are beneficially entitled to TUI Travel Shares have irrevocably undertaken to do in respect of their own beneficial holdings of 1,135,168 TUI Travel Shares representing in aggregate approximately 0.100% of TUI Travel's ordinary share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement). Bank of America Merrill Lynch and Barclays have also provided financial advice to the Independent Directors of TUI Travel in respect of the Merger.

Peter Long is a director and Chief Executive of TUI Travel and is also a member of the Executive Board of TUI AG. As such, Peter Long is not considered to be an Independent Director of TUI Travel for the purposes of TUI Travel's discussion of, or decisions in relation to, the Merger and has not been involved in or voted on such decisions. Similarly, Peter Long has not participated in decisions in relation to the Merger by the Executive Board of TUI AG. Accordingly, Peter Long has not participated in the formal recommendation of the Merger by the Independent Directors of TUI Travel or the Executive Board of TUI AG contained in this announcement. Peter Long's comment on the Merger is set out above.

Also, as set out above, TUI AG has received an irrevocable undertaking to vote in favour of the Merger at the relevant TUI Travel shareholder meetings from Peter Long, his families and related trusts, who hold or are beneficially entitled to TUI Travel Shares, representing in aggregate approximately 0.267% of TUI Travel's ordinary share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement). Peter Long, his families and related trusts have no current interests in TUI AG Shares.

Friedrich Jousen, Horst Baier and Sebastian Ebel, who are directors of TUI Travel are either members of the Executive Board of TUI AG or members of TUI AG's senior management. As such, they are not considered to be Independent Directors of TUI Travel for the purposes of TUI Travel's discussion of, or decisions in relation to, the Merger and have not participated in such discussions or voted on such decisions. Neither they nor their family and related trusts hold any interests in TUI Travel Shares.

The Executive Board of TUI AG (other than Peter Long who has recused himself as set out above) considers the Merger to be in the interests of existing TUI AG Shareholders. The Executive Board of TUI AG (other than Peter Long) has been advised by Deutsche Bank and Greenhill in relation to the Merger. In providing their advice, Deutsche Bank and Greenhill have taken into account the commercial assessments of the Executive Board of TUI AG (other than Peter Long).

Accordingly, the Executive Board of TUI AG (other than Peter Long) intend unanimously to recommend existing TUI AG Shareholders to vote in favour of all of the resolutions to be proposed at the TUI AG EGM to approve the Direct Capital Increase, the Conditional Capital Increase and related matters, as the members of the Executive Board of TUI AG (other than Peter Long) who hold or are beneficially entitled to TUI AG Shares intend to do in respect of their own beneficial holdings of 158,798 TUI AG Shares representing in aggregate approximately 0.055% of TUI AG's share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement).

The Supervisory Board of TUI AG intends unanimously to recommend existing TUI AG Shareholders to vote in favour of all of the resolutions to be proposed at the TUI AG EGM to approve the Direct Capital Increase, the Conditional Capital Increase and related matters, as the members of the Supervisory Board of TUI AG who hold or are beneficially entitled to TUI AG Shares intend to do in respect of their own beneficial holdings of 27,955 TUI AG Shares representing in aggregate approximately 0.010% of TUI AG's ordinary share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement). The Supervisory Board of TUI AG has obtained an additional separate fairness opinion from J.P. Morgan with respect to the Exchange Ratio.

### **Next steps**

The Merger will be voted on by TUI Travel Shareholders at the TUI Travel Court Meeting and at the TUI Travel General Meeting. Resolutions required to be passed in connection with the Merger will be voted on by existing TUI AG Shareholders at the TUI AG EGM. In order for the Scheme to become Effective:

- it must be approved by a majority in number of the TUI Travel Scheme Shareholders who are on the register of members of TUI Travel at the Voting Record Time and who are present and voting (and entitled to vote) at the TUI Travel Court Meeting, either in person or by proxy, representing at least three quarters in nominal value of the TUI Travel Scheme Shares held by such holders. TUI Travel Shares in which TUI AG and certain of its connected parties have an interest will not be eligible to be voted at the TUI Travel Court Meeting;
- the Special Resolution approving the Reduction of Capital and such other matters as may be necessary to implement the Scheme (requiring a majority of at least three quarters of the votes cast by person or by proxy) must be passed by TUI Travel Shareholders at the TUI Travel General Meeting;
- the resolutions necessary to approve the Direct Capital Increase and the Conditional Capital Increase (each requiring a majority of at least three quarters of the share capital voting on such resolution) must be passed at the TUI AG EGM;
- the proposed election of the new members of the Supervisory Board of TUI AG set out in the TUI AG EGM Invitation, being certain of the existing independent non-executive directors of TUI Travel, and the proposed resolution regarding the amendment of the TUI AG Charter to allow TUI AG to appoint one or more chairmen to the Executive Board (as defined in the TUI AG Charter) must be passed at the TUI AG EGM;
- the resolution of the Direct Capital Increase and the resolution of the Conditional Capital Increase must be registered at the commercial registries in Hanover and Charlottenburg/Berlin;
- the Court must sanction the Scheme with or without modification (but subject to any such modification being acceptable to TUI AG and TUI Travel) and confirm the Reduction of Capital and:

- office copies of the Court Order (and the Statement of Capital) must be delivered to the Registrar of Companies; and
- if the Court so orders for it to become effective, the Court Order and the Statement of Capital must be registered by the Registrar of Companies;
- the UK Listing Authority must acknowledge to TUI AG or its agent that the application for the admission of the TUI AG Shares to the premium listing segment of the Official List of the UK Listing Authority has been approved and will become effective as soon as the UK Listing Authority's decision to admit the TUI AG Shares is announced and the London Stock Exchange must acknowledge to TUI AG or its agent that the TUI AG Shares will be admitted to trading on the London Stock Exchange's main market for listed securities; and
- Deutsche Bank (as German listing agent of TUI AG) must not have received any notification or other communication from the Frankfurt Stock Exchange or any of the Stuttgart, Hamburg, Berlin, Düsseldorf, Hanover or Munich stock exchanges that admission to trading of all the New TUI AG Shares on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange as well as the regulated markets of the stock exchanges in Stuttgart, Hamburg, Berlin, Düsseldorf, Hanover and Munich, will not be granted pursuant to an application made for such trading.

It is expected that the Scheme Document, containing further information about the Merger and notices of the TUI Travel Court Meeting and the TUI Travel General Meeting, will be posted to TUI Travel Shareholders within the next 28 days.

It is expected that the TUI AG Prospectus, containing information about the New TUI AG Shares and the Combined Group, will be published at or around the same time as the Scheme Document is made available to TUI Travel Shareholders.

It is expected that the TUI AG EGM Invitation, containing details of the Merger and notice of the TUI AG EGM at which resolutions will be proposed for the approval of the Direct Capital Increase, the Conditional Capital Increase and other matters relating to the Merger by existing TUI AG Shareholders, will be published by 19 September 2014.

It is currently anticipated that the Scheme will become Effective by the end of December 2014, subject to the satisfaction or (where applicable) waiver of the Conditions, certain terms set out in Appendix I to this announcement and the further terms to be set out in the Scheme Document. However, it should be noted that there is no certainty that all of the Conditions will be satisfied or waived by that date or that the Scheme will become Effective by that date.

In particular, certain resolutions are required to be passed at the TUI AG EGM, expected to be held on or around 27 October 2014. These include resolutions for approving the Direct Capital Increase and for approving the Conditional Capital Increase, which must also then be registered with the appropriate commercial registries before the Scheme can become Effective.

However, in accordance with German law, insofar as any shareholder contestation actions (*Anfechtungsklagen*) are raised relating to those resolutions, TUI AG will not be able to register the resolutions for the Direct Capital Increase and the Conditional Capital Increase until such actions have been concluded. The conclusion of any such actions could take up to approximately four to seven months from the date on which the TUI AG EGM is held and therefore result in a delay before all of the Conditions are satisfied and, if successful, could prevent satisfaction of all the Conditions.

## **Media calls**

There will be conference calls for the UK and German newswires and national media today, 15 September 2014. The newswire calls will take place at 08.15hrs (BST), 09.15hrs (CEST). The national media calls will take place at 11.00hrs (BST), 12.00hrs (CEST). Respective dial in details are below.

The UK media dial in details are:

UK newswire call at 08.15hrs (BST): +44 1452 555 566  
 UK newswire PIN code: 503 7004

UK national media call at 11.00hrs (BST): +44 1452 555 566  
UK national media PIN code: 504 6416

The German media dial in details are:

German newswire call at 09.15hrs (CEST): +49 30 232 531 469 or +44 20 3147 4861 (no PIN code required for either dial in)

German national media call at 12.00hrs (CEST): +49 30 232 531 403 or +44 20 3367 9216 (no PIN code required for either dial in)

### **Analyst and investor briefing and webcast**

A briefing and live webcast for analysts and investors will be held today, 15 September 2014, at 09.00hrs (BST), 10.00hrs (CEST) at the London Stock Exchange, 10 Paternoster Square EC4M 7LS, United Kingdom. To access the webcast, please go to [www.tuitravelplc.com](http://www.tuitravelplc.com) or [www.tui-group.com](http://www.tui-group.com) for more details. The presentation will be available to download from both websites shortly before the webcast is due to start. A replay of the webcast will be available through the respective websites shortly after it finishes.

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**This summary should be read in conjunction with, and is subject to, the full text of this announcement (including its appendices).**

The Merger will be subject to the Conditions and certain terms set out in Appendix I to this announcement and to the full terms and Conditions which will be set out in the Scheme Document. Appendix II contains the bases and sources of certain information used in this summary and in the full text of this announcement. Appendix III contains details of the irrevocable undertakings received in relation to the Merger that are referred to in this announcement. Appendix IV contains details of and bases of belief of anticipated quantified financial benefits relating to cost savings and cash tax benefits arising out of the Merger. Appendix V contains details and basis of belief of anticipated quantified financial benefit statements in relation to the integration of Inbound Services into the Mainstream tourism business. Appendix VI contains definitions of certain terms used in this summary and in the full text of this announcement.

Statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. For the purposes of Rule 28 of the Code, quantified financial benefit statements contained in this announcement are solely the responsibility of the New Executive Board of TUI AG. These statements are not intended as a profit forecast and should not be interpreted as such. Appendix IV sets out anticipated quantified financial benefit statements relating to cost savings and cash tax benefits arising out of the Merger and provides underlying information and bases of belief. PwC, Deutsche Bank, Greenhill and Lazard have each confirmed that their respective reports dated 27 June 2014 continue to apply. Appendix V includes reports from PwC, Deutsche Bank, Greenhill and Lazard, in connection with anticipated quantified financial benefit statements relating to the integration of Inbound Services into the Mainstream tourism business, as required pursuant to Rule 28.1(a) of the Code, and provides underlying information and bases of belief. Each of PwC, Deutsche Bank, Greenhill and Lazard has given and not withdrawn its consent to the publication of its report in the form and context in which it is included.

**Statements by financial advisers**

*Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFIN - Federal Financial Supervisory Authority). Deutsche Bank AG, London Branch is further authorised by the Prudential Regulation Authority and is subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Deutsche Bank is acting as joint financial adviser to TUI AG and no one else in connection with the Merger or the contents of this announcement and will not be responsible to anyone other than TUI AG for providing the protections afforded to its clients or for providing advice in connection with the contents of this announcement or any matter referred to herein.*

*Greenhill & Co. Europe LLP, which is authorised and regulated by the Financial Conduct Authority, and is also authorised under German Banking Law (competent authority: BaFIN - Federal Financial Supervisory*

Authority), is acting as joint financial adviser to TUI AG and no one else in connection with the Merger or the contents of this announcement and will not be responsible to anyone other than TUI AG for providing the protections afforded to its clients or for providing advice in connection with the contents of this announcement or any matter referred to herein.

Lazard & Co., Limited, which is authorised and regulated in the UK by the Financial Conduct Authority, is acting exclusively as financial adviser to the Independent Directors of TUI Travel and no one else in connection with the Merger and will not be responsible to anyone other than the Independent Directors of TUI Travel for providing the protections afforded to clients of Lazard & Co., Limited nor for providing advice in relation to the Merger or any other matters referred to in this announcement. Neither Lazard & Co., Limited nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Lazard & Co., Limited in connection with this announcement, any statement contained herein, the Merger or otherwise.

Barclays Bank PLC, acting through its investment bank, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for the Independent Directors of TUI Travel and no one else in connection with the matters described herein and will not be responsible to anyone other than the Independent Directors of TUI Travel for providing the protections afforded to its clients or for providing advice in relation to the matters described in this announcement or any transaction or any other matters referred to herein.

Merrill Lynch International, a subsidiary of Bank of America Corporation, is acting exclusively for the Independent Directors of TUI Travel in connection with the matters described in this announcement and for no one else and will not be responsible to anyone other than the Independent Directors of TUI Travel for providing the protections afforded to its clients or for providing advice in relation to the matters described in this announcement or any transaction or any other matters referred to herein.

J.P. Morgan, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for the Supervisory Board of TUI AG as financial adviser for the purposes of providing a fairness opinion and acting for no-one else in connection with the Merger and will not be responsible to anyone other than the Supervisory Board of TUI AG for providing the protections afforded to clients of J.P. Morgan nor for providing advice in relation to the Merger or any other matter referred to in this announcement.

### **Quantified Financial Benefits**

No statement in the Quantified Financial Benefits Statements, or this announcement generally, should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of TUI AG and/or TUI Travel for the relevant preceding financial period or any other period. Aside from the one-off integration costs, no material dis-synergies (whether or not recurring) are expected in connection with the Merger. The New Executive Board of TUI AG consider that the identified synergies (except for the cost savings expected to result from the reorganisation of the Mainstream tourism business) would only accrue as a direct result of the success of the Merger and could not be achieved independently of the Merger.

### **Forward-looking statements**

This announcement contains statements about TUI AG, TUI Travel and the Combined Group which are, or may be deemed to be, "forward-looking statements" and which are prospective in nature. All statements other than statements of historical fact included in this announcement may be forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "targets", "aims", "projects", "future-proofing" or words or terms of similar substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies

and the expansion and growth of TUI AG's, TUI Travel's or the Combined Group's operations and potential synergies resulting from the Merger; and (iii) the effects of global economic conditions on TUI AG's, TUI Travel's or the Combined Group's business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause the actual results, performance or achievements of TUI AG or TUI Travel to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of TUI AG or TUI Travel to differ materially from the expectations of TUI AG or TUI Travel, as applicable, include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation, changes in political and economic stability, disruptions in business operations due to reorganisation activities (whether or not TUI AG combines with TUI Travel), interest rate and currency fluctuations, the failure to satisfy any conditions for the Merger on a timely basis or at all, the failure to satisfy the conditions of the Merger if and when implemented (including approvals or clearances from regulatory and other agencies and bodies) on a timely basis or at all, the failure of TUI AG to combine with TUI Travel on a timely basis or at all, the inability of the Combined Group to realise successfully any anticipated synergy benefits when the Merger is implemented, the inability of the Combined Group to integrate successfully TUI AG's and TUI Travel's operations and programmes when the Merger is implemented, the Combined Group incurring and/or experiencing unanticipated costs and/or delays or difficulties relating to the Merger when the Merger is implemented. Such forward-looking statements should therefore be construed in light of such factors.

Neither TUI AG nor TUI Travel, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Other than in accordance with its legal or regulatory obligations, neither TUI AG nor TUI Travel is under any obligation and TUI AG and TUI Travel each expressly disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**If you are in any doubt about the contents of this announcement or the action you should take, you are recommended to seek your own independent personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser duly authorised under the UK Financial Services and Market Act 2000 (as amended) if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.**

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for TUI AG or TUI Travel, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for TUI AG or TUI Travel, as appropriate.

#### **Disclosure requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the

offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

### **Further information**

*This announcement is for information purposes only. It is not intended to and does not constitute, or form part of, any offer, invitation or the solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Merger or otherwise nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. The Merger will be effected solely by means of the Scheme Document which, together with the forms of proxy, will contain the full terms and conditions of the Merger including details of how to vote in respect of the Merger.*

*TUI Travel will prepare the Scheme Document to be distributed to TUI Travel Shareholders and TUI AG will prepare the TUI AG EGM Invitation to be distributed to existing TUI AG Shareholders. TUI AG will also publish the TUI AG Prospectus containing information about the New TUI AG Shares and the Combined Group. TUI Travel urges TUI Travel Shareholders to read the Scheme Document and the TUI AG Prospectus when they become available because they will contain important information in relation to the Merger, the New TUI AG Shares and the Combined Group. TUI AG urges existing TUI AG Shareholders to read the TUI AG EGM Invitation and the TUI AG Prospectus when they become available because they will contain important information in relation to the Merger, the New TUI AG Shares and the Combined Group. Any vote in respect of the Scheme, or any vote in respect of the resolutions to be proposed at the TUI AG EGM to approve the Direct Capital Increase, the Conditional Capital Increase and related matters, should be made only on the basis of the information contained in the Scheme Document and the TUI AG Prospectus, or the TUI AG EGM Invitation and the TUI AG Prospectus, as appropriate.*

*This announcement has been prepared for the purposes of complying with English law, the rules of the London Stock Exchange and the Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside the UK.*

*This announcement does not constitute a prospectus or prospectus equivalent document.*

*Please be aware that addresses, electronic addresses and certain other information provided by TUI Travel Shareholders, persons with information rights and other relevant persons for the receipt of communications from TUI Travel may be provided to TUI AG during the Offer Period as required under Section 4 of Appendix 4 to the Code.*

### **Notes to United States investors in TUI Travel**

*TUI Travel Shareholders in the United States should note that the Merger relates to the shares of an English company and is proposed to be made by means of a scheme of arrangement provided for under, and governed by, English law. Neither the proxy solicitation nor the tender offer rules under the US Exchange Act will apply to the Scheme. Moreover the Scheme will be subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement, which differ from the disclosure requirements of the US proxy solicitation rules and tender offer rules. Financial information included in this announcement has been or will be prepared in accordance with accounting standards*

*applicable in the UK and may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.*

*TUI Travel is organised under the laws of England. TUI AG is organised under the laws of Germany. All of the officers and directors of TUI Travel and TUI AG are residents of countries other than the United States. The majority of the assets of TUI Travel and TUI AG are located outside of the United States. As a result, it may not be possible to effect service of process within the United States upon TUI Travel, TUI AG, or any of their respective officers or directors, or to enforce outside the United States judgements obtained against TUI Travel, TUI AG, or any of their respective officers or directors in US courts, including, without limitation, judgements based upon the civil liability provisions of the US federal securities laws or the laws of any state or territory within the United States. It may not be possible to sue TUI Travel and TUI AG or their respective officers or directors in a non-US court for violations of US securities laws. It may be difficult to compel TUI Travel, TUI AG and their respective affiliates to subject themselves to the jurisdiction and judgment of a US court.*

*None of the securities referred to in this announcement have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this announcement. Any representation to the contrary is a criminal offence in the United States.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, TUI AG or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase TUI Travel Shares outside of the United States, other than pursuant to the Merger, until the date on which the Merger becomes effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK and will be available from the Regulatory Information Service of the London Stock Exchange available at <http://www.londonstockexchange.com>.*

#### **Notes regarding New TUI AG Shares**

*The New TUI AG Shares to be issued pursuant to the Scheme have not been and will not be registered under the US Securities Act or under the relevant securities laws of any state or territory or other jurisdiction of the United States or the relevant securities laws of Japan and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada. No prospectus in relation to the New TUI AG Shares has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission.*

*The New TUI AG Shares will be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof. For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof with respect to the New TUI AG Shares issued pursuant to the Scheme, TUI Travel will advise the Court that its sanctioning of the Scheme will be relied upon by TUI AG as an approval of the Scheme following a hearing on its fairness to TUI Travel at which hearing all TUI Travel shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such shareholders. Neither the SEC nor any US state securities commission has reviewed or approved this document, the Scheme, or the issue of the New TUI AG Shares, and any representation to the contrary is a criminal offence in the United States. Accordingly, the New TUI AG Shares are not being, and may not be, offered, sold, resold, delivered or distributed, directly or indirectly in or into any Restricted Jurisdiction if to do so would constitute a violation of relevant laws of, or would require registration thereof in, such jurisdiction (except pursuant to an exemption, if available, from any applicable registration requirements or otherwise in compliance with all applicable laws).*

#### **Publication on websites and availability of hard copies**

*A copy of this announcement will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on TUI Travel's website at [www.tuitravelplc.com](http://www.tuitravelplc.com) and on TUI AG's website at [www.tui-group.com](http://www.tui-group.com) by no later than 12 noon (London time) on the Business Day following the date of this announcement. For the avoidance of doubt, save as expressly referred to in this announcement, the contents of those websites are not incorporated, and do not form part of, this announcement.*

*TUI Travel Shareholders may request a hard copy of this announcement by contacting TUI Travel Investor Relations during business hours on +44 (0) 1293 645 831 or by submitting a request in writing to TUI Travel Investor Relations at TUI Travel's Head Office at TUI Travel House, Fleming Way, Crawley Business Quarter, Crawley, West Sussex RH10 9QL. Existing TUI AG Shareholders may request a hard copy of this announcement by contacting TUI Investor Relations during business hours on +49 511 566 1425 or by submitting a request in writing to TUI AG Investor Relations at TUI AG's Head Office at Karl-Wiechert-Allee 4, 30625 Hanover, Germany. TUI Travel Shareholders and existing TUI AG Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Merger should be in hard copy form.*

### **Rounding**

*Certain figures included in this announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.*

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN OR INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION**

**THE FOLLOWING ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS AND TUI TRAVEL SHAREHOLDERS SHOULD NOT MAKE ANY INVESTMENT DECISION IN RELATION TO THE NEW TUI AG SHARES EXCEPT ON THE BASIS OF THE INFORMATION IN THE SCHEME DOCUMENT AND THE TUI AG PROSPECTUS WHICH ARE PROPOSED TO BE PUBLISHED IN DUE COURSE**

**FOR IMMEDIATE RELEASE**

**15 SEPTEMBER 2014**

## **RECOMMENDED ALL-SHARE MERGER OF TUI TRAVEL PLC AND TUI AG**

### **1. Introduction**

Further to the announcements made by TUI Travel and TUI AG on 27 June 2014 and 25 July 2014, the Independent Directors of TUI Travel and the Executive Board (*Vorstand*) of TUI AG are pleased to announce that they have reached agreement on the terms of a recommended all-share nil-premium merger of TUI Travel and TUI AG. The Merger is to be implemented by way of a UK Court-sanctioned scheme of arrangement of TUI Travel, involving TUI AG issuing New TUI AG Shares as consideration.

Upon Completion, the enlarged share capital of TUI AG will be admitted to listing on the premium segment of the Official List of the UK Listing Authority and admitted to trading on the main market of the London Stock Exchange. The Combined Group will seek inclusion in the FTSE UK Index Series (including FTSE 100).

The Merger will result in the creation of the world's number one integrated leisure tourism business, clearly positioned as a fully vertically-integrated tour operator with enhanced long-term growth prospects.

### **2. The Merger**

Under the Merger, which will be subject to the Conditions and terms set out in Appendix I to this announcement and to the further terms to be set out in the Scheme Document, TUI Travel Shareholders (other than TUI AG and certain connected parties) will receive:

#### **0.399 New TUI AG Shares in exchange for each TUI Travel Share held by them at the Scheme Record Time**

Taking into consideration TUI AG's existing stake in TUI Travel, the Merger is expected to result in TUI Travel Shareholders (other than TUI AG and certain connected parties) owning 46% of the Combined Group and existing TUI AG Shareholders owning 54% of the Combined Group, on a fully diluted basis.

Based on the Exchange Ratio and the closing share prices as at 12 September 2014 (being the last practicable date prior to the release of this announcement), the Combined Group would have a fully-diluted equity value of approximately €6.5 billion (£5.2 billion).

### **3. Background to and reasons for the Merger**

TUI AG owns the most recognised travel brand in Europe. With over 230 hotels and more than 155,000 beds, it is Europe's largest holiday hotelier. With seven ships, its cruise operation is one of Europe's most successful. Having rationalised its businesses through "one TUI", it has ambitious growth plans to double the size of its content.

TUI Travel is one of Europe's leading leisure tourism groups and operates as a single organisation with a portfolio of tour operator brands servicing more than 30 million customers. Having differentiated itself from the rest of the industry, its growth is focused on the continued development of Unique Holidays, which are available exclusively through its brands, distributed directly through its own channels with significant numbers of its customers flying on its modern holiday airline fleet.

The Merger would bring together the content portfolio of hotels and cruise ships of TUI AG with access to customers through the distribution capability and Unique Holiday concepts of TUI Travel. It will create a

pure play fully-integrated leisure tourism group that is a global leader, capable of covering each level of the value chain which allows delivery of a complete end-to-end customer experience with access to Unique Holiday content.

## **Reasons for the Merger**

### **(a) Accelerate growth and future-proof the vertically integrated business model**

#### ***(i) Opportunity to accelerate long-term growth of the Combined Group by accessing high-quality content on an exclusive basis***

The Merger will strengthen and future-proof the Combined Group's fully vertically-integrated business model by securing access to hotel and cruise ship content on an exclusive basis for its Mainstream customers. Approximately 15% of TUI Travel's total existing Mainstream hotel content is currently provided by TUI AG, with the remainder supplied through its own hotels and resorts division (10%) and third parties (75%).

#### *Enhances certainty of supply for the continued growth of Unique Holidays*

Unique Holidays, which can only be bought or are only available from TUI Travel, are fundamental to the business' current success and would remain central to the strategy of the Combined Group (outlined in section 4 below). Unique Holidays provide a superior customer offering and competitive advantage versus the commodity competition, through an earlier booking profile and higher levels of customer satisfaction and retention. Approximately 30% of Mainstream's Unique Holiday content is already supplied by TUI Travel and TUI AG hotels. TUI Travel currently targets a proportion of Unique Holidays of 76% by the financial year 2016/17, and plans to grow its core Unique Holidays offering by approximately 60 hotels by the financial year 2018/19. The Merger would provide certainty of supply for the continued growth of Unique Holidays.

#### ***(ii) Enhances and de-risks Mainstream content growth as a result of integration***

Further vertical integration means that the Combined Group will have a single view of the customer and will therefore be able to develop the right content to fulfil customer desires. It will also be able to develop new properties more quickly in the knowledge that these properties will have direct access to TUI Travel's customers as potential guests, and with higher levels of utilisation. The opportunities for de-risked growth – on a global scale – are potentially very significant.

TUI AG currently plans to add more than 30 new hotels and two new cruise ships to its current portfolio by the financial year 2018/19. The Merger provides the potential for the Combined Group to double the pace of existing TUI AG content growth through further vertical integration, with more than 30 additional hotels and up to two additional new cruise ships. Historic annual performance suggests a potential contribution to EBITA of €1.4 million (£1.1 million) per hotel and a substantial contribution per ship (under the TUI Cruises business model)<sup>9</sup>. It is expected that the acceleration of content growth will drive customer and top-line growth for the Combined Group.

These developments will also enable the Combined Group to attract additional unique content externally, since content providers want to be associated with a winning distribution model, thereby creating a virtuous circle. This will also help to ensure an optimal mix of owned, joint venture, managed and third-party hotels.

#### ***(iii) Reinforces the Combined Group's competitive advantage versus non-integrated leisure travel businesses through further control over the end-to-end customer experience***

TUI Travel already operates as a vertically-integrated tour operator, enabling interaction with the customer throughout their holiday experience. This has given the business a competitive advantage versus its non-vertically integrated competitors, such as online travel agents and low-cost carriers, who have a more limited relationship with the customer. Further vertical integration

<sup>9</sup> See Bases and Sources in Appendix II for more information. No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for TUI AG or TUI Travel, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for TUI AG or TUI Travel, as appropriate.

will strengthen this competitive advantage covering the whole holiday experience value chain for customers from research and booking, including pre-trip arrangement, to on-holiday experience and journey, as well as after holiday services.

In summary, the Merger is expected to deliver material value to all TUI Travel Shareholders and existing TUI AG Shareholders, with a continuation of strong leadership.

## **(b) Deliver significant synergies, increased occupancy and cost savings**

Accelerated growth is the key driver for the proposed combination of TUI AG and TUI Travel through the Merger. However, significant financial benefits are expected in a number of areas as a result of combining the two businesses and focusing on the Mainstream tourism business. The New Executive Board of TUI AG believes that the principal sources of financial benefits will be as set out below.

For the avoidance of doubt, the (i) corporate streamlining; (ii) cash tax benefits and (iii) integration of Inbound Services into the Mainstream tourism business outlined below comprise the Quantified Financial Benefits Statements and should be read in conjunction with Appendix I to the announcement made by TUI Travel and TUI AG on 27 June 2014 and Appendices IV and V to this announcement, which include further details including the key assumptions underlying the potential synergies and cost savings.

As a direct result of the Merger, the New Executive Board of TUI AG believes that the following benefits will arise:

### **(i) Corporate streamlining**

- Recurring cost savings of at least €45 million (£36 million) per annum from corporate streamlining as a direct result of the Merger. These savings are expected to be achieved progressively from Completion onwards and be realised in full by the third full financial year following Completion.
- The major components of the proposed corporate streamlining are cost savings expected to arise from the consolidation of overlapping functions (which are expected to represent more than half of these corporate streamlining cost savings), and the costs that would be saved from moving from a structure with two separate stock market listings to one. Estimated one-off cash costs for integration of approximately €45 million (£36 million) are expected to be incurred to achieve these savings.

### **(ii) Cash tax benefits**

- Recurring cash tax benefits resulting from a unified ownership structure enabling the use of carried forward tax losses and a more efficient tax grouping.
- Based on the Combined Group's tax calculations for the financial year 2012/13, a cash tax benefit of €35 million (£28 million) would have been achieved had the two businesses been combined in that year.<sup>10</sup>
- For the financial year 2012/13, this cash tax benefit would have effectively resulted in a decrease in the underlying effective tax rate of the Combined Group of around 7 percentage points from 31% to around 24%.<sup>11</sup>

In addition to the benefits arising as a result of the Merger outlined above, the following net benefits have been identified by the New Executive Board of TUI AG. These net benefits could have been achieved independently of the Merger but the Combined Group's strategy now provides an opportunity to optimise the Combined Group's operating structure and achieve these benefits.

<sup>10</sup> This statement should not be construed as a forecast of the tax benefits achievable as a result of the Merger or interpreted to mean that potential benefits to the Combined Group's earnings in the first full financial year following the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of TUI AG and/or TUI Travel for the relevant preceding financial period or any other period. The achievement of such a saving is reliant on the Combined Group continuing to achieve sufficient taxable profits in the German jurisdiction.

<sup>11</sup> The underlying effective tax rate of the Combined Group for the financial year 2012/13 is calculated based on the underlying profit before tax (excluding separately disclosed items, acquisition related expenses and impairment charges).

### ***(iii) Integration of Inbound Services into the Mainstream tourism business***

- As a consequence of the strategic decision to operate the current Online Accommodation businesses and Specialist & Activity sector of TUI Travel separately from the Mainstream tourism business, additional cost savings have been identified:
  - Recurring net cost savings of at least €20 million (£16 million) per annum have been identified as further described below:
    - These cost savings mainly comprise savings from the consolidation of overlapping functions, property costs and travel expenses.
    - At least €30 million (£24 million) of cost savings are expected to arise as the Mainstream tourism business reorganises and takes over the management of the Inbound Services business related to Mainstream.
    - These savings are expected to be achieved progressively from Completion onwards and be realised in full at the end of the third full financial year following Completion.
    - As a further consequence of this proposed reorganisation, over time it will become unprofitable to continue certain third party commercial agreements with a consequential recurring loss of gross margin of €10 million (£8 million) per annum.
- Estimated one-off cash costs of approximately €76 million (£61 million) are expected to be incurred to achieve these savings, which includes €19 million (£15 million) of capital gains tax from the proposed corporate restructuring and indirect taxes.

The information in paragraph (iii) above on the net benefits should be read in conjunction with Appendix V which includes further details including the key assumptions underlying the net benefits and the bases of belief, together with opinions from PwC, Lazard, Deutsche Bank and Greenhill.

As a direct result of the Merger, in addition to the Quantified Financial Benefits outlined above, the New Executive Board of TUI AG believes the Merger could create additional commercial benefits and growth opportunities as follows:

### ***(iv) Increased occupancy from vertical integration***

- A significant increase in occupancy levels will be achievable following the Merger through joint yield management of content. This will drive further profit improvement.
- To illustrate the impact of vertical integration on occupancy levels, following TUI Travel's acquisition from TUI AG of the Magic Life clubs in July 2011, the ability for TUI Travel to secure the supply of an attractive, differentiated high-quality hotel club product helped increase occupancy across the Magic Life portfolio from 77% in financial year 2010/11 to a booking level of 85% in the current financial year 2013/14.<sup>12</sup>
- In the financial year 2012/13, TUI AG reported an average occupancy level of 80% across its hotel and resort portfolio.
- Based on internal TUI AG calculations, each 1 percentage point increase in occupancy levels in that year would have resulted in approximately €6.1 million (£4.9 million) of additional EBITA.<sup>13</sup>

### ***(v) Simplification of group structure to unlock value***

- The New Executive Board of TUI AG is confident that value creation for both sets of shareholders should result from the creation of a pure play integrated leisure tourism business and from the elimination of the current TUI AG structural discount.

<sup>12</sup> Occupancy of Magic Life clubs portfolio excluding clubs in Egypt.

<sup>13</sup> See Bases and Sources in Appendix II for more information. No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for TUI AG or TUI Travel, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for TUI AG or TUI Travel, as appropriate.

#### 4. Strategy of the Combined Group

The Combined Group will utilise the scale of its fully-integrated Mainstream tourism business – content, Unique Holiday experiences and distribution – whilst driving growth and value from its non-Mainstream businesses, to enhance its growth and margin profile, thereby future-proofing its long-term sustainable competitive position.

##### **(a) Deliver a superior end-to-end customer experience through our fully-integrated Mainstream tourism business**

Our Mainstream business will focus on broadening its customer offerings, exploiting its brands and implementing its unique proposition across much of the Combined Group's hotel portfolio, providing a superior experience for its customers. The resources available to the Combined Group will enable an acceleration of the development of new content, driving and broadening the range of Unique Holiday experiences that TUI Travel can deliver to new customers, thereby enhancing the Combined Group's top-line growth.

A complete end-to-end customer approach will be developed offering unique, high-quality content from the strongest brands in tourism covering the whole holiday experience value chain for customers. Customers will be able to book “anything, anytime, anywhere, any way”. The New Executive Board of TUI AG expects this to drive growth through repeat customer business, building loyalty, retention and increased, long-term sustainable profit growth.

Key to implementing this strategy is operating effectively in a digital age. Single solutions developed and deployed to many will reduce long-term infrastructure costs. As a result, the Combined Group expects it will be able to focus cash utilisation to accelerate the development of TUI Travel's existing digital platforms across the whole holiday cycle with two-way interaction – from suggestion, to research, to booking, travelling to the holiday, while on holiday, sharing the holiday experience with friends and family and returning home to the suggestion for the next leisure travel experience from the Combined Group. Personal interaction on the ground at home, in the air and in the resort will provide considerable added-value expertise.

The Mainstream tourism business recorded revenue of £13,426 million (€16,829 million) (excluding Inbound Services) and EBITA (excluding central costs but including Inbound Services) of £706 million (€885 million) in the financial year 2012/13.<sup>14</sup>

##### **(b) Accelerate long-term growth supported by an asset-right business model based on an optimal mix of owned and managed hotels and cruise ships with a targeted minimum return on capital of 15% for new content**

The Combined Group intends to support long-term growth through the operation of a flexible, asset-right business model. In order to operate more efficiently and maximise the value of its assets, the Combined Group will continue to optimise the ownership structure of existing and new hotels and cruise ships, targeting a minimum return on capital of 15% for all new content.<sup>15</sup>

It will aim to optimise the investment and refinancing needs, if any, of such new assets and it may also decide to operate them through existing or new joint venture structures. In this context, it is expected that less than 50% of the accelerated growth hotels mentioned in paragraph 3(a)(ii) of this announcement would be owned (either via a subsidiary or joint venture) and that the additional two cruise ships mentioned in the same section would be owned by TUI Cruises with approximately 80% debt, 20% equity finance.

As of financial year 2012/13, approximately 50% of the more than 230 hotels and resorts within TUI AG Hotels & Resorts were operated under management contracts, approximately 9% were leased or franchised and the remainder were owned. In total, this represented an invested capital of approximately €1.9 billion (£1.5 billion) for its hotels and resorts portfolio.

<sup>14</sup> Pounds sterling figures in this paragraph are converted into euro figures at the exchange rate set out in Appendix II and otherwise used throughout this announcement. The Mainstream figure includes euro figures for TUI AG Hotels & Resorts and TUI Cruises converted into pounds sterling using the historical average exchange rate for the financial year 2012/13 of €1.00:£0.84.

<sup>15</sup> See Bases and Sources in Appendix II for more information.

**(c) Deliver synergies, cost savings and commercial benefits with the potential to unlock further value**

As detailed above, the Merger is expected to deliver €45 million (£36 million) of annual synergies through corporate streamlining and recurring cash tax benefits, which based on the Combined Group's tax calculations for the financial year 2012/13 would have achieved a benefit of €35 million (£28 million) in that financial year had the two businesses been combined.<sup>16</sup>

In addition, the integration of Inbound Services into the Mainstream tourism business is expected to deliver annual net cost savings of €20 million (£16 million).

It is also expected that the Merger will result in material commercial benefits from increased occupancy, vertical integration and additional growth opportunities from an accelerated and broadened content portfolio.

**(d) Maximise the growth and value of the Online Accommodation and Specialist & Activity businesses**

Following the Merger, the current Online Accommodation businesses and Specialist & Activity sector of TUI Travel will operate separately from the Mainstream tourism business, under the direct dedicated leadership of William Waggott. These businesses have a different business model to Mainstream, therefore managing them separately will enable the Combined Group to focus more effectively on maximising their growth and value.

The Online Accommodation business recorded total transaction value of £2.1 billion (€2.6 billion) and EBITA of £40 million (€50 million) in the financial year 2012/13. The Specialist & Activity sector recorded revenue of £1,433 million (€1,796 million) and EBITA of £41 million (€51 million) in the same period.

**(e) Treat the TUI AG stake in Hapag-Lloyd AG as a business for disposal**

The stake in Hapag-Lloyd AG is currently held by TUI AG, and following Completion will continue to be held by the Combined Group, as a business for disposal, in order to finalise the Combined Group's exit from Container Shipping. This does not include Hapag-Lloyd Kreuzfahrten, which will be retained within the Combined Group.

**(f) Focus on balance sheet strength, flexibility and strong free cash flow generation with a view to increasing shareholder returns**

TUI Travel and TUI AG already have clearly stated strategic goals to improve free cash flow and therefore deliver superior returns on investment for shareholders. The Merger will align these goals, with the aim of creating a strong, flexible balance sheet and enhanced cash flow generation.

The Merger is expected to be EPS accretive<sup>17</sup> for both sets of shareholders from the first full financial year post-Merger<sup>18</sup> (with strong EPS accretion for TUI Travel Shareholders). Strong EPS accretion for both sets of shareholders is expected thereafter. In parallel, a strong cash flow/dividend benefit for TUI AG Shareholders will be delivered from the first full financial year post-Merger.

**5. Management, headquarters, employees and corporate governance**

**(a) Supervisory Board and Chairmanship**

The members of the Supervisory Board of TUI AG representing the shareholders will be drawn in equal number from both TUI AG and TUI Travel. The Supervisory Board of TUI AG will be chaired by Prof. Dr Klaus Mangold and Sir Michael Hodgkinson will be co-Vice Chairman along with Frank Jakobi as representative of the employees.

<sup>16</sup> This statement should not be construed as a forecast of the tax benefits achievable as a result of the Merger or interpreted to mean that potential benefits to the Combined Group's earnings in the first full financial year following the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of TUI AG and/or TUI Travel for the relevant preceding financial period or any other period. The achievement of such a saving is reliant on the Combined Group continuing to achieve sufficient taxable profits in the German jurisdiction.

<sup>17</sup> No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for TUI AG or TUI Travel, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for TUI AG or TUI Travel, as appropriate.

<sup>18</sup> Before implementation costs of the Merger are accounted for.

At the TUI AG EGM, TUI AG will propose to its shareholders to increase the members of the Supervisory Board of TUI AG from 16 to 20. Subject to the approval of this increase, the Supervisory Board of TUI AG will comprise ten members representing the shareholders and ten employee representatives.

Prof. Dr Klaus Mangold's term as Chairman of the Supervisory Board of TUI AG will end at the Annual General Meeting of TUI AG in February 2016 and he will then retire.

At that February 2016 Annual General Meeting, Peter Long will then, on the proposal of the Supervisory Board, be suggested for approval by TUI AG Shareholders as a member of the Supervisory Board of TUI AG for a five year term.

Under applicable German rules, in order for Peter Long to move directly from the Executive Board of TUI AG to the Supervisory Board of TUI AG, his suggestion as a member of the Supervisory Board of TUI AG at the February 2016 Annual General Meeting must be proposed by TUI AG Shareholders holding more than 25% of the shares in TUI AG at that time.

It is planned that, following his appointment to the Supervisory Board of TUI AG, the Supervisory Board of TUI AG would elect Peter Long as its Chairman in place of the retiring Prof. Dr Klaus Mangold.

The Supervisory Board of TUI AG will use all reasonable endeavours, to the extent legally permissible, to achieve the above succession and TUI AG will inform its shareholders at the TUI AG EGM in 2014 about Peter Long's future position.

TUI AG's largest two shareholders, Mr. Alexey Mordashov and Riu Hotels S.A. have each declared that they intend to support such proposal at the February 2016 Annual General Meeting.

For a limited period of two years, the Supervisory Board of TUI AG would have an Integration Committee, initially chaired by Prof. Dr Klaus Mangold and co-chaired by Sir Michael Hodgkinson. The main responsibilities of this committee would be the monitoring of the Merger and its implementation. The committee would advise the New Executive Board of TUI AG as a whole and would not have decision-making power.

## **(b) Senior Management**

Peter Long and Friedrich Jousen will become joint Chief Executives of the Combined Group on Completion until Peter Long's accession to the Supervisory Board of TUI AG becomes effective. Friedrich Jousen will lead the Combined Group as sole CEO following Peter Long's accession to the Supervisory Board of TUI AG, which is anticipated to be in February 2016. Until this date they will alternate in chairing the meetings of the Executive Board of TUI AG.

Following Completion, it has been decided that the Combined Group will be best served by Peter Long continuing to have responsibility for the former TUI Travel businesses (Mainstream, Online Accommodation and Specialist & Activity) and with a mandate to work closely with Friedrich Jousen to ensure a smooth transition and hand-over. Friedrich Jousen will also continue to have responsibility for TUI AG's hotels and cruises content platforms and the co-CEOs will have joint responsibility for achieving the envisaged synergy benefits from the Merger.

The New Executive Board of TUI AG will have a balanced number of members drawn from TUI AG and TUI Travel. Apart from Peter Long and Friedrich Jousen, it will further comprise:

From TUI Travel

- Johan Lundgren – Deputy Combined Group CEO leading all Mainstream markets
- William Waggott – CEO of Online Accommodation businesses and Specialist & Activity sector focusing on managing these businesses separately for growth and value

From TUI AG

- Horst Baier – Combined Group CFO
- Sebastian Ebel – HR/*Arbeitsdirektor* and in parallel responsible for all Combined Group platforms and processes – including hotels and resorts, cruises and IT

The Supervisory Board of TUI AG has approved all of the new envisaged appointments to the New Executive Board of TUI AG subject to Completion having taken place.

### **(c) Headquarters, employees and corporate governance**

The Combined Group will be incorporated and headquartered in Germany and will retain a two-tier board structure. The Combined Group and operational management will continue to be located in multiple locations as the Combined Group continues to draw on the expertise across its markets and the Combined Group will endeavour to optimally utilise the existing talent in both companies.

The Independent Directors of TUI Travel and the Executive Board of TUI AG recognise that in order to achieve the expected benefits of the Merger, operational and administrative restructuring will be required following Completion.

TUI AG has given assurances that, following Completion, the existing employment rights of TUI Travel's and TUI AG's employees, including pensions, will be fully safeguarded.

The Combined Group intends to adhere to both the UK Corporate Governance Code and the German Corporate Governance Code to the extent practicable. Following the Merger, the Combined Group will be subject to the shared jurisdiction of the UK Takeover Code and applicable German takeover law.

## **6. Financing**

Credit facility agreements have been entered into regarding new credit facilities for the Combined Group, in an aggregate amount of €1.55 billion. These facilities comprise a €375 million revolving credit facility with a maturity of three years and nine months and a backstop facility of €1.175 billion with a maturity of up to two years, in each case from the date of their signing. These facilities will provide available financing for the Combined Group's general corporate and working capital requirements from Completion, replacing TUI Travel's existing revolving credit facility. It is intended that €1.175 billion backstop facility will be refinanced shortly after this announcement by increasing the commitments of the €375 million revolving credit facility to €1.55 billion (including bonding facilities in an aggregate amount of €250 million).

In addition, a credit facility agreement has been entered into for a €600 million term loan facility available at Completion which is intended to be refinanced by the issue of senior unsecured notes shortly after this announcement.

Each of the above facilities have been arranged by Citigroup Global Markets Limited, J.P. Morgan Limited and UniCredit Bank AG.

TUI Travel is in the process of securing financing agreements for an amount of US\$745.5 million (£459.3 million), to be signed ahead of the publication of the TUI AG Prospectus, in respect of a number of committed aircraft purchases.

## **7. Dividends, dividend policy and taxation of dividends**

The Combined Group will benefit from balance sheet strength, flexibility and strong free cash flow generation.

The TUI Travel interim dividend of 4.05 pence per TUI Travel Share previously announced by TUI Travel will become payable on 3 October 2014.

In addition, TUI Travel will, immediately prior to Completion, declare and pay a second interim dividend of 20.5 pence per TUI Travel Share, to include 10.5 pence per TUI Travel Share in lieu of a final dividend for the financial year 2013/14. This second interim dividend will be payable to those TUI Travel Shareholders on the register of members of TUI Travel at the Scheme Record Time and will be paid prior to Completion conditional on the Court Order having been granted at the Scheme Court Hearing.

TUI Travel Shareholders will not be eligible for any final dividend paid by TUI AG for the financial year 2013/14. TUI AG anticipates that it will declare a final dividend for the financial year 2013/14 (subject to adequate balance sheet capacity, recommendations by the Executive Board of TUI AG and the Supervisory Board of TUI AG and approval at the TUI AG Annual General Meeting in 2015) of €0.33 per TUI AG Share. The anticipated dividend of TUI AG would represent an equivalent amount to the originally anticipated final dividend of 10.5 pence per TUI Travel Share, reflecting the agreed Exchange

Ratio (which already takes account of the 4.05 pence TUI Travel interim dividend). The TUI AG dividend for the financial year 2013/14 will be paid after the TUI AG Annual General Meeting in 2015 to TUI AG Shareholders (other than holders of New TUI AG Shares).

TUI AG and TUI Travel each confirm that neither of them will make any distribution to their shareholders, other than the aforementioned dividends, either in respect of the financial year 2013/14 or before Completion.

Following Completion, the Combined Group intends to adopt a dividend policy in line with TUI Travel's present progressive dividend policy under which dividends grow broadly in line with earnings. Provided the performance of the Combined Group develops in line with expectations, the Combined Group will target an increase in its dividend per share for the financial years 2014/15 and 2015/16 of 10% in excess of the underlying growth in the Combined Group's earnings per share. This is subject to adequate balance sheet capacity, recommendations by the Executive Board of TUI AG and the Supervisory Board of TUI AG and approval at the respective TUI AG Annual General Meeting in the relevant year.

Generally, under German tax law, upon a distribution of dividends by TUI AG, withholding tax at a total rate of 26.375% (*Kapitalertragsteuer* of 25%, plus a 5.5% solidarity surcharge thereon) of the gross dividend will be withheld. For dividend distributions to TUI AG Shareholders who are not resident for tax purposes in Germany, the withholding rate may be reduced in certain circumstances. In such circumstances the withholding tax is reduced through the German tax authority refunding to such TUI AG Shareholders not resident for tax purposes in Germany the difference between the total amount withheld and the maximum amount permitted to be withheld under the applicable double tax treaty (generally 15% in the case of the treaty between Germany and the UK) upon application to the German tax authority.

Shareholders who are individuals and resident for tax purposes in the UK will, in general, be subject to UK income tax on the gross amount of the dividends paid on the TUI AG Shares rather than on the amount actually received net of any German withholding tax. German withholding tax (net of any refund) may be available for credit against UK income tax payable by shareholders who are individuals and resident for tax purposes in the UK.

Corporate shareholders who are resident for tax purposes in the UK will, in general, be exempt from UK corporation tax in respect of any dividends paid on the TUI AG Shares held by them. Where a UK tax resident corporate shareholder is exempt from UK corporation tax in respect of the dividends paid on the TUI AG shares, credit for the German WHT (net of any refund) will not be available for UK corporation tax purposes.

Further details of the taxation consequences of the Merger and of holdings of TUI AG Shares will be set out in the Scheme Document.<sup>19</sup>

## **8. Current Trading**

There has been no material change in current trading performance for either TUI Travel or TUI AG since their respective third quarter results announcements on 8 August 2014 and 14 August 2014.

## **9. Recommendations**

The Independent Directors of TUI Travel, who have been so advised by Lazard, consider the terms of the Merger to be fair and reasonable. In providing its advice, Lazard has taken into account the commercial assessments of the Independent Directors of TUI Travel. Accordingly, the Independent Directors of TUI Travel intend unanimously to recommend TUI Travel Shareholders to vote in favour of the Scheme at the TUI Travel Court Meeting and the resolutions to be proposed at the TUI Travel General Meeting, as the Independent Directors of TUI Travel who hold or are beneficially entitled to TUI Travel Shares have irrevocably undertaken to do in respect of their own beneficial holdings of 1,135,168 TUI Travel Shares representing in aggregate approximately 0.100% of TUI Travel's ordinary share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement). Bank of America Merrill Lynch and Barclays have also provided financial advice to the Independent Directors of TUI Travel in respect of the Merger.

Peter Long is a director and Chief Executive of TUI Travel and is also a member of the Executive Board of TUI AG. As such, Peter Long is not considered to be an Independent Director of TUI Travel for the

<sup>19</sup> Investors in any doubt about their taxation position must consult their own professional advisers (including legal and/or taxation advisers) and no statement in this announcement constitutes or shall be deemed to constitute legal or taxation advice.

purposes of TUI Travel's discussion of, or decisions in relation to, the Merger and has not been involved in or voted on such decisions. Similarly, Peter Long has not participated in decisions in relation to the Merger by the Executive Board of TUI AG. Accordingly, Peter Long has not participated in the formal recommendation of the Merger by the Independent Directors of TUI Travel or the Executive Board of TUI AG contained in this announcement. Peter Long's comment on the Merger is set out above.

Also, as set out above, TUI AG has received an irrevocable undertaking to vote in favour of the Merger at the relevant TUI Travel shareholder meetings from Peter Long, his family and related trusts, who hold or are beneficially entitled to TUI Travel Shares, representing in aggregate approximately 0.267% of TUI Travel's ordinary share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement). Peter Long, his families and related trusts have no current interests in TUI AG Shares.

Friedrich Jousen, Horst Baier and Sebastian Ebel, who are directors of TUI Travel are either members of the Executive Board of TUI AG or members of TUI AG's senior management. As such, they are not considered to be Independent Directors of TUI Travel for the purposes of TUI Travel's discussion of, or decisions in relation to, the Merger and have not participated in such discussions or voted on such decisions. Neither they nor their family and related trusts hold any interests in TUI Travel Shares.

The Executive Board of TUI AG (other than Peter Long who has recused himself as set out above) considers the Merger to be in the interests of existing TUI AG Shareholders. The Executive Board of TUI AG (other than Peter Long) has been advised by Deutsche Bank and Greenhill in relation to the Merger. In providing their advice, Deutsche Bank and Greenhill have taken into account the commercial assessments of the Executive Board of TUI AG (other than Peter Long).

Accordingly, the Executive Board of TUI AG (other than Peter Long) intend unanimously to recommend existing TUI AG Shareholders to vote in favour of all of the resolutions to be proposed at the TUI AG EGM to approve the Direct Capital Increase, the Conditional Capital Increase and related matters, as the members of the Executive Board of TUI AG (other than Peter Long) who hold or are beneficially entitled to TUI AG Shares intend to do in respect of their own beneficial holdings of 158,798 TUI AG Shares representing in aggregate approximately 0.055% of TUI AG's share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement).

The Supervisory Board of TUI AG intends unanimously to recommend existing TUI AG Shareholders to vote in favour of all of the resolutions to be proposed at the TUI AG EGM to approve the Direct Capital Increase, the Conditional Capital Increase and related matters, as the members of the Supervisory Board of TUI AG who hold or are beneficially entitled to TUI AG Shares intend to do in respect of their own beneficial holdings of 27,955 TUI AG Shares representing in aggregate approximately 0.010% of TUI AG's share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement). The Supervisory Board of TUI AG has obtained an additional separate fairness opinion from J.P. Morgan with respect to the Exchange Ratio.

#### **10. Director irrevocables**

TUI AG has received irrevocable undertakings to vote in favour of the Merger from the Independent Directors of TUI Travel listed in Appendix III, their families and related trusts, who hold or are beneficially entitled to TUI Travel Shares, representing in aggregate approximately 0.100% of TUI Travel's ordinary share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement).

TUI AG has received an irrevocable undertaking to vote in favour of the Merger at the relevant TUI Travel shareholder meetings from Peter Long, his family and related trusts, who hold or are beneficially entitled to TUI Travel Shares, representing in aggregate approximately 0.267% of TUI Travel's ordinary share capital in issue on 12 September 2014 (being the last practicable date prior to the release of this announcement).

Those directors of TUI Travel who are not listed in Appendix III do not have interests in TUI Travel Shares and neither do their respective families and related trusts.

Further details of the irrevocable undertakings in relation to the Merger are set out in Appendix III to this announcement.

Mr. Alexey Mordashov, TUI AG's largest shareholder, has confirmed his support for the Merger.

## 11. Structure of the Merger

It is intended that the Merger will be implemented by way of a Court-sanctioned Scheme of Arrangement between TUI Travel and the TUI Travel Scheme Shareholders under Part 26 of the UK Companies Act.

The purpose of the Scheme is to provide for TUI AG to become the holder of the entire issued and to be issued ordinary share capital of TUI Travel not already owned or controlled by TUI AG and certain connected parties. This is to be achieved by the cancellation of the TUI Travel Scheme Shares held by TUI Travel Scheme Shareholders involving a reduction of capital, with the reserve arising from such cancellation being used to pay up in full such number of New TUI Travel Shares as is equal to the number of TUI Travel Scheme Shares cancelled, which will be issued to TUI AG. In consideration, the TUI Travel Scheme Shareholders will receive consideration in the form of entitlements to New TUI AG Shares on the basis set out in paragraph 2 above and paragraph 18 below. Following Completion, TUI Travel will be a wholly-owned subsidiary of TUI AG.

The Merger will be subject to the Conditions and certain terms set out in Appendix I to this announcement and to the full terms and Conditions which will be set out in the Scheme Document. The Scheme requires the sanction of the Court.

The Scheme will only become Effective if, amongst other things, the following events occur on or before 30 September 2015 (or such later date as TUI AG and TUI Travel may, with the consent of the Panel (if required), agree and the Court may allow):

- (a) a resolution to approve the Scheme being passed by a majority in number of TUI Travel Scheme Shareholders who are on the register of members of TUI Travel at the Voting Record Time and who are present and voting (and entitled to vote) at the TUI Travel Court Meeting, either in person or by proxy, and who represent not less than 75% in nominal value of the TUI Travel Scheme Shares held by those TUI Travel Scheme Shareholders. Excluded Shares will not be eligible to be voted at the TUI Travel Court Meeting;
- (b) the Special Resolution required to approve the Reduction of Capital, the alteration of the TUI Travel Articles and such other matters as may be necessary to implement the Scheme being duly passed by the requisite majorities of TUI Travel Shareholders at the TUI Travel General Meeting;
- (c) the resolutions necessary to approve the Direct Capital Increase and the Conditional Capital Increase (each requiring a majority of at least three quarters of the share capital voting on such resolution) being passed at the TUI AG EGM;
- (d) in the minutes of the proceedings of the TUI AG EGM in the form of a notarial deed it being recorded that the chairman of the TUI AG EGM announced at the TUI AG EGM that the TUI AG Shareholders had approved (in each case, with the required majority of share capital voting on such resolutions):
  - (i) the proposed election of each of the new members of the Supervisory Board of TUI AG, being certain of the existing independent non-executive directors of TUI Travel, as proposed by the Supervisory Board of TUI AG to the TUI AG Shareholders at the TUI AG EGM; and
  - (ii) the proposed resolution regarding the amendment of the TUI AG Charter to allow TUI AG to appoint one or more chairmen to the Executive Board (as defined in the TUI AG Charter),  
provided that the satisfaction of this condition shall not be affected by any objections or legal actions in respect of any such resolution or election which are raised or initiated or succeed before, during or after the TUI AG EGM;
- (f) the resolution of the Direct Capital Increase and the resolution of the Conditional Capital Increase being registered at the commercial registries in Hanover and Charlottenburg/Berlin;
- (g) the sanction of the Scheme by the Court with or without modification (but subject to any such modification being acceptable to TUI AG and TUI Travel) and the confirmation of the Reduction of Capital by the Court and:
  - (i) the delivery of an office copy of the Court Order and of the requisite Statement of Capital to the Registrar of Companies; and

- (ii) if the Court so orders for it to become effective, the registration of the Court Order and the Statement of Capital by the Registrar of Companies;
- (h) (i) the UK Listing Authority having acknowledged to TUI AG or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the TUI AG Shares to listing on the premium segment of the Official List has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as the UK Listing Authority's decision to admit the TUI AG Shares is announced; and (ii) the London Stock Exchange having acknowledged to TUI AG or its agent (and such acknowledgement not having been withdrawn) that the TUI AG Shares will be admitted to trading on the London Stock Exchange's main market for listed securities; and
- (i) (i) an application having been made for the admission to trading of all the New TUI AG Shares on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange as well as the regulated markets of the stock exchanges in Stuttgart, Hamburg, Berlin, Düsseldorf, Hanover and Munich; and (ii) Deutsche Bank (as German listing agent of TUI AG) not having received any notification or other communication, in each case in writing, from the Frankfurt Stock Exchange or any of the Stuttgart, Hamburg, Berlin, Düsseldorf, Hanover or Munich stock exchanges that any such admission will not be granted.

**Upon the Scheme becoming Effective, it will be binding on all TUI Travel Scheme Shareholders, irrespective of whether or not they attended or voted at the TUI Travel Meetings (and, if they attended and voted, whether or not they voted in favour). On Completion, TUI Travel will become a wholly-owned subsidiary of TUI AG and share certificates in respect of TUI Travel Shares will cease to be valid and entitlements to TUI Travel Shares held within the CREST system will be cancelled.**

The New TUI Travel Shares will be acquired by TUI AG pursuant to the Scheme fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the rights to receive and retain in full all dividends and other distributions declared, made or paid on or after the Scheme Effective Date, save where the record date for such dividend or other distribution falls prior to the Scheme Effective Date or otherwise where TUI AG and TUI Travel agree.

The New TUI AG Shares issued in connection with the Scheme will rank *pari passu* in all respects with TUI AG Shares, except that (as set out in paragraph 7 above) the New TUI AG Shares will not carry dividend rights for the financial year 2013/14. The TUI Travel Shareholders will receive a second interim dividend (including a dividend in lieu of the final dividend) for the financial year 2013/14 from TUI Travel rather than TUI AG.

Being German securities, TUI AG Shares are not capable of being listed and traded directly through CREST. Accordingly, to allow settlement within CREST, TUI AG will enter into arrangements with the Depository who will create and issue TUI AG Depository Interests with each TUI AG Depository Interest representing an entitlement to one TUI AG Share.

For technical legal reasons, it is anticipated that all New TUI AG Shares will be issued to the Trustee (as trustee for the TUI Travel Scheme Shareholders), being Capita IRG Trustees Limited, rather than to the TUI Travel Scheme Shareholders directly. It is further anticipated that, following the issue of the New TUI AG Shares to Capita IRG Trustees Limited, it will cease to hold those shares in its capacity as Trustee and will, from such time, hold the New TUI AG Shares in its capacity as the Depository. The Depository will then create and issue TUI AG Depository Interests representing entitlements to the New TUI AG Shares. The TUI Travel Scheme Shareholders will therefore be issued with (and become the registered holders of) TUI AG Depository Interests, rather than New TUI AG Shares.

No fractions of TUI AG Depository Interests will be issued pursuant to the Merger and fractional entitlements will be rounded down to the nearest whole number of TUI AG Depository Interests. Such fractional entitlements will be aggregated and sold in the market by (or on behalf of) the Depository after the Scheme Effective Date. The net proceeds of such sale will be paid in cash by way of cheque (or for those TUI Travel Scheme Shareholders who hold their TUI Travel Scheme Shares in CREST, their CREST accounts shall be accredited with the relevant sale proceeds). Any amounts of less than £5.00 (net of expenses) will be retained by the Depository and paid to TUI AG and therefore the TUI Travel Scheme Shareholders will not receive a cheque or have their CREST account credited in respect of such entitlement due to the administrative costs incurred in doing so. This means that TUI Travel Scheme Shareholders who hold two or fewer TUI Travel Scheme Shares will have their TUI Travel Scheme

Shares cancelled, and will not receive any TUI AG Depositary Interests pursuant to the Scheme unless they increase their holdings of TUI Travel Scheme Shares on or prior to the Scheme Record Time (though they may receive cash if the net proceeds from the sale of their fractional entitlements amount to £5.00 or more).

If the Scheme does not become Effective on or before 30 September 2015 (or such later date as TUI AG and TUI Travel may agree with the consent of the Panel), it will lapse and the Merger will not proceed.

Further details of the Scheme will be included in the Scheme Document, together with notices of the TUI Travel Court Meeting and the TUI Travel General Meeting and the expected timetable for the Merger. The Scheme Document will specify the action to be taken by TUI Travel Shareholders. The Scheme Document will be sent to TUI Travel Shareholders as soon as reasonably practicable.

It is expected that, subject to the approval of the Court, the TUI Travel Court Meeting will be held on or around 28 October 2014. The TUI Travel General Meeting is expected to be held on the same day following the conclusion of the TUI Travel Court Meeting.

## **12. TUI AG shareholder approvals**

It is expected that the TUI AG EGM Invitation, containing details of the Merger and notice of the TUI AG EGM at which resolutions will be proposed for the approval of the Direct Capital Increase, the Conditional Capital Increase and other matters relating to the Merger by existing TUI AG Shareholders, will be published on or around 19 September 2014. It is expected that the TUI AG EGM will be held on or around 27 October 2014.

The resolutions for approving the Direct Capital Increase and for approving the Conditional Capital Increase must be passed at the TUI AG EGM and registered with the appropriate commercial registries before the Scheme can become Effective.

However, in accordance with German law, insofar as any shareholder contestation actions (*Anfechtungsklagen*) are raised relating to those resolutions, TUI AG will not be able to register the resolutions for the Direct Capital Increase and the Conditional Capital Increase until such actions have been concluded. The conclusion of any such actions could take up to approximately four to seven months from the date when the TUI AG EGM is held and therefore result in a delay before all of the Conditions are satisfied and, if successful, could prevent satisfaction of all the Conditions.

## **13. TUI Travel Share Plans**

In respect of the TUI Travel Performance Share Plan, the TUI Travel Deferred Annual Bonus Scheme and the TUI Travel Deferred Annual Bonus Long-term Incentive Scheme, awards granted in 2011 are due to vest in the normal course in December 2014, to the extent to which any applicable performance conditions have been met on the vesting date. Awards granted in 2012 and 2013 will remain outstanding and capable of vesting in accordance with the rules of the relevant TUI Travel Share Plan, as amended to take account of the Merger and, where applicable, subject to appropriate performance conditions continuing to apply. A small number of residual awards granted in 2009 and 2010 which are fully vested also remain outstanding, and these awards will be released prior to, or on, the Court sanctioning the Scheme.

Awards granted in 2009, 2010 and 2011 will be satisfied to the extent possible using TUI Travel Shares held in the TUI Travel employee benefit trust and otherwise by TUI Travel Shares being bought in the market. Awards granted in 2012 and 2013 will be satisfied to the extent they vest by the issue of the requisite number of TUI Travel Shares. Any newly-issued TUI Travel Shares will, pursuant to a proposed amendment to the TUI Travel Articles, be immediately transferred to TUI AG in exchange for new TUI AG Shares on a basis equivalent to the Exchange Ratio. Alternatively, TUI Travel may determine that any awards may be settled in cash.

TUI Travel Shares held under the TUI Travel Share Incentive Plan will be subject to the Scheme, and the resulting TUI AG Shares will continue to be held under the TUI Travel Share Incentive Plan.

TUI Travel intends to grant awards in or about December 2014, in line with its normal practice and levels of grants. If granted prior to Completion, such awards would be granted as awards over notional TUI Travel Shares to be settled in cash, but otherwise on materially the same terms as the terms of the TUI Travel Share Plans. Such awards would not vest at the time of Completion, but would remain outstanding thereafter as awards over notional TUI AG Shares. Therefore, provided that Completion occurs, no further awards capable of being satisfied in TUI Travel Shares will be granted by TUI Travel. If

Completion occurs prior to such awards being granted, any such awards would be granted on the same basis but as cash-based awards over notional TUI AG Shares.

Participants in the TUI Travel Share Plans will be contacted with further details of the effect of the Merger on their outstanding awards in due course.

#### **14. TUI Travel Convertible Bonds**

If the conversion rights under any TUI Travel Convertible Bonds are exercised before the Scheme Record Time, the Converted Shares will be TUI Travel Scheme Shares and therefore will be cancelled as part of the Scheme.

If the conversion rights under any TUI Travel Convertible Bonds are exercised on or after the Scheme Record Time, the Converted Shares will not be TUI Travel Scheme Shares and therefore will not be cancelled as part of the Scheme. Instead, it is proposed that the TUI Travel Articles will be amended at the TUI Travel General Meeting to include a provision pursuant to which any TUI Travel Shares issued after the Scheme Record Time to any person other than TUI AG (or its nominees) will be subject to a mandatory transfer to TUI AG in exchange for entitlements to in new TUI AG Shares on a basis equivalent to the terms of the Scheme.

#### **15. TUI Travel pensions schemes**

TUI Travel and TUI AG have been in discussions with the trustees of TUI Travel's three UK defined benefit pension schemes. TUI Travel has reached agreement in principle with the trustees on future funding arrangements in respect of the current funding deficits in the schemes following Completion. TUI AG has also reached agreement with the trustees on certain support it will provide to the schemes following the Merger. Further details will be set out in the Scheme Document.

#### **16. Confidentiality agreement**

TUI AG and TUI Travel entered into a mutual confidentiality agreement dated 16 June 2014 pursuant to which each of TUI AG and TUI Travel has undertaken to keep certain information relating to the Merger and the other party confidential and not to disclose it to third parties (other than to certain permitted recipients) unless required by law or regulation. These confidentiality obligations will remain in force following Completion.

#### **17. Listing, dealings and settlement of TUI AG Shares**

Applications will be made to the UK Listing Authority for the admission to the premium listing segment of the Official List of the UK Listing Authority and to the London Stock Exchange for the admission to trading on the main market for listed securities of the London Stock Exchange for all TUI AG Shares. The decision on admission of the TUI AG Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange is in the sole discretion of the UK Listing Authority and the London Stock Exchange, respectively.

An application will be made for the admission of the New TUI AG Shares to trading on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. The decision on admission of the New TUI AG Shares is in the sole discretion of the Frankfurt Stock Exchange.

In addition, an application will be made for the admission of the New TUI AG Shares to the regulated markets of the stock exchanges in Stuttgart, Hamburg, Berlin, Düsseldorf, Hanover and Munich.

Conditional on the TUI AG Shares being admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange, TUI AG will apply to delist its shares from the Prime Standard of the Frankfurt Stock Exchange and the stock exchanges in Stuttgart, Hamburg, Berlin, Düsseldorf, Hanover and Munich, with such de-listing anticipated to become effective approximately three months thereafter for the Prime Standard of the Frankfurt Stock Exchange. The de-listing from the Prime Standard of the Frankfurt Stock Exchange and the stock exchanges in Stuttgart, Hamburg, Berlin, Düsseldorf, Hanover and Munich will be undertaken with the purpose of ensuring that TUI AG is eligible for inclusion in the FTSE UK Index Series.

In parallel, TUI AG intends to seek a secondary market quotation of its shares on the Quotation Board of the Open Market on the Frankfurt Stock Exchange to provide the opportunity for investors to trade their shares in the Combined Group in euro on a German stock exchange.

Further details on de-listing, listing and re-registration will be contained in the Scheme Document.

#### **18. Indexation and FTSE Index Series inclusion**

Following Completion, TUI AG will seek inclusion in the FTSE UK Index Series (including FTSE 100).

As announced by FTSE on 5 August 2014, following consultation with the FTSE Nationality Advisory Committee and in conjunction with the FTSE Nationality rules and based on the details set out in the announcements by TUI AG and TUI Travel on 27 June 2014 (and reconfirmed in this announcement), FTSE would allocate TUI AG a UK classification for FTSE index inclusion purposes. As a consequence, subject to Completion, it is anticipated that TUI AG will be eligible to replace TUI Travel in the FTSE UK Index Series and be included in the FTSE Global Equity Index Series as a UK constituent.

#### **19. TUI AG Depositary Interests**

As noted in paragraph 11 above, the TUI AG Shares, being German securities, are not capable of being listed and traded directly through CREST. Accordingly, TUI AG intends to enter into depositary arrangements which will enable investors to hold TUI AG Shares in the form of dematerialised depositary interests, which will be traded in sterling. TUI AG Depositary Interests will represent entitlements to TUI AG Shares and each TUI AG Depositary Interests will represent an entitlement to one TUI AG Share.

In respect of TUI Travel Shareholders who hold their TUI Travel Shares in certificated form (for example because they do not have access to an account in CREST) or persons who cannot or do not want to hold TUI AG Depositary Interests directly, TUI AG intends to appoint a corporate nominee, to hold such shareholders' TUI AG Depositary Interests on behalf of such shareholders.

For those TUI Travel Shareholders who hold their TUI Travel Shares in uncertificated form (that is, via CREST), TUI AG intends to procure that such TUI Travel Scheme Shareholder's entitlement to TUI AG Depositary Interests are delivered to the stock account in CREST in which each such TUI Travel Scheme Shareholder held TUI Travel Scheme Shares as soon as reasonably practicable, and in any event no later than the fourteenth day following the Scheme Effective Date.

The New TUI AG Shares will be issued in registered form and it is intended that the TUI AG Depositary Interests will trade under the same ISIN number as the existing TUI AG Shares. However, if Completion occurs before the annual general meeting of TUI AG expected to be held in February 2015, the New TUI AG Shares will trade under a separate ISIN number to the TUI AG Shares until after that meeting due to the non-eligibility of the New TUI AG Shares for any final dividend for the financial year 2013/14.

#### **20. Suspension and de-listing of TUI Travel Shares**

Prior to the Scheme becoming Effective applications will be made to the UK Listing Authority for the suspension of the listing of TUI Travel Shares on the Official List of the UK Listing Authority and to the London Stock Exchange for the suspension of trading of TUI Travel Shares on the main market for listed securities of the London Stock Exchange. The last day of dealings in TUI Travel Shares is expected to be the date of the Scheme Court Hearing, following which TUI Travel Shares will be suspended from the Official List of the UK Listing Authority and from the main market for listed securities of the London Stock Exchange.

After Completion, applications will be made to the UK Listing Authority for the cancellation of the listing of the TUI Travel Shares on the Official List of the UK Listing Authority and to the London Stock Exchange for the cancellation of trading of the TUI Travel Shares on the main market for listed securities of the London Stock Exchange. It is intended that such cancellations will become effective as soon as reasonably practicable following the issuance of the New TUI AG Shares. It is also intended that, following Completion, TUI Travel will be re-registered as a private company under the relevant provisions of the UK Companies Act.

#### **21. Disclosure of interests in relevant securities**

TUI AG confirms that it made an Opening Position Disclosure, setting out the details required to be disclosed by it under Rule 8.1(a) of the Code, on 11 July 2014.

TUI Travel confirms that it made an Opening Position Disclosure, setting out the details required to be disclosed by it under Rule 8.2(a) of the Code, on 11 July 2014.

## **22. Overseas shareholders**

The availability of TUI AG Depository Interests under the Merger, and the distribution of this announcement to persons who are not resident in the UK may be affected by the laws of the relevant jurisdiction in which they are located. Such persons should inform themselves of, and observe any applicable legal or regulatory requirements of, their jurisdiction. TUI Travel Shareholders who are in doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

This announcement does not constitute an offer for sale of any securities or an offer or an invitation to purchase any securities. TUI Travel Shareholders are advised to read carefully the Scheme Document, the TUI AG Prospectus and the Forms of Proxy once these have been published. TUI AG Shareholders are advised to read carefully the TUI AG Prospectus, the TUI AG EGM Invitation and the form of proxy accompanying the TUI AG EGM Invitation once these have been published.

## **23. Documents available on websites**

Copies of the following documents will be published by no later than 12 noon (London time) on the Business Day following this announcement on TUI Travel's website at [www.tuitravelplc.com](http://www.tuitravelplc.com) and on TUI AG's website at [www.tui-group.com](http://www.tui-group.com) and will be made available until the end of the Offer Period:

- a copy of this announcement;
- the irrevocable undertakings in paragraph 10 and set out in Appendix III to this announcement; and
- the confidentiality agreement referred to in paragraph 16.

## **24. General**

The Merger will be subject to the Conditions and certain terms set out in Appendix I to this announcement and to the full terms and Conditions which will be set out in the Scheme Document. Appendix II contains the bases and sources of certain information contained in the full text of this announcement. Appendix III contains details of the irrevocable undertakings received in relation to the Merger that are referred to in this announcement. Appendix IV contains details of and bases of belief of anticipated quantified financial benefits relating to cost savings and cash tax benefits arising out of the Merger. Appendix V contains details and bases of anticipated quantified financial benefit statements relating to the integration of Inbound Services into the Mainstream tourism business. Appendix VI contains definitions of certain capitalised terms used in the summary and in the full text of this announcement.

The Scheme will be governed by English law and will be subject to the jurisdiction of the courts of England and Wales. The Scheme will be subject to the applicable requirements of the Code, the Panel, the UK Listing Authority, the London Stock Exchange and the FSMA.

### **Media calls**

There will be conference calls for the UK and German newswires and national media today, 15 September 2014. The newswire calls will take place at 08.15hrs (BST), 09.15hrs (CEST). The national media calls will take place at 11.00hrs (BST), 12.00hrs (CEST). Respective dial in details are below.

The UK media dial in details are:

UK newswire call at 08.15hrs (BST): +44 1452 555 566  
UK newswire PIN code: 503 7004

UK national media call at 11.00hrs (BST): +44 1452 555 566  
UK national media PIN code: 504 6416

The German media dial in details are:

German newswire call at 09.15hrs (CEST): +49 30 232 531 469 or +44 20 3147 4861 (no PIN code required for either dial in)

German national media call at 12.00hrs (CEST): +49 30 232 531 403 or +44 20 3367 9216 (no PIN code required for either dial in)

### **Analyst and investor briefing and webcast**

A briefing and live webcast for analysts and investors will be held today, 15 September 2014, at 09.00hrs (BST), 10.00hrs (CEST) at the London Stock Exchange, 10 Paternoster Square EC4M 7LS, United Kingdom. To access the webcast, please go to [www.tuitravelpc.com](http://www.tuitravelpc.com) or [www.tui-group.com](http://www.tui-group.com) for more details. The presentation will be available to download from both websites shortly before the webcast is due to start. A replay of the webcast will be available through the respective websites shortly after it finishes.

### **Enquiries**

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**APPENDIX I**  
**CONDITIONS AND CERTAIN TERMS OF THE OFFER**  
**PART A**  
**CONDITIONS TO THE MERGER**

The Merger is conditional upon the Scheme becoming unconditional and Effective, subject to the Code, by no later than 30 September 2015 or such later date (if any) as TUI AG and TUI Travel may, with the consent of the Panel (if required), agree and the Court may allow.

**1. Conditions to the Scheme**

The Scheme will be subject to the following conditions:

- (a) its approval by a majority in number of the TUI Travel Scheme Shareholders who are on the register of members of TUI Travel at the Voting Record Time and who are present and voting (and entitled to vote) at the TUI Travel Court Meeting or at any adjournment of that meeting), either in person or by proxy, and who represent not less than 75% in nominal value of the TUI Travel Scheme Shares held by those TUI Travel Scheme Shareholders;
- (b) the Special Resolution required to approve the Reduction of Capital, the alteration of the TUI Travel Articles and such other matters as may be necessary to implement the Scheme being duly passed by the requisite majorities of TUI Travel Shareholders at the TUI Travel General Meeting;
- (c) the resolutions necessary to approve the Direct Capital Increase and the Conditional Capital Increase (each requiring a majority of at least three quarters of the share capital voting on such resolution) being passed at the TUI AG EGM;
- (d) the resolution of the Direct Capital Increase and the resolution of the Conditional Capital Increase being registered at the commercial registries in Hanover and Charlottenburg/Berlin; and
- (e) the sanction of the Scheme by the Court with or without modification (but subject to any such modification being acceptable to TUI AG and TUI Travel) and the confirmation of the Reduction of Capital by the Court and:
  - (i) the delivery of an office copy of the Court Order and of the requisite Statement of Capital to the Registrar of Companies; and
  - (ii) if the Court so orders for it to become effective, the registration of the Court Order and the Statement of Capital by the Registrar of Companies.

**2. Conditions to the Merger**

In addition, subject as stated in Part B below and to the requirements of the Panel, TUI AG and TUI Travel have agreed that the Merger will be conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme Effective will not be taken unless such Conditions (as amended if appropriate) have been satisfied (and continue to be satisfied pending the commencement of the Scheme Court Hearing) or, where relevant, waived prior to the Scheme being sanctioned by the Court:

**Admission of New TUI AG Shares**

- (a) (i) the UK Listing Authority having acknowledged to TUI AG or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of all the TUI AG Shares to the premium listing segment of the Official List of the UK Listing Authority has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject will become effective as soon as the UK Listing Authority's decision to admit the TUI AG Shares is announced in accordance with LR 3.2.7G of the FCA's Listing Rules;
- (ii) the London Stock Exchange having acknowledged to TUI AG or its agent (and such acknowledgement not having been withdrawn) that all the TUI AG Shares will be admitted to trading on the main market for listed securities of the London Stock Exchange;

- (iii) (A) an application having been made for the admission to trading of all the New TUI AG Shares on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange as well as the regulated markets of the stock exchanges in Stuttgart, Hamburg, Berlin, Düsseldorf, Hanover and Munich; and (B) Deutsche Bank (as German listing agent of TUI AG) not having received any notification or other communication, in each case in writing, from the Frankfurt Stock Exchange or any of the Stuttgart, Hamburg, Berlin, Düsseldorf, Hanover or Munich stock exchanges that any such admission will not be granted.

### **Governance of TUI AG**

- (b) in the minutes of the proceedings of the TUI AG EGM in the form of a notarial deed it being recorded that the chairman of the TUI AG EGM announced at the TUI AG EGM that the TUI AG Shareholders had approved (in each case, with the required majority of share capital voting on such resolutions):
  - (i) the proposed election of each of the new members of the Supervisory Board of TUI AG, being certain of the existing independent non-executive directors of TUI Travel as proposed by the Supervisory Board of TUI AG to the TUI AG Shareholders at the TUI AG EGM; and
  - (ii) the proposed resolution regarding the amendment of the TUI AG Charter to allow TUI AG to appoint one or more chairmen to the Executive Board (as defined in the TUI AG Charter),

provided that the satisfaction of this condition shall not be affected by any objections or legal actions in respect of any such resolution or election which are raised or initiated or succeed before, during or after the TUI AG EGM;

### **Other Third Party Clearances**

- (c) (other than in respect of or in connection with the matters referred to in Condition 2(a)) no central bank, government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body or association, institution or agency (including any trade agency) or any court, employee representative body or any other body (including without limitation any professional, environmental or investigative body or authority) or person whatsoever in any jurisdiction (each a **Third Party**) having given notice of a decision to institute or implement, or having instituted, implemented or threatened in writing any action, proceeding, suit, investigation, inquiry or reference (and, in each case, not having expressly withdrawn the same) or having required any action to be taken or otherwise having done anything, or having enacted, made or proposed any statute, regulation, order or decision (and, in each case, not having expressly withdrawn the same) and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to (in any case which is material in the context of the Merger):
  - (i) make the Merger or its implementation, or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, TUI Travel by TUI AG, void, unenforceable and/or illegal under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, prevent or prohibit, restrict, restrain, or materially delay the same or otherwise interfere, or impose additional conditions or obligations with respect to, or otherwise challenge, impede, interfere or require amendment of the Merger or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, TUI Travel by TUI AG to an extent which is material in the context of the Merger;
  - (ii) require, prevent or materially delay the divestiture (or materially alter the terms of any proposed divestiture) by any member of the Wider AG Group or by any member of the Wider PLC Group of all or a material portion of its businesses, assets or properties or impose any limitation on the ability of all or any of them to conduct their respective businesses (or any part thereof), to own, control or manage any of their respective assets

or properties (or any part thereof) to an extent which is material in the context of the Wider PLC Group or Wider AG Group (as applicable) taken as a whole;

- (iii) impose any limitation on, or result in any delay in, the ability of TUI AG, directly or indirectly, to acquire or hold or to exercise effectively all or any rights of ownership in respect of shares or other securities in TUI Travel or the ability of any member of the Wider AG Group or any member of the Wider PLC Group directly or indirectly to acquire or hold or exercise effectively all or any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise voting or management control over, any member of the Wider PLC Group or the Wider AG Group to an extent which is material in the context of the Wider PLC Group or Wider AG Group (as applicable) taken as a whole;
- (iv) except pursuant to Chapter 3 of Part 28 of the UK Companies Act (or in connection with the implementation of the Merger), require any member of the Wider AG Group or any member of the Wider PLC Group to acquire or offer to acquire any shares, other securities (or equivalent) or other interests in any member of the Wider PLC Group or any member of the Wider AG Group (as applicable) owned by any Third Party;
- (v) require, prevent or delay the divestiture by any member of the Wider AG Group or any member of the Wider PLC Group of any shares, securities (or equivalent) or other interests in any member of the Wider PLC Group or any member of the Wider AG Group or any asset to an extent which is material in the context of the Wider PLC Group or Wider AG Group (as applicable) taken as a whole;
- (vi) impose any limitation on, or result in any delay in, the ability of any member of the Wider AG Group or any member of the Wider PLC Group to conduct, integrate or co-ordinate its business (or any part thereof) with the businesses (or any part thereof) of any other member of the Wider AG Group and/or any other member of the Wider PLC Group, to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
- (vii) result in any member of the Wider AG Group or any member of the Wider PLC Group ceasing to be able to carry on business under any name under which it presently does so; or
- (viii) otherwise adversely affect any or all of the business, assets, financial or trading position, profits or prospects of any member of the Wider PLC Group or any member of the Wider AG Group to an extent which is material in the context of the Wider PLC Group or Wider AG Group (as applicable) taken as a whole,

and all applicable waiting and other time periods (including any extensions thereof) during which any such Third Party could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, inquiry or reference under the laws of any applicable jurisdiction in respect of the Merger or the acquisition or the proposed acquisition of any TUI Travel Shares by TUI AG having expired, lapsed or been terminated;

- (d) other than in relation to the matters referred to in Condition 2(a), all material notifications, filings or applications in connection with the Merger which are deemed necessary or reasonably considered appropriate by TUI AG and TUI Travel (the "**Notifications**") having been made and all necessary waiting periods in respect of such Notifications (including any extensions thereof) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory and regulatory obligations in any relevant jurisdiction in respect of such Notifications having been complied with in each case in respect of the Merger and all Authorisations deemed necessary or reasonably considered appropriate by TUI AG and TUI Travel in any relevant jurisdiction for or in respect of the Merger and, except pursuant to Chapter 3 of Part 28 of the UK Companies Act, the acquisition or the proposed acquisition of any shares or other securities in, or control or management of, TUI Travel, by TUI AG having been obtained in terms and in a form reasonably satisfactory to TUI AG and TUI Travel from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider PLC Group or any member of the Wider AG Group has entered into contractual arrangements and all Authorisations deemed to be necessary or reasonably considered appropriate by TUI AG and TUI Travel to carry on the business of any member of the Wider PLC Group or any member of the Wider AG Group in any jurisdiction having been obtained and all such Authorisations remaining in full force and effect at the time at which the Merger becomes effective or otherwise wholly unconditional and there being

no notice of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations which is material in the context of the Wider PLC Group or Wider AG Group (as applicable) taken as a whole;

#### **Absence of adverse circumstances**

- (e) save as Disclosed, there being no provision of any agreement, arrangement, lease, licence, franchise, permit or other instrument to which any member of the Wider PLC Group or any member of the Wider AG Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject which, as a result of the implementation of the Merger or the acquisition or proposed acquisition by TUI AG or any member of the Wider AG Group of any TUI Travel Shares, would or might reasonably be expected to result in (in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole):
- (i) any such arrangement, agreement, arrangement, lease, licence, franchise, permit or other instrument being terminated or the rights, liabilities, obligations or interests of any member of the Wider PLC Group or any member of the Wider AG Group being adversely modified or adversely affected or any obligation or liability arising or any adverse action being taken or arising thereunder;
  - (ii) the rights, liabilities, obligations, interests or business of any member of the Wider PLC Group or any member of the Wider AG Group under any such arrangement, agreement, lease, licence, franchise, permit or other instrument or the interests or business of any member of the Wider PLC Group or any member of the Wider AG Group in or with any other person or body or firm or company (or any agreement or arrangement relating to any such interests or business) being or becoming capable of being terminated or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken thereunder;
  - (iii) any monies borrowed by, or any other indebtedness (actual or contingent) of, or any grant available to, any member of the Wider AG Group or any member of the Wider PLC Group becoming repayable, or becoming capable of being declared repayable, immediately or earlier than the stated repayment date or the ability of such member to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;
  - (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider PLC Group or any member of the Wider AG Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable;
  - (v) any asset or interest of any member of the Wider PLC Group or any member of the Wider AG Group being or falling to be disposed of or ceasing to be available to any member of the Wider PLC Group or any member of the Wider AG Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider PLC Group or any member of the Wider AG Group, otherwise than in the ordinary course of business of the relevant party;
  - (vi) any member of the Wider PLC Group or any member of the Wider AG Group ceasing to be able to carry on business under any name under which it presently does so;
  - (vii) the value of any member of the Wider PLC Group or any member of the Wider AG Group or its financial or trading position being prejudiced or adversely affected;
  - (viii) the creation or acceleration of any liabilities (actual or contingent) by any member of the Wider PLC Group or any member of the Wider AG Group, other than trade creditors or other liabilities incurred in the ordinary course of business; or
  - (ix) any liability of any member of the Wider PLC Group or any member of the Wider AG Group to make any severance, termination, bonus or other payment to its directors or other officers (or equivalent);

and no event having occurred which, under any provision of any agreement, arrangement, lease, licence, franchise, permit or other instrument to which any member of the Wider PLC Group or

any member of the Wider AG Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject, would be expected to result in any of the events or circumstances as are referred to in Conditions 2(e)(i) to 2(e)(ix), (in each case to an extent which is material in the context of the Wider PLC Group or any member of the Wider AG Group (as applicable) taken as a whole);

#### **Certain events occurring since 30 June 2014**

- (f) save as Disclosed, and except, where relevant, as between TUI Travel and wholly-owned subsidiaries of TUI Travel, or as between TUI AG and wholly-owned subsidiaries of TUI AG, or between the wholly-owned subsidiaries of TUI Travel, or between the wholly-owned subsidiaries of TUI AG, no member of the Wider PLC Group nor any member of the Wider AG Group having since 30 June 2014:
- (i) issued, agreed to issue, authorised, proposed or announced its intention to authorise or propose the issue of additional shares of any class, or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or transferred or sold (or agreed to transfer or sell), authorised or proposed the transfer or sale of any TUI Travel Shares or TUI AG Shares out of treasury (except for the issue or transfer out of treasury of TUI Travel Shares or TUI AG Shares on the exercise of employee share options or vesting of employee share awards in the ordinary course under any of the TUI Travel Share Plans or TUI AG Share Plans (as applicable));
  - (ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus issue, dividend or other distribution, whether payable in cash or otherwise, other than the dividends described in paragraph 7 of this announcement;
  - (iii) other than pursuant to the Merger (and except for transactions in the ordinary course of business), implemented, effected, authorised or proposed or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares or loan capital (or the equivalent thereof) in any undertaking or undertakings in any such case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
  - (iv) entered into, implemented or authorised the entry into, any joint venture, asset or profit sharing arrangement, partnership or merger of businesses or corporate entities, in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
  - (v) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities, except in respect of the matters mentioned in sub-paragraph (i) above as permitted issuances or transfers out of treasury, or, other than pursuant to the Merger, made any other change to any part of its share capital;
  - (vi) made, authorised, proposed or announced an intention to propose any change in its loan capital, or issued authorised or proposed or announced an intention to authorise or propose the issue of or made any change in or to the terms of any debentures or incurred or increased any indebtedness or contingent liability (other than trade credit incurred in the ordinary course of business), in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
  - (vii) entered into, varied or terminated, or authorised, proposed or announced its intention to enter into, vary or terminate, any agreement, transaction, contract, commitment or arrangement (whether in respect of capital expenditure or otherwise) other than to an extent which is normal in the ordinary course of the business concerned which is of a long term, onerous or unusual nature or magnitude or which involves, or could reasonably be expected to involve, an obligation of such nature or magnitude which is reasonably likely to be restrictive on the business of any member of the Wider PLC Group or any member of the Wider AG Group in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group taken as a whole;
  - (viii) been unable or deemed unable, or admitted in writing that it is unable, to pay its debts as they fall due or stopped or suspended (or threatened to stop or suspend) payment of its

debts generally or ceased or threatened to cease carrying on all or a substantial part of its business, in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;

- (ix) commenced negotiations with any of its creditors or taken any step with a view to rescheduling or restructuring any of its indebtedness or entered into a composition, compromise, assignment or arrangement with any of its creditors whether by way of a voluntary arrangement, scheme of arrangement, deed of compromise or otherwise, in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
- (x) terminated or varied the terms of any agreement or arrangement between any member of the Wider PLC Group or any member of the Wider AG Group and any other person in a manner which would or might reasonably be expected to have a material adverse effect on the financial position of the Wider AG Group or the Wider PLC Group (as applicable) taken as a whole;
- (xi) other than in respect of any member of the Wider PLC Group or any member of the Wider AG Group which was dormant and was solvent at the relevant time, taken or proposed any step or corporate action or had any legal proceedings instituted, served or threatened in writing against it or any documents filed in court for a moratorium of any indebtedness, for its winding-up (voluntary or otherwise), dissolution or reorganisation (or for any analogous proceedings or steps in any jurisdiction) or for the appointment of a liquidator, provisional liquidator, receiver, administrator, administrative receiver, trustee or similar officer (or for the appointment of any analogous person in any jurisdiction) over all or any material part of its assets or revenues or received written notice of the intention to appoint or the appointment of any of the foregoing to it, in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
- (xii) waived, compromised, settled, abandoned or admitted any dispute, claim or counter-claim whether by or against any member of the Wider PLC Group or any member of the Wider AG Group (as applicable) other than in the ordinary course of business, in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
- (xiii) save as envisaged in accordance with the terms of the Merger, made any alteration to its memorandum or articles of association or other incorporation or constitutional documents;
- (xiv) entered into, or varied the terms of, or made any offer (which remains open for acceptance) to enter into or vary to a material extent the terms of, or terminated or given notice of termination of, any service agreement or arrangement with any director (or equivalent) or senior executive of any member of the Wider PLC Group or any member of the Wider AG Group, except for salary increases, bonuses or variations of terms which are consistent with past practice and in the ordinary course of business;
- (xv) save as envisaged in accordance with the terms of the Merger, proposed, agreed to provide, modified or agreed to modify the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by any member of the Wider PLC Group or any member of the Wider AG Group, in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
- (xvi) except in relation to changes made or agreed as a result of, or arising from, changes to legislation, made, agreed or consented to any change to the terms of the trust deeds and rules constituting the pension schemes established for its directors (or equivalent) and/or employees and/or their dependants or the contributions payable to any such scheme(s) or to the benefits which accrue, or to the pensions which are payable thereunder, or to the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined or the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued, made or agreed or consented to, in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;

- (xvii) except for transactions in the ordinary course of business, granted any lease in respect of any of the leasehold or freehold property owned or occupied by it or transferred or otherwise disposed of any such property, in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
- (xviii) except for transactions in the ordinary course of business, disposed of, or transferred, mortgaged or created any security interest, over any material asset or any right, title or interest in any material asset or authorised, proposed or announced any intention to do so; or
- (xix) entered into any contract, agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to, or publicly proposed or announced any intention to effect or to propose to effect, any of the transactions, matters or events referred to in this Condition 2(f);

**No adverse change, litigation, regulatory enquiry of similar**

- (g) save as Disclosed, since 30 June 2014, there having been:
  - (i) no adverse change and no circumstance having arisen which would or might be expected to result in any adverse change in, the business, assets, financial or trading position or profits or prospects or operational performance of any member of the Wider PLC Group or any member of the Wider AG Group which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable);
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings in any relevant jurisdiction having been threatened in writing, announced or instituted by or against or remaining outstanding by, against or in respect of any member of the Wider PLC Group or any member of the Wider AG Group to which any member of the Wider PLC Group or any member of the Wider AG Group is or may become a party (whether as claimant or defendant or otherwise), in each case to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
  - (iii) no enquiry, review or investigation by, or complaint or reference to, any Third Party against or in respect of any member of the Wider PLC Group or any member of the Wider AG Group having been threatened, announced or instituted or remaining outstanding by, against or in respect of any member of the Wider PLC Group or any member of the Wider AG Group, in each case which might reasonably be expected to have a material adverse effect on the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
  - (iv) no steps having been taken and no omissions having been made which are reasonably likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider PLC Group or any member of the Wider AG Group which is necessary for the proper carrying on of its business, in each case to an extent which would have a material adverse effect on the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole; and
  - (v) no contingent or other liability (other than trade creditors and any other liabilities arising in the ordinary course of business) having arisen or increased which would or might reasonably be expected to affect adversely the business, assets, financial or trading position or profits or prospects of any member of the Wider PLC Group or any member of the Wider AG Group to an extent which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole; and

**No discovery of certain matters regarding information, liabilities and environmental issues**

- (h) save as Disclosed, TUI AG not having discovered in relation to the Wider PLC Group, and TUI Travel not having discovered in relation to the Wider AG Group, that:
  - (i) any financial, business or other information concerning the Wider PLC Group or the Wider AG Group publicly announced prior to the date of this announcement or disclosed at any time to any member of the Wider AG Group or to any of their advisers by or on behalf of any member of the Wider PLC Group, or to any member of the Wider PLC

Group or to any of their advisers by or on behalf of any member of the Wider AG Group, prior to the date of this announcement is misleading, contains a material misrepresentation of any fact, or omits to state a fact necessary to make that information not misleading, to an extent which in any such case is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;

- (ii) any member of the Wider PLC Group, any member of the Wider AG Group, any partnership, company or other entity in which any member of the Wider PLC Group or any member of the Wider AG Group (as applicable) has a significant economic interest and which is not a subsidiary undertaking of TUI Travel or TUI AG (as applicable) is subject to any liability (contingent or otherwise), other than in the ordinary course of business, which is material in the context of the Merger or in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
- (iii) any past or present member of the Wider PLC Group or any past or present member of the Wider AG Group has not complied in any material respect with all applicable legislation, regulations or other requirements of any relevant jurisdiction or any Authorisation of any Third Party with regard to the use, treatment, storage, disposal, discharge, spillage, release, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human or animal health or otherwise relating to environmental and/or health and safety matters or that there has otherwise been any such use, treatment, storage, disposal, discharge, spillage, release, leak or emission, in each case which would give rise to any material liability including any penalty for non-compliance (whether actual or contingent) on the part of any member of the Wider PLC Group or any member of the Wider AG Group and which is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole;
- (iv) that there has been a material disposal, discharge, spillage, accumulation, release, leak, emission or the migration, production, supply, treatment, storage, transport or use of any waste or hazardous substance or any substance likely to impair the environment (including any property) or harm human or animal health which (whether or not giving rise to non-compliance with any law or regulation) would be likely to give rise to any material liability (whether actual or contingent) on the part of any member of the Wider AG Group or any member of the Wider PLC Group which in any case is material in the context of the Wider AG Group or the Wider PLC Group (as applicable) taken as a whole; or
- (v) that there is or is reasonably likely to be any material obligation or liability (whether actual or contingent) or requirement to make good, remediate, repair, reinstate or clean up any property, asset or any controlled waters currently or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider PLC Group (or on its behalf) or any past or present member of the Wider AG Group (or on its behalf), or in which any such member may have or previously have had or be deemed to have had an interest, under any environmental legislation, common law, regulation, notice, circular, Authorisation or order of any Third Party in any jurisdiction or to contribute to the cost thereof or associated therewith or indemnify any person in relation thereto which in any case is material in the context of the Wider PLC Group or the Wider AG Group (as applicable) taken as a whole.

The Scheme will not proceed if the Merger: (a) becomes subject to a CMA Phase 2 Reference; or (b) the European Commission either: (i) initiates proceedings under Article 6(1)(c) of the EU Merger Regulation in respect of the Merger; or (ii) makes a referral of the Merger to a competent authority of the UK under Article 9(1) of the EU Merger Regulation and there is subsequently a CMA Phase 2 Reference in respect of the Merger, in each case before the date of the TUI Travel Court Meeting. In such event neither TUI Travel, TUI AG nor any TUI Travel Shareholder will be bound by any term of the Scheme.

**PART B**  
**CERTAIN TERMS OF THE SCHEME AND THE MERGER**

1. Subject to the requirements of the Panel, TUI AG reserves the right to waive, in whole or in part, Conditions 2(c) to 2(h) (inclusive), so far as they relate to TUI Travel, the Wider PLC Group or any part thereof.
2. Subject to the requirements of the Panel, TUI Travel reserves the right to waive, in whole or in part, (i) Condition 2(b) and (ii) Conditions 2(c) to 2(h) (inclusive), so far as they relate to TUI AG, the Wider AG Group or any part thereof.
3. The Scheme will not become Effective unless the Conditions have been fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by TUI AG and TUI Travel to be or remain satisfied by no later than the date referred to in Condition 1 (or such later date as TUI AG and TUI Travel may agree and (if required) the Panel and the Court may allow).
4. Neither TUI AG nor TUI Travel shall be under any obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of the Conditions capable of waiver by it as set out at paragraph 1 or paragraph 2 of this Part B above (as applicable) by a date earlier than the latest date for the fulfilment of that Condition notwithstanding that the other Conditions of the Merger may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.
5. TUI AG reserves the right to elect, with the consent of the Panel and with TUI Travel's prior written consent to implement the merger by way of a Merger Offer. In such event, the Merger will be implemented on substantially the same terms subject to appropriate amendments (including, without limitation, an acceptance condition set at 90% (or such other percentage as TUI AG and TUI Travel may agree) of the TUI Travel Shares to which the Merger Offer relates), so far as applicable, as those which would apply to the Scheme.
6. The availability of the Merger to persons not resident in the UK may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the UK should inform themselves about, and observe, any applicable requirements.
7. Unless otherwise determined by TUI AG or required by the Code and permitted by applicable law and regulation, this announcement should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction.
8. The Merger is not being, and will not be, made, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, internet or other forms of electronic transmission) of interstate or foreign commerce of, or by any facility of a national state or other securities exchange of any jurisdiction and where to do so would violate the laws of that jurisdiction.
9. If the Scheme becomes Effective, the New TUI Travel Shares to be issued pursuant to the Scheme will be acquired by TUI AG fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the rights to receive and retain in full all dividends and other distributions declared, made or paid on or after the Scheme Effective Date, save where the record date for such dividend or other distribution falls prior to the Scheme Effective Date or otherwise where TUI Travel and TUI AG agree otherwise.
10. Under Rule 13.5 of the Code, TUI AG may not invoke a Condition so as to cause the Merger not to proceed, to lapse or any offer to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to TUI AG in the context of the Merger. The Conditions contained in Condition 1 of Part A and, if applicable, any takeover offer acceptance condition adopted on the basis specified in paragraph 5 of this Part B, are not subject to this provision of the Code.
11. The Scheme will be governed by English law and will be subject to the jurisdiction of the courts of England and Wales and to the Conditions set out in this announcement and in the Scheme Document. The Scheme will be subject to applicable requirements of the Code, the Panel, the UK Listing Authority, the London Stock Exchange and the FSMA.

12. Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

## APPENDIX II

### BASES AND SOURCES OF INFORMATION

1. **TUI Travel Shares:** As at the close of business on 12 September 2014 (being the last practicable date prior to the release of this announcement), there were in issue:
  - (a) 1,133,842,328 ordinary shares with a nominal value of 10 pence each. TUI Travel holds no shares in Treasury. The ISIN for the ordinary shares is GB00B1Z7RQ77.
  - (b) GBP 294,700,000 of convertible bonds with a coupon of 6.0% due in October 2014 (the “**TUI Travel 2014 Convertible Bonds**”). The ISIN for the 2014 Convertible Bonds is XS0455660216.
  - (c) GBP 400,000,000 of convertible bonds with a coupon of 4.9% due in April 2017 (the “**TUI Travel 2017 Convertible Bonds**”). The ISIN for the 2017 Convertible Bonds is XS0503743949.

The TUI Travel 2014 Convertible Bonds and the TUI Travel 2017 Convertible Bonds are convertible into TUI Travel ordinary shares.

2. **TUI AG Shares** (see note below): As at the close of business on 12 September 2014 (being the last practicable date prior to the release of this announcement), there were in issue:
  - (a) 286, 561,143 ordinary shares (without par value). TUI AG holds no shares in Treasury. The International Securities Identification Number (**ISIN**) for the ordinary shares is DE000TUAG000.
  - (b) EUR 25,477,664 of convertible bonds with a coupon of 5.5% due in November 2014 in issue (the “**TUI AG November 2014 Bonds**”). The ISIN for the November 2014 Bonds is DE000TUAG117.
  - (c) EUR 338,944,148 of convertible bonds with a coupon of 2.75% due in March 2016 in issue (the “**TUI AG March 2016 Bonds**”). The ISIN for the March 2016 Bonds is DE000TUAG158.

The TUI AG November 2014 Bonds and the TUI AG March 2016 Bonds are convertible into TUI AG ordinary shares.

Note: Insofar as the total number of ordinary shares comprises the registered share capital of TUI AG, together with all shares issued out of the conditional capital since the date that TUI AG's registered share capital was last recorded with the Commercial Register and in the TUI AG Charter.

3. The fully diluted share capital of TUI Travel is 1,357,000,718, calculated on the basis of:
  - (a) the number of TUI Travel Shares set out in paragraph 1(a) above;
  - (b) the maximum number of TUI Travel Shares which could be issued pursuant to the exercise of conversion rights under the TUI Travel 2014 Convertible Bonds;
  - (c) the maximum number of TUI Travel Shares which could be issued pursuant to the exercise of conversion rights under the TUI Travel 2017 Convertible Bonds; and
  - (d) the maximum number of TUI Travel Shares which would be issued to satisfy any TUI Travel share options in full.
4. The fully diluted share capital of TUI AG is 320,061,082, calculated on the basis of:
  - (a) the number of TUI AG ordinary shares set out in paragraph 3(a) above;
  - (b) the maximum number of TUI AG Shares which could be issued pursuant to the exercise of conversion rights under the TUI AG November 2014 Bonds; and

- (c) the maximum number of TUI AG Shares which could be issued pursuant to the exercise of conversion rights under the TUI AG March 2016 Bonds.
5. Mr. Alexey Mordashov's interest in TUI AG is held via S-Group Travel Holding GmbH (which holds 65,592,219 TUI AG Shares) and Unifirm Limited (which holds 7,630,127 TUI AG Shares), both of which are ultimately owned and controlled by Mr. Alexey Mordashov. See Form 8 (Opening Position Disclosure) for TUI AG dated 10 July 2014.
  6. **Return on capital:** Return on capital is calculated as the ratio of underlying net operating profit after tax (being underlying EBITA after tax charged at the effective annual rate) to the average capital. TUI AG's return on invested capital for the financial year 2012/13 was 10.6% for TUI AG Hotels & Resorts as sourced from pages 58 and 59 of TUI AG's 2012/13 Annual Report.
  7. **Potential contribution to EBITA of new hotel content:** The figure stated for €1.4 million of EBITA contribution from each hotel is based on financial year 2012/13 historical data. In financial year 2012/13, on average, each RIU and Robinson hotel contributed €1.4 million to TUI AG's EBITA.
  8. **Calculation of EBITA impact from increased occupancy from vertical integration:** The figure set out in respect of the additional profit resulting from a 1 percentage point improvement in occupancy in existing TUI AG hotels of approximately €6.1 million (£4.9 million) has been calculated by assuming a 1 percentage point increase in occupancy rates across the whole hotel portfolio, which by itself would be assumed to have the impact of increasing gross margin by 1 percentage point. To be prudent, a corresponding discount in average prices per bed has been assumed. The combination of these two changes results in the stated profit uplift. No change in the underlying fixed cost base (i.e. costs below gross margin) has been assumed.
  9. **TUI AG Hotels & Resorts operational and invested capital data:** The breakdown of the proportion of hotels within the TUI AG Group that are either operated under management contracts, leased or franchised, or owned is sourced from page 51 of TUI AG's 2012/13 Annual Report, which states that "*In financial year 2012/13, TUI Hotels & Resorts comprised a total of 232 hotels... 50% were operated in the framework of management contracts, 41% were owned by the respective hotel company, 6% were leased and 3% of the hotels were managed under franchise agreements*". The figure for invested capital in the TUI AG Hotels & Resorts portfolio is sourced from page 59 of TUI AG's 2012/13 Annual Report, where it is stated to be €1,859.3 million.
  10. **Exchange Rates:** Unless otherwise stated, in this announcement the exchange rates used to convert between: (a) pounds sterling and euro are £1.00:€1.2535 and €1.00:£0.7978; and (b) pounds sterling and US dollars are £1.00:US\$1.6231 and US\$1.00:£0.6161.

## APPENDIX III

### DETAILS OF IRREVOCABLE UNDERTAKINGS

#### Irrevocable undertakings in respect of TUI Travel Shares

The following directors of TUI Travel have given irrevocable undertakings on behalf of themselves, their families and related trusts to vote in favour of the Scheme at the TUI Travel Court Meeting and the related resolutions to be proposed at the TUI Travel General Meeting in relation to the following TUI Travel Shares:

Name of TUI Travel director giving irrevocable undertaking	Total number of TUI Travel Shares in respect of which undertaking given	Percentage of issued ordinary share capital of TUI Travel
Valerie Gooding	2,493	0.000%
Sir Michael Hodgkinson	20,000	0.002%
Janis Kong	15,000	0.001%
Peter Long	3,025,860	0.267%
Johan Lundgren	534,021	0.047%
Minnow Powell	6,891	0.001%
William Waggott	556,763	0.049%
<b>Total</b>	<b>4,161,028</b>	<b>0.367%</b>

The irrevocable undertakings from the directors of TUI Travel shall each lapse upon the earlier of: (i) the date on which the Merger lapses or is withdrawn without having become effective in accordance with its terms (in the case of the Scheme) or wholly unconditional (in the case of a Merger Offer), save in circumstances where a new or replacement scheme of arrangement or a Merger Offer is announced on substantially the terms and conditions contained in this announcement, which itself has not lapsed or been withdrawn; and (ii) the date on which the Scheme becomes effective in accordance with its terms or the Merger Offer becomes wholly unconditional.

## APPENDIX IV

### RECONFIRMED QUANTIFIED FINANCIAL BENEFITS STATEMENTS

This announcement includes estimated cost savings and cash tax benefits arising from the Merger, set out in paragraphs 3(b)(i) and 3(b)(ii) of this announcement, which were included in the announcements made by TUI Travel and TUI AG on 27 June 2014 regarding the Merger (together, the “**Reconfirmed Quantified Financial Benefits Statements**”).

Further information on the bases of belief supporting the Reconfirmed Quantified Financial Benefits Statements, including the principal assumptions and sources of information, is set out below.

#### **Bases of belief**

Following initial discussions between the parties regarding the Merger in May and June 2014, TUI AG and TUI Travel established a senior executive team to evaluate and assess the potential synergies available for the integration.

The team, which comprised senior strategy, financial and human resources personnel from both TUI AG and TUI Travel, worked collaboratively during the 6 weeks prior to the announcements made by TUI Travel and TUI AG on 27 June 2014 to identify and quantify potential synergies as well as estimate any associated costs.

In preparing the Reconfirmed Quantified Financial Benefits Statements, both TUI AG and TUI Travel have shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential synergies available from the Merger.

The cost bases used as the basis for the quantification exercise were the six months actual cost base to March 2014 plus six months of the latest forecast cost base to September 2014 for each business.

The exchange rate used in the announcements of TUI Travel and TUI AG on 27 June 2014 to convert between EUR and GBP was 0.8000. The exchange rate used in this announcement to convert between EUR and GBP is set out in Appendix II.

#### **Confirmations**

The members of the New Executive Board of TUI AG are responsible for the Reconfirmed Quantified Financial Benefits Statements. The members of the New Executive Board of TUI AG have received confirmations from each of PricewaterhouseCoopers LLP, Deutsche Bank, Greenhill and Lazard that their respective reports produced in connection with the Reconfirmed Quantified Financial Benefits Statements, which were set out in Appendix I to the announcements of TUI Travel and TUI AG on 27 June 2014, continue to apply.

#### **Notes**

1. The statements of estimated cost savings and cash tax benefits relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

No statement in the Reconfirmed Quantified Financial Benefits Statements, or this announcement generally, should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of TUI AG and/or TUI Travel for the relevant preceding financial period or any other period.

2. Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost savings may be materially greater or less than those estimated.
3. In arriving at the Reconfirmed Quantified Financial Benefits Statements it was assumed that:
  - (a) There will be no significant impact on the underlying operations of either business.

- (b) There will be no material change to macroeconomic, political or legal conditions in the markets or regions in which TUI AG and TUI Travel operate that materially impact on the implementation or costs to achieve the proposed cost savings.
- (c) There will be no material change in exchange rates.
- (d) There will be no material change in tax legislation or tax rates in the countries in which TUI AG and TUI Travel operate that could materially impact the ability to achieve the cash tax benefit.
- (e) Achievement of the cash tax benefits would be facilitated by the Combined Group being a German domiciled and headquartered business.

## APPENDIX V

### QUANTIFIED FINANCIAL BENEFITS STATEMENT IN RELATION TO THE INTEGRATION OF INBOUND SERVICES INTO THE MAINSTREAM TOURISM BUSINESS

#### PART A

This announcement includes a statement on the estimated net benefits expected to arise from the Integration of Inbound Services into the Mainstream tourism business (the "**Inbound Services Quantified Financial Benefits Statement**"), which is set out in paragraph 3(b)(iii) of this announcement.

Aside from the one-off costs set out in the Inbound Services Quantified Financial Benefits Statement, and the loss of gross margin due to the discontinuance of unprofitable contracts, no material dis-synergies (whether or not recurring) are expected in connection with the Inbound Services Quantified Financial Benefits Statement. The New Executive Board of TUI AG considers that these net benefits could have been achieved independently of the Merger but the Combined Group's strategy now provides an opportunity to optimise the Combined Group's operating structure and achieve these benefits.

Further information on the bases of belief supporting the Inbound Services Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out below.

#### **Bases of belief**

As a consequence of the strategic decision to operate the current Online Accommodation businesses and Specialist & Activity sector of TUI Travel separately from the Mainstream tourism business, additional cost savings have been identified. These cost savings could have been achieved independently of the Merger but are only arising now as a result of the Combined Group's strategy.

The proposed net benefits are expected to arise from the integration of the Mainstream-related Inbound Services into the Mainstream tourism business. The main components of the net benefits are:

- consolidation of overlapping functions, which represents approximately three quarters of the savings identified
- property costs; and
- travel expenses, which arise in approximately equal proportions.

The baseline for the cost savings is the latest forecast for the financial year 2013/14 (nine months actual to 30 June 2014 and three months forecast for Q4 2013/14). Benefits and costs have been calculated from this baseline.

As a consequence of the integration of the Mainstream-related Inbound Services business into the Mainstream tourism business, over time it will become unprofitable to continue certain third party commercial agreements. As a result a level of revenue and gross margin loss is planned from discontinuing this business.

The financial benefits are expected to be achieved progressively from Completion onwards and be realised in full by the end of the third full financial year following Completion. The proposed cost savings are all expected to be recurring annual benefits at full run rate. The one-off cash costs to deliver the savings have been assessed on a bottom-up basis in line with the target operating model and expected resource requirement to implement the change.

#### **Reports**

As required by the Panel, PricewaterhouseCoopers LLP, as reporting accountants to TUI AG have provided a report under Rule 28.1(a) of the Code stating that, in their opinion, the Inbound Services Quantified Financial Benefits Statement has been properly compiled on the basis stated. In addition Deutsche Bank and Greenhill, as financial advisors to TUI AG, and Lazard, as financial adviser to the Independent Directors of TUI Travel, have provided reports stating that, in their opinion, and subject to the terms of such reports, the Inbound Services Quantified Financial Benefits Statement, for which members of the New Executive Board of TUI AG are responsible, has been prepared with due care and consideration.

Copies of these reports are included below. Each of PricewaterhouseCoopers LLP, Deutsche Bank, Greenhill and Lazard has given and not withdrawn its consent to the publication of its report in the form and context in which it is included.

## Notes

1. The statements of estimated net benefits relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the net benefits referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.
2. No statement in the Inbound Services Quantified Financial Benefits Statement, or this announcement generally, should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of TUI AG and/or TUI Travel for the relevant preceding financial period or any other period.
3. Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting net benefits may be materially greater or less than those estimated.
4. In arriving at the Inbound Services Quantified Benefits Statements, the New Executive Board of TUI AG has assumed that:
  - (a) There will be no significant impact on the underlying operations of either business.
  - (b) There will be no material change to macroeconomic, political or legal conditions in the markets or regions in which TUI AG and TUI Travel operate that materially impact on the implementation or costs to achieve the proposed cost savings.
  - (c) There will no material change in exchange rates.
  - (d) There will be no material change in tax legislation or tax rates in the countries in which TUI AG and TUI Travel operate that could materially impact the cash tax charge arising.

## PART B

### Report from PricewaterhouseCoopers LLP

The New Executive Board  
TUI AG  
Karl-Wiechert-Allee 4  
30625 Hanover  
Germany

Deutsche Bank AG, London Branch  
1 Great Winchester Street  
London  
EC2N 2DB

Greenhill & Co. Europe LLP  
Lansdowne House  
57 Berkeley Square  
London  
W1J 6ER

Lazard & Co., Limited  
50 Stratton Street  
London  
W1J 8LL

(Lazard & Co., Limited, Deutsche Bank AG, London Branch and Greenhill & Co. Europe LLP, the  
“**Financial Advisers**”)

15 September 2014

Dear Sirs

#### **Recommended all-share nil-premium merger of TUI Travel PLC (“TUI Travel”) and TUI AG (“TUI AG”) (the “Merger”)**

We report on the statement (the “**Statement**”) by the Executive Board (*Vorstand*) of TUI AG as will be constituted immediately after completion of the Merger (the “**New Executive Board**”) set out in the paragraph titled: “*Integration of Inbound Services into the Mainstream tourism business*” of the Rule 2.7 Announcement dated 15 September 2014 (the “**Announcement**”) to the effect that:

- *“As a consequence of the strategic decision to operate the current Online Accommodation businesses and Specialist & Activity sector of TUI Travel separately from the Mainstream tourism business, additional cost savings have been identified:*
  - *Recurring net cost savings of at least €20 million (£16 million) per annum have been identified as further described below:*
    - *These cost savings mainly comprise savings from the consolidation of overlapping functions, property costs and travel expenses.*
    - *At least €30 million (£24 million) of cost savings are expected to arise as the Mainstream tourism business reorganises and takes over the management of the Inbound Services business related to Mainstream.*
    - *These savings are expected to be achieved progressively from Completion onwards and be realised in full at the end of the third full financial year following Completion.*
    - *As a further consequence of this proposed reorganisation, over time it will become unprofitable to continue certain third party commercial agreements with a consequential recurring loss of gross margin of €10 million (£8 million) per annum.*

*Estimated one-off cash costs of approximately €76 million (£61 million) are expected to be incurred to achieve these savings, which includes €19 million (£15 million) of capital gains tax from the proposed corporate restructuring and indirect taxes.”*

The Statement has been made in the context of disclosure in Part A of Appendix V of the Announcement setting out the bases of belief of the New Executive Board supporting the Statement and their analysis and explanation of the underlying constituent elements.

This report is required by Rule 28.1(a)(i) of the City Code on Takeovers and Mergers (the “**Code**”) and is given for the purpose of complying with that rule and for no other purpose.

### **Responsibilities**

It is the responsibility of the New Executive Board to make the Statement in accordance with the Code.

It is our responsibility to form our opinion as required by Rule 28.1(a)(i) of the Code, as to whether the Statement has been properly compiled on the basis stated.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed or to the shareholders of TUI Travel as a result of the inclusion of this report in the Announcement, and for any responsibility arising under Rule 28.1(a)(i) of the Code to any person as and to the extent therein provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 23.3(b) of the Code, consenting to its inclusion in the Announcement.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. We have discussed the Statement together with the relevant bases of belief (including sources of information and assumptions) with the New Executive Board and with the Financial Advisers. Our work did not involve any independent examination of any of the financial or other information underlying the Statement.

Since the Statement and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual benefits achieved will correspond to those anticipated in the Statement and the differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, on the basis of the foregoing, the Statement has been properly compiled on the basis stated.

Yours faithfully,

### **PricewaterhouseCoopers LLP**

*PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business*

## PART C

### Report from Deutsche Bank and Greenhill

The Executive Board  
on behalf of TUI AG  
Karl-Wiechert-Allee 4  
30625 Hanover  
Germany

15 September 2014

Dear Sirs,

#### **Recommended all-share nil-premium merger of TUI Travel PLC (“TUI Travel”) and TUI AG (“TUI AG”)**

We refer to the Inbound Services Quantified Financial Benefits Statement, the bases of belief thereof and the notes thereto (together, the “**Statement**”) as set out in Part A of Appendix V of this announcement, for which the Executive Board (*Vorstand*) of TUI AG as will be constituted immediately after completion of the Merger (the “**New Executive Board**”) is responsible under Rule 28 of the City Code on Takeovers and Mergers (the “**Code**”).

We have discussed the Statement (including the assumptions and sources of information referred to therein), with the New Executive Board and those officers and employees of TUI AG and TUI Travel who developed the underlying plans. The Statement is subject to uncertainty as described in this announcement and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by TUI AG and/or TUI Travel, or otherwise discussed with us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any opinion as to the achievability of the quantified financial benefits identified by the New Executive Board.

We have also reviewed the work carried out by PricewaterhouseCoopers LLP and have discussed with them the opinion set out in Part B of Appendix V of this announcement addressed to yourselves and ourselves on this matter.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the City Code on Takeovers and Mergers and for no other purpose. No person other than the Executive Board (*Vorstand*) of TUI AG can rely on the contents of this letter and, to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter, its contents or the work undertaken in connection with this letter or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed, except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Statement, for which you, as members of New Executive Board are responsible, has been prepared with due care and consideration.

Yours faithfully,

Deutsche Bank AG, London Branch

Yours faithfully,

Greenhill & Co. Europe LLP

## PART D

### Report from Lazard & Co., Limited

The Independent Directors  
TUI Travel PLC  
TUI Travel House  
Crawley Business Quarter  
Fleming Way  
Crawley  
West Sussex  
RH10 9QL

15 September 2014

Dear Sirs,

#### **Recommended all-share nil-premium merger of TUI Travel PLC (“TUI Travel”) and TUI AG (“TUI AG”)**

We refer to the Inbound Services Financial Benefits Statement, the bases of belief thereof and the notes thereto (together, the “**Statement**”) as set out in Part A of Appendix V of this announcement, for which the Executive Board (*Vorstand*) of TUI AG as will be constituted immediately after completion of the Merger (the “**New Executive Board**”) is responsible under Rule 28 of the City Code on Takeovers and Mergers (the “**Code**”).

We have discussed the Statement (including the assumptions and sources of information referred to therein), with the New Executive Board and those officers and employees of TUI Travel who developed the underlying plans. The Statement is subject to uncertainty as described in this announcement and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by TUI AG and/or TUI Travel, or otherwise discussed with us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any opinion as to the achievability of the quantified financial benefits identified by the New Executive Board.

We have also reviewed the work carried out by PricewaterhouseCoopers LLP and have discussed with them the opinion set out in Part B of Appendix V of this announcement addressed to yourselves and ourselves on this matter.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to TUI Travel or its shareholders or any person other than the Independent Directors of TUI Travel in respect of the contents of this letter; no person other than the Independent Directors of TUI Travel can rely on the contents of this letter and to the fullest extent permitted by law, we exclude all liability to any other person, in respect of this letter or the work undertaken in connection with this letter.

On the basis of the foregoing, we consider that the Statement, for which those of you who are members of the New Executive Board are responsible, has been prepared with due care and consideration.

Yours faithfully,

Lazard & Co., Limited

## APPENDIX VI

### DEFINITIONS AND GLOSSARY

The following definitions apply throughout this announcement unless the context otherwise requires:

<b>Accommodation &amp; Destinations</b>	the Accommodation & Destinations sector of TUI Travel, a global provider of accommodation and inbound travel services;
<b>Authorisations</b>	all authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals;
<b>Bank of America Merrill Lynch</b>	Merrill Lynch International, a subsidiary of Bank of America Corporation
<b>Barclays</b>	Barclays Bank PLC, acting through its investment bank
<b>Business Day</b>	a day, not being a public holiday, Saturday or Sunday, on which banks in London and Frankfurt are open for normal business;
<b>CMA Phase 2 Reference</b>	a reference, pursuant to section 22 and 33 of the Enterprise Act 2002, of the Merger or any part of it to the Chair of the Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013;
<b>Code or UK Takeover Code</b>	the City Code on Takeovers and Mergers in the UK;
<b>Combined Group</b>	TUI AG and its subsidiary undertakings (including TUI Travel and its subsidiary undertakings) following the Merger;
<b>Completion</b>	completion of the Merger in accordance with its terms;
<b>Conditions</b>	the conditions to Completion (including the Scheme becoming Effective) as set out in Appendix I to this announcement and to be set out in the Scheme Document;
<b>Conditional Capital Increase</b>	the conditional capital increase of TUI AG pursuant to section 192 German Stock Corporation Act (Aktiengesetz – AktG);
<b>Container Shipping</b>	the container shipping business of Hapag-Lloyd AG;
<b>Converted Shares</b>	TUI Travel Shares issued following the conversion of TUI Travel Convertible Bonds;
<b>Court</b>	the High Court of Justice in England and Wales;
<b>Court Order</b>	the order of the Court (i) sanctioning the Scheme under Part 26 of the UK Companies Act and (ii) confirming the associated Reduction of Capital under section 648 of the UK Companies Act;
<b>CREST</b>	the relevant system to facilitate the transfer of title to shares in uncertificated form (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
<b>CREST Regulations</b>	the UK Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755);
<b>Dealing Disclosure</b>	has the same meaning as in Rule 8 of the Code;
<b>Depository</b>	Capita IRG Trustees Limited, in its capacity as depository in respect of the TUI AG Depository Interests;
<b>Deutsche Bank</b>	Deutsche Bank AG or, as applicable, any of its subsidiary undertakings or branches;
<b>Disclosed</b>	the information which has been fairly disclosed by TUI Travel or TUI AG (as the case may be): (a) in writing prior to 5pm on 12 September 2014 by it or on its behalf or by its respective financial, accounting, tax or legal advisers (specifically as advisers in relation to the Merger); (b) in their published annual and/or half year report and accounts and/or published quarterly trading update for the relevant financial period or periods referred to in the relevant Condition; (c) in a public announcement made in accordance with the Disclosure and Transparency Rules of the FCA prior to 5pm on 12 September 2014; or (d) in a public announcement made in accordance with the German Securities Trading Act prior to 5pm on 12 September 2014; or (e) in this announcement;
<b>Direct Capital Increase</b>	the capital increase of TUI AG pursuant to section 182 of the German Stock Corporation Act ( <i>Aktiengesetz</i> );
<b>EBITA</b>	earnings before interest, taxation and amortisation;
<b>Effective</b>	the Scheme having become effective pursuant to its terms, or if the Merger is implemented by way of a Merger Offer, the Merger Offer having been

	declared unconditional in all respects in accordance with the requirements of the Code;
<b>EU Merger Regulation</b>	Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings;
<b>Exchange Ratio</b>	0.399 New TUI AG Shares for each TUI Travel Share held by a TUI Travel Scheme Shareholder at the Scheme Record Time;
<b>Excluded Shares</b>	any TUI Travel Shares: (i) beneficially owned by TUI AG or any other member of the TUI AG Group; or (ii) held by TUI Travel in treasury; or (iii) in respect of which TUI AG controls the voting rights;
<b>Executive Board of TUI AG</b>	has the same meaning as <i>Vorstand</i> in the German Stock Corporation Act ( <i>Aktiengesetz</i> ) who, for the purposes of this announcement, comprise Friedrich Joussem and Horst Baier;
<b>Forms of Proxy</b>	the form of proxy in connection with each of the TUI Travel Court Meeting and the TUI Travel General Meeting, which shall accompany the Scheme Document;
<b>Frankfurt Stock Exchange</b>	the Frankfurter Wertpapierbörse;
<b>FSMA</b>	the UK Financial Services and Markets Act 2000, as amended;
<b>German Corporate Governance Code</b>	the German Corporate Governance Code (the current version of which was published on 10 June 2013 in the German Federal Gazette);
<b>German Securities Prospectus Act</b>	the Act on the Drawing up, Approval and Publication of the Prospectus to be Published when Securities are Offered to the Public or Admitted to Trading on an Organised Market ( <i>Wertpapierprospektgesetz (WpPG)</i> );
<b>Greenhill</b>	Greenhill & Co. Europe LLP;
<b>Hapag-Lloyd AG</b>	a container shipping company in which TUI AG holds a 22.04% indirect equity stake;
<b>Hapag-Lloyd Kreuzfahrten</b>	the cruise business which is wholly owned by TUI AG and which has a leading position in the German-speaking market with its fleet in the luxury and expedition cruise segments;
<b>Inbound Services</b>	one of the business lines of the Accommodation & Destinations sector, primarily providing destination management services (such as transfers, excursions and tours) to the travel industry and directly to the customer;
<b>Independent Directors of TUI Travel</b>	those members of the board of directors of TUI Travel who are not members of the Executive Board of TUI AG nor members of the senior management of TUI AG being, Sir Michael Hodgkinson, Valerie Gooding, Janis Kong, Johan Lundgren, Coline McConville, Minnow Powell, Dr Erhard Schipporeit, Dr Albert Schunk, Harold Sher, and William Waggott;
<b>Integration Committee</b>	a committee within the Supervisory Board of TUI AG to monitor the Merger and its implementation;
<b>J.P. Morgan</b>	J.P. Morgan Limited;
<b>Lazard</b>	Lazard & Co., Limited;
<b>Listing Rules</b>	means the listing rules produced by the FCA under Part VI of FSMA, as amended from time to time;
<b>London Stock Exchange</b>	the London Stock Exchange plc, or its successor from time to time;
<b>Magic Life</b>	a group of companies acquired by TUI Travel from TUI AG in 2011, which operate and lease holiday clubs in Turkey, Tunisia, Egypt, Greece and Spain;
<b>Mainstream</b>	the largest TUI Travel sector, comprising leading tour operators in several source markets, the largest being the UK and Ireland, Germany, the Nordic region and France;
<b>Merger</b>	the merger of TUI AG and TUI Travel to be implemented by way of the Scheme (or otherwise by way of Merger Offer);
<b>Merger Offer</b>	the implementation of the Merger by means of a takeover offer under section 974 of the UK Companies Act, rather than by means of the Scheme;
<b>New Executive Board of TUI AG</b>	the Executive Board ( <i>Vorstand</i> ) of TUI AG as it is proposed to be constituted immediately after Completion, comprising Friedrich Joussem, Peter Long, Horst Baier, Johan Lundgren, Sebastian Ebel and William Waggott;
<b>New TUI AG Shares</b>	the new TUI AG Shares to be issued as consideration pursuant to the Merger;
<b>New TUI Travel Shares</b>	the new TUI Travel Shares to be issued to TUI AG to be issued pursuant to the Scheme;
<b>Offer Period</b>	as defined in the Code;

<b>Official List</b>	the list maintained by the Financial Conduct Authority (acting in its capacity as the UK Listing Authority) in accordance with Section 74(1) of the Financial Services and Markets Act 2000 (the Act) for the purposes of Part VI of the Act;
<b>Online Accommodation</b>	one of the business lines of the Accommodation & Destinations sector, comprising Accommodation Wholesaler and Accommodation Online Travel Agent (OTA) businesses;
<b>Opening Position Disclosure</b>	has the same meaning as in Rule 8 of the Code;
<b>Panel</b>	the UK Panel on Takeovers and Mergers;
<b>PwC</b>	PricewaterhouseCoopers LLP;
<b>Quantified Financial Benefits</b>	quantified financial benefits outlined in the Quantified Financial Benefits Statements;
<b>Quantified Financial Benefits Statements</b>	together, the Reconfirmed Quantified Financial Benefits Statements and the Inbound Services Financial Benefits Statement;
<b>Reduction of Capital</b>	the proposed reduction of TUI Travel's share capital in connection with the Scheme by the cancellation of the TUI Travel Scheme Shares pursuant to section 641 of the UK Companies Act;
<b>Registrar of Companies</b>	the Registrar of Companies in England and Wales;
<b>Restricted Jurisdiction</b>	any jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the Merger is sent or made available to TUI Travel Shareholders in that jurisdiction (in accordance with Rule 30.3 of the Code);
<b>Scheme of Arrangement or Scheme</b>	the scheme of arrangement proposed to be made under Part 26 of the UK Companies Act between TUI Travel and the TUI Travel Scheme Shareholders, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by the TUI Travel and TUI AG;
<b>Scheme Court Hearing</b>	the hearing by the Court of the petition to sanction the Scheme under section 899 of the UK Companies Act and to confirm the associated Reduction of Capital;
<b>Scheme Document</b>	the document to be despatched to TUI Travel Shareholders including the particulars required by section 897 of the UK Companies Act;
<b>Scheme Effective Date</b>	the date on with the Scheme becomes effective;
<b>Scheme Record Time</b>	the time and date specified in the Scheme Document, expected to be 6.00 p.m. (London time) on the business day immediately prior to the date of the Scheme Court Hearing;
<b>Significant Interest</b>	in relation to an undertaking, a direct or indirect interest of 20% or more of the total voting rights conferred by the equity share capital (as defined in section 548 of the UK Companies Act) of such undertaking;
<b>Special Resolution</b>	the special resolution to be proposed by TUI Travel at the TUI Travel General Meeting in connection with, amongst other things, the approval of the Reduction of Capital, the alteration of the TUI Travel Articles and such other matters as may be necessary to implement the Scheme;
<b>Specialist &amp; Activity</b>	one of the sectors of TUI Travel, comprising over 90 global travel businesses to fulfil the holiday and travel needs of customers with a wide range of interests and passions, whose top selling brands include Crystal, Hayes & Jarvis, The Moorings, Educational Tours inc, Brightspark and Le Boat;
<b>Statement of Capital</b>	the statement of capital (approved by the Court) showing, with respect to TUI Travel's share capital, as altered by the Court Order, the information required by section 649 of the UK Companies Act;
<b>Supervisory Board</b>	has the same meaning as <i>Aufsichtsrat</i> in the German Stock Corporation Act ( <i>Aktiengesetz</i> );
<b>Trust Deed</b>	the trust deed to be entered into between TUI Travel (on behalf of the TUI Travel Scheme Shareholders) and the Trustee, under which the Trustee will subscribe for, receive, hold and transfer the New TUI AG Shares on trust for the TUI Travel Scheme Shareholders;
<b>Trustee</b>	Capita IRG Trustees Limited, in its capacity as trustee for the TUI Travel Scheme Shareholders under the terms of the Trust Deed;

<b>TUI AG</b>	TUI AG, a company incorporated in Germany whose registered office is at Karl-Wiechert-Allee 4, 30625, Hanover, Germany;
<b>TUI AG Charter</b>	the charter of TUI AG;
<b>TUI AG Depositary Interests</b>	depository interests to be issued on Completion by the Depositary in respect of the TUI AG Shares, each representing an entitlement to one TUI AG Share and “ <b>TUI AG Depositary Interest</b> ” means any one of them;
<b>TUI AG EGM Invitation</b>	the invitation to the TUI AG EGM to be sent to TUI AG Shareholders in connection with the Merger;
<b>TUI AG EGM</b>	the general meeting of TUI AG to be convened in connection with the Merger, notice of which will be sent out in the TUI AG EGM Invitation, including any adjournment thereof;
<b>TUI AG Group</b>	TUI AG and its subsidiary undertakings, excluding TUI Travel and its subsidiary undertakings;
<b>TUI AG Hotels &amp; Resorts</b>	a sector within the tourism business of TUI AG, which includes majority participation in hotels, joint ventures with local partners, companies (where TUI AG holds a financial stake) and hotels operated under management contracts;
<b>TUI AG Prospectus</b>	the prospectus to be published by TUI AG in connection with the issue of the New TUI AG Shares and the Combined Group containing information on TUI AG and the New TUI AG Shares required for the purposes of the German Securities Prospectus Act;
<b>TUI AG Share Plans</b>	the share option and incentive schemes operated by the Wider AG Group, further details of which will be set out in the TUI AG Prospectus;
<b>TUI AG Shareholders</b>	holders of TUI AG Shares (including, following Completion, holders of TUI AG Depositary Interests);
<b>TUI AG Shares</b>	the shares of no par value in the share capital of TUI AG;
<b>TUI Cruises</b>	TUI Cruises GmbH, a joint venture between TUI AG and Royal Caribbean Cruises Ltd;
<b>TUI Travel</b>	TUI Travel PLC, a company incorporated in England and Wales with registered number 6072876;
<b>TUI Travel Articles</b>	the articles of association of TUI Travel;
<b>TUI Travel Convertible Bonds</b>	the following bonds issued by TUI Travel: (a) GBP 350,000,000 of convertible bonds with a coupon of 6.0% due in October 2014, the ISIN of which is XS0455660216; and (b) GBP 400,000,000 of convertible bonds with a coupon of 4.9% due in April 2017, the ISIN of which is XS0503743949;
<b>TUI Travel Court Meeting</b>	the meeting of the TUI Travel Scheme Shareholders to be convened by order of the Court pursuant to Section 896 of the UK Companies Act, for the purpose of approving the Scheme, including any adjournment thereof;
<b>TUI Travel General Meeting</b>	the general meeting of TUI Travel Shareholders to be convened in connection with the Scheme, for the purposes of approving the Reduction of Capital and certain related matters, including any adjournment thereof;
<b>TUI Travel Meetings</b>	the TUI Travel Court Meeting and the TUI Travel General Meeting;
<b>TUI Travel Scheme Shares</b>	TUI Travel Shares:  (a) in issue as at the date of the Scheme Document and which remain in issue until the Scheme Record Time;  (b) (if any) issued after the date of the Scheme Document and prior to the Voting Record Time and which remain in issue until the Scheme Record Time; and  (c) (if any) issued on or after the Voting Record Time and before the Scheme Record Time on terms that the holder thereof shall be bound by the Scheme or in respect of which the original or any subsequent holder thereof is or shall have agreed in writing to be bound by the Scheme and, in each case, which remain in issue until the Scheme Record Time;  but, in each case, except the Excluded Shares;

<b>TUI Travel Scheme Shareholders</b>	holders of TUI Travel Scheme Shares;
<b>TUI Travel Shareholders</b>	holders of TUI Travel Shares;
<b>TUI Travel Share Plans</b>	the share option and incentive plans operated by the Wider PLC Group, further details of which will be set out in the Scheme Document;
<b>TUI Travel Shares</b>	the fully paid up ordinary shares of 10 pence each in the capital of TUI Travel;
<b>UK</b>	the United Kingdom;
<b>UK Companies Act</b>	the UK Companies Act 2006, as amended from time to time;
<b>UK Corporate Governance Code</b>	the UK Corporate Governance Code 2012 as amended, supplemented or replaced from time to time;
<b>UK Listing Authority</b>	the FCA acting for the purposes of Part VI of the FSMA;
<b>Unique Holidays</b>	holidays which are exclusive to TUI Travel, tailored to the differing needs of its customers, and providing value-added services and features;
<b>United States or US</b>	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdiction;
<b>US Exchange Act</b>	the US Securities Exchange Act of 1934, as amended;
<b>US Securities Act</b>	the US Securities Act of 1933, as amended;
<b>US\$</b>	United States dollars;
<b>Voting Record Time</b>	the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined;
<b>Wider AG Group</b>	TUI AG and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which TUI AG and all such undertakings (aggregating their interests) have a Significant Interest (other than any member of the Wider PLC Group);
<b>Wider PLC Group</b>	TUI Travel and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which TUI Travel and all such undertakings (aggregating their interests) have a Significant Interest; and
<b>€ or euro</b>	Euros, the lawful currency for the time being of the European Monetary Union.

For the purposes of this announcement, “subsidiary”, “subsidiary undertaking”, “undertaking” and “associated undertaking” have the respective meanings given by the UK Companies Act.

References to an enactment include references to that enactment as amended, replaced, consolidated or re-enacted by or under any other enactment before or after the date of this announcement. All references to time in this announcement are to London time unless otherwise stated.