

Embargoed until
9 February 2016
10:00 a.m.

Speech by
Friedrich Jousen
CEO TUI Group
at the Annual General Meeting
on 9 February 2016
- Check against delivery -

Slide 1: Title slide

Good morning, ladies and gentlemen, shareholders,

Slide 2: The world around us: What has changed?

The world around us is changing to an unprecedented extent and at an unprecedented pace. Terrorism has begun to impact many states, above all in the Middle East and Northern Africa. We have also felt its impact here in Europe. There have always been terrorist attacks, but the frequency and brutality are increasing.

26 June 2015 brought it home to us how closely terrorism in other parts of the world can touch us. It was the day of the attack on our hotel in Sousse in Tunisia. We mourn for the victims, and our thoughts are with their families. 33 people lost their lives, 30 of those holidaymakers came from the UK. The great wave of public sympathy around the world, and especially in Britain, demonstrated how deeply affected we all are by the shock.

This attack resulted in greater security cooperation between Tunisia and the European governments, but also travel warnings in various countries. The uncertainty associated with those warnings virtually brought tourism in Tunisia to a standstill. This is placing severe stress and strain on the young democracy.

The crash of the Kolavia plane in Sharm el Sheik gave rise to a travel warning for the Sinai peninsula, where about half of all tourists to Egypt travel to. Here, too, the tragic consequence is that many Egyptians have lost a key element of their livelihood because tourists are no longer coming. This has major social and humanitarian repercussions and will cause further destabilisation and radicalisation in the region. Tourism is the biggest source of income and employment for many countries in the world. However, if tourists no longer travel to these places, people will lose their jobs and the money they need to feed their families.

I have deliberately made these comments at the beginning of my speech today. After 2015, I would have had difficulty in presenting the year solely in terms of economic indicators, although you quite rightly expect to hear

the figures here today. However, I firmly believe that sustained economic success will only be possible, in particular in our sector, if we create a deeper relationship with the holiday destinations and regard them as our partners. The interests of the destinations and those of TUI and its guests will then be two sides of the same coin.

Slide 3: TUI GROUP: The world's number one tourism group

Let me now turn to our Company. Our integrated management approach along the entire value chain helps us enormously whenever things around us change. Moreover, our global presence with more than 76,000 employees in over 100 countries has major advantages, in particular in crises and exceptional situations.

During the merger with our subsidiary TUI Travel, I had promised you that this would reduce the risks associated with growth, which is the most congenial kind of change. It will be easier to market and fill new hotels.

Last year showed that our business model is very robust, even in the case of sudden terrorist shocks leading to travel warnings. During crises such as the one in Sousse, our customers have experienced what customer service and customer care can mean to them and how valuable they are. We managed, for instance, to get our customers home from Tunisia in just a few days. Our Care Teams travelled to Tunisia within a very short time and looked after our guests together with the hotel employees and our local reps. None of our guests were left to their own devices.

Let me take this opportunity to thank our employees and local reps, our Care Teams but also everyone else who supported our guests on the spot and back home after their arrival. You gave TUI a human face in a difficult period. Each and every individual was "TUI" for our guests in an exceptional situation.

Last but not least, we were able to respond flexibly and offer our customers alternatives by changing their flights and hotels, thanks to our access to all elements of the tourism value chain and our leading market position in almost all destinations worldwide. The benefits for our customers and you, our shareholders, are obvious: better offerings, stronger economies of scale, and more flexibility whenever the overall

framework requires a change of plan. We thus managed to limit turnover and margin losses despite the human tragedy.

Slide 4: Earnings targets exceeded in financial year 2014/15 (part 1)

Ladies and gentlemen,

Let me now turn to the numbers for the completed financial year. Despite the major geopolitical challenges, the financial year 2014/15 was the most successful year ever in the history of our Company. With an operating result of 1,069 million euros, we exceeded the one billion mark for the first time. The completed financial year was also the target year for the oneTUI programme launched more than two years ago when I took this position. We therefore delivered on our promises in year one post-merger.

Year-on-year, that was an increase of 22.9%. Even when we deduct the currency effects – our strong turnover in sterling is of course translated into euros – we still boosted our EBITA by 15.4%. That overshoot our guidance, 10-15%, which is based on an assumption of constant exchange rates.

What is especially gratifying about this is that the increased earnings are not only down to efficiency, i.e. saving costs, but also to bigger turnover. We actually increased our turnover by 8%. About half of that was due to currency exchange rates, but the other half was because more customers booked their travel through us. So the growth in turnover was 4% on a constant currency basis.

Slide 5: Brand turnover grown considerably to €22.6bn

Let me comment on a new indicator at this point: “brand turnover”. In the completed financial year, it even grew by 7% to 22.6 billion euros and it is made up not only of consolidated turnover but also turnover from TUI Cruises and our joint venture Sunwing in North America. These companies are measured at equity, i.e. their turnover is not included. If you take a look at our results, you might be tempted to think that these “earnings without turnover” reflect cost savings. However, that is not the case. On

the contrary, the two companies are among the growth drivers of our Group. Brand turnover therefore helps to gain a better understanding of the real drivers behind our business.

Slide 6: Earnings targets exceeded in financial year 2014/15 (part 2)

Reported EBITA also grew by 11% to more than 865 million euros. That is slightly less than underlying EBITA growth, due to the one-off expenses incurred in connection with the merger, which naturally occurred in the year after the merger and will be sustained for the last time in 2016.

Lower interest payments and the lower tax rate, which we managed to achieve due to our simpler Group structure following the merger, boosted our Group result by 57 per cent to more than 448 million euros.

Slide 7: Attractive dividend policy

Our EPS thus totalled 77 cents, up from 29 cents in the prior year and even from negative values in prior years. We promised you a dividend in proportion to our Group result and also indicated that we might increase it by a further 10 percentage points in the first two post-merger years. On that basis you get a value of 56 cents per share. Accordingly, we would like to propose to you a dividend payment in that amount.

Slide 8: Gratifying development of TUI share price

In a nutshell, ladies and gentlemen, I believe we can be satisfied with the performance of our TUI in year one after the merger. We have restructured our Company, delivered all the synergies we had promised, and exceeded our first joint guidance of EBITA growth of 10-15 per cent, and we will pay a decent dividend. The development of our share price underpins the positioning of the Company and illustrates the potential for the future that we have in the eyes of the capital market.

Slide 9: Source markets – Strong performance in Northern Region

Let me now turn to the individual businesses in our Company and the performance they have delivered. Turnover by our tourism markets grew

by 6.3 per cent year-on-year to more than 15.5 billion euros. Profits by Tourism rose by 9.3 per cent to almost 703 million euros. Northern Region delivered a particularly strong performance, up by 84 million euros. The key drivers were an increase in customer numbers in the UK of more than 5 per cent and strong trading for the Summer in Sweden, Norway, Finland, and Denmark, following a subdued business performance in the Winter. In Russia we have meanwhile reduced our investment in TUI Russia from 49% to 25%, further reducing our susceptibility in the Russian market, which has come under pressure.

By contrast, Central Region delivered a negative performance with a year-on-year decline in results of 64 million euros. The main driver was the German market, where a new management has meanwhile initiated a turnaround. Over the next few years, we will considerably step up our investments in distribution and marketing and regain market shares and profitability as a result. However, this plan will take some time to implement. The road ahead may take some 3 to 5 years to travel.

Western Region had to carry a number of special one-off effects. Apart from that, its operating performance has been more or less constant over the years. The Tunisia effects in France, in particular, offset a positive operating performance in Belgium and the Netherlands. The positive performance in the Netherlands is particularly remarkable as we successfully completed the rebranding campaign to change from Arke to TUI from October in that country. Given the importance of the brand migration, not least with other countries in mind, let me briefly comment on our experiences in the Netherlands.

The rebranding campaign was launched about 3 months before the brand migration with a view to creating maximum awareness for the TUI brand by 1 October. In fact, unaided brand awareness already exceeded Arke's score by 15 October. As a result, we even gained additional market share of 7 percentage points during the brand migration process. We are very confident today that the migration will be successfully completed. Admittedly, local brands vary from one country to the next and are not always fully comparable. Nevertheless, the results achieved in the Netherlands have confirmed our goal of driving a complete unification of our major tour operator brands further ahead.

Slide 10: Hotels & Resorts – Riu and Robinson continue to grow

Let me now briefly comment on Hotels & Resorts. Here, our turnover grew by 7.5% year-on-year to more than 1.25 billion euros. Profits rose by 15.7% to just under 235 million euros. The RIU Group delivered a particularly strong performance with an increase of 68 million euros, driven by the rise in hotel occupancy of one percentage point to 86% and a 13% increase in the average daily rate. This reflects both the strong dollar and the scarcity of beds in Spain.

Robinson also increased its result by a further 12 million euros to more than 42 million euros. Let me emphasise in particular the advances in returns on capital in each of the two companies. At RIU it currently stands at 20%. However, Robinson has also achieved a remarkable 14%. If you bear in mind that this value stood at 6% just two years ago, you will realise that the company has seen major progress.

At -52m euros, the segment "Other" shown here mainly includes the Tunisia effect at -40 million euros. It comprises a provision of 17 million euros for the rent agreements still held for this year and a further provision related to our Castelfalfi resort of 26 million euros. For the last time, Greotel is also included here, as we managed this year to sell our stake to our partners in the joint venture.

Slide 11: Cruises – Strong earnings growth at TUI Cruises

I think we can all be particularly pleased with the cruise business. We increased our turnover here by 34% to 887 million euros. We simultaneously multiplied our earnings by eight from 10 million to 80 million euros. The decisive drivers were the launch of "Mein Schiff 4" last summer and the effective turnaround of our Hapag Lloyd Kreuzfahrten (HLKF).

Slide 12: Cruises – Operating KPIs FY 2014/15

The next chart shows you the effects. At TUI Cruises we achieved an increase in capacity of 59% on a virtually unchanged rate per day. HLKF achieved occupancy of 76%, 8 percentage points up on the prior year. At the same time, we increased the rate per day by 19% to 536 euros.

Slide 13: Specialist Travel – Further growth at Hotelbeds Group

Our Specialist division also delivered a very sound performance with an increase in turnover of 16.6% to just under 3.1 billion euros. EBITA rose by 17.5% year-on-year to 173 million euros, mainly driven by Hotelbeds Group (HBG), which boosted its turnover by 26% and its EBITA by 18%. I will come back to this division in a moment. The other specialist tour operators achieved an increase in EBITA of 3 million euros.

Ladies and gentlemen, shareholders, let me now comment on a number of challenges I expect for the next 12 to 24 months.

Slide 14: Growth despite geopolitical challenges

We want to grow, despite the increasing uncertainty in Northern Africa. In Tunisia, tourism has virtually come to a halt after the Sousse attack. And most flights to Sharm el Sheikh have been suspended for the time being.

Although trips to Hurghada and Marsa Alam are possible, demand is low due to uncertainty among our customers. Demand for Turkey has also fallen considerably against the prior year.

The crucial question is: How will the situation develop? Will there be a cyclical recovery in Northern Africa, as we witnessed it in the past? We do not know what will happen; however, of course, we are planning to return to the regions and remix our capacity accordingly once this is appropriate and justified by customer demand.

Demand for travel to the Canaries and for the Summer programme to the Balearics has soared. Prices are rising, supply is getting scarce. We are therefore also investing in other very attractive destinations such as the Cape Verde Islands and the Caribbean, but also low-cost destinations including Bulgaria. In the current financial year, total investments will amount to 750 million euros. They will, therefore exceed our investments in previous years, according to plan.

Slide 15: Turnaround France

Ladies and gentlemen,

Despite the many positive developments in the source markets, Germany and France remain challenging. In France, we were making good progress last year towards reducing a long period of losses. We were then thrown back by the events in Northern Africa, the main destination for our French customers. Under the new leadership of Elie Bruyninckx, who manages Western Region clustering the Netherlands, Belgium and France, we are currently working towards a massive expansion of the proportion of destinations outside Northern Africa in the travel mix for France. At the same time, we have been working with his team in launching TUI as a brand in France, too. I am sure that this strategy will soon bear fruit.

Slide 16: Turnaround Germany

In Germany, we have lost market share and margin in the past few years. Under the new management of Sebastian Ebel, we are now pursuing a plan to turn that trend around. This plan comprises a large number of measures, including stronger distribution and marketing. I am fully aware that this cannot happen overnight. As I said before, the turnaround will take some 3 to 5 years to complete.

However, I am very confident that we have identified the key adjustments required and initiated the major action needed. I am also sure that the effort will be worthwhile. Germany is not only our biggest market, German holidaymakers are also the biggest spenders per head. The market is and remains attractive for TUI.

Slide 17: Cruises Strategy

Cruises is one of the most attractive divisions for growth. The crucial question is: How long will the growth of last year or the past few years continue, in particular given that, historically speaking, the market has shown strong cyclical patterns. Based on our assessment, we expect many more good years ahead of us, due to:

1) the relatively low numbers in Germany at present compared with other markets. German tourists were late in discovering cruises. Experience has shown that the main drivers are the age and wealth of the population and the time they have at their disposal. With all these drivers, Germany ranks top. At the same time, more and more families and younger people have discovered the benefits of a cruise: the comfort of a hotel on the sea, a

full range of sports and leisure activities and so many different cities to be discovered during a single holiday.

2) our enormous distribution strength in the UK, where we are going to replace our previous fleet with new tonnage. The booking numbers for the Discovery vessel, which will soon be launched, speak for themselves. The commercial results are very, very promising.

3) limited shipyard capacity for large cruise ships. There are currently only four shipyards left in the world to serve this segment. We therefore believe that we will continue to see a supplier-driven market over the next few years. This factor also clearly demonstrates the enormous value of the forward-looking fleet planning we implemented two years ago.

4) the fact that we have created a very good competitive position with our ships. With Europa and Europa 2, we not only operate the best cruise ships in the world; apart from that, the positioning of our Mein Schiff fleet in the market for well-being has proved extremely popular.

Slide 18: Disposal process for Hotelbeds Group initiated

Our Hotelbeds Group is now being sold, following an important carve-out process for our incoming agencies, which as announced will be retained in the Group. Historically, the two parts of the company have been closely interlinked and in recent times contributed about the same share of EBITA to our overall result. The core of HBG, which will now be managed separately, basically comprises a platform with around 70,000 hotels and about 31,000 sales organisations, most of which are Online Travel Agencies, or OTAs, and travel agencies. The company is very profitable and has recorded enormous turnover growth of more than 20%.

HBG is market leader with a market share of 6%! However, this shows that a market consolidation is very likely. As HBG probably has a higher capital market valuation, strongly reflecting its growth potential, than our core business, it would not make sense to carry out that consolidation under the umbrella of TUI Group. Moreover, intra-Group synergies between HBG and Tourism are low. We therefore believe strongly in the approach now being adopted. We think that the disposal process may already be completed before the end of the year, as many different investors have already expressed strong interest in the company.

Slide 19: Hapag Lloyd AG

After a long build-up and two postponements, the Hapag-Lloyd IPO took place at the end of last year. It was the right thing to do and an important step – regardless of the initial price of the share issue. It was important because our share in Hapag-Lloyd is now tradable and we can see a market value rather than a book value. The share is now trading at 17.30 euros. I do feel, however, that the fair price is a bit higher. In any case, until 4 May this year we have a lock-up period. That means that TUI cannot sell any of its shares on the market while that lasts. At any rate, the IPO means that we have taken another decisive step towards exiting the container shipping business. Our stake is now fungible, which means marketable.

Slide 20: Good start to Q1 2015/16

Ladies and gentlemen,

We will face major challenges in the next 12 to 24 months, but we will also see major opportunities. We are confident that we will be able to maintain our success. This is also reflected by our numbers for the first quarter of the financial year:

Bearing in mind the adverse impact of Northern Africa, we recorded a very positive performance in the first quarter. We increased our brand turnover by 7% to 4.4 billion euros. At the same time, we managed to reduce our usual seasonal loss by 3% to -102 million euros. This positive development is extraordinary, in particular given the fact that the prior year result included a gain on disposal of 16 million euros from the sale of the RIU Waikiki hotel.

Slide 21: Our targets for financial year 2015/16

Based on this strong start into the year, we reiterated our outlook for the full year when we presented our results for the quarter this morning. As a reminder, you can see the outlook once again on the screen behind me.

Slide 22: What matters most are people!

In the past two years, I had to talk a lot about savings programmes and even job losses, in particular at our head office in Germany. There was no way around these cuts. They were unavoidable and formed the basis for us to initiate a merger with former TUI Travel.

I have presented a number of examples today to show that our integrated business model is superior to others and that we are therefore charting the future from a very sound position. My Executive Board colleagues and myself share that firm conviction.

Nevertheless, the new TUI is far from "finished". It is made up of a large number of individual companies, each with its own background and history, tradition and culture. After the merger, we now have the genuine opportunity to shape a company in which we all live our shared values and work across national and organisational boundaries without any of us entirely losing their identity. This new culture cannot be prescribed from above. A new culture has to develop when you work together, it has to emerge. What we need to that end is a shared understanding of our vision and values. We are working towards that goal.

We are operating in a services industry. What would we be without our staff? In a services sector, each and every employee represents the brand: our employees in the travel shops, the captains, pilots and flight attendants, our local travel reps, the RIU and Robinson employees and many other service staff. Only if all our staff are properly trained and work together hand in hand will we be successful as a company. Each individual staff member is important, as they represent TUI and its values for our guests.

I am delighted that we have won Dr Elke Eller as an Executive Board member. Since mid-October she has devoted 100% of her time to the crucial matter of people and talents at TUI. However, just as in early 2015, I will again be meeting small groups of employees and talents in all our national companies over the next few weeks in order to gain an idea of the potential in our markets and listen to ideas on the spot. This is something to which I personally attach great importance.

Ladies and gentlemen,

Let me conclude by expressing a few words of thanks to Peter Long, who will step down from the Executive Board at the end of today's Annual General Meeting and is standing for election to the Supervisory Board.

Since I joined the Executive Board at the end of 2012, we have worked together very constructively, and we soon developed an understanding about what the future could – in fact must – hold in store for TUI.

Peter, I have enjoyed working with you, because we have had some challenging, sophisticated and sometimes quite controversial debates. However, even before the merger you were a fair-minded partner who never lost sight of TUI as a whole. This fairness, the passion for our customers and products, and the courage to embark on this new journey together defined the spirit of the merger period and the year we spent together on TUI Group's Executive Board. Thank you for the constructive cooperation and trusting relationship.

Ladies and gentlemen,
Thank you very much for your attention!