



Speech

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CEO TUI AG

at the Annual General Meeting

on 13 February 2018

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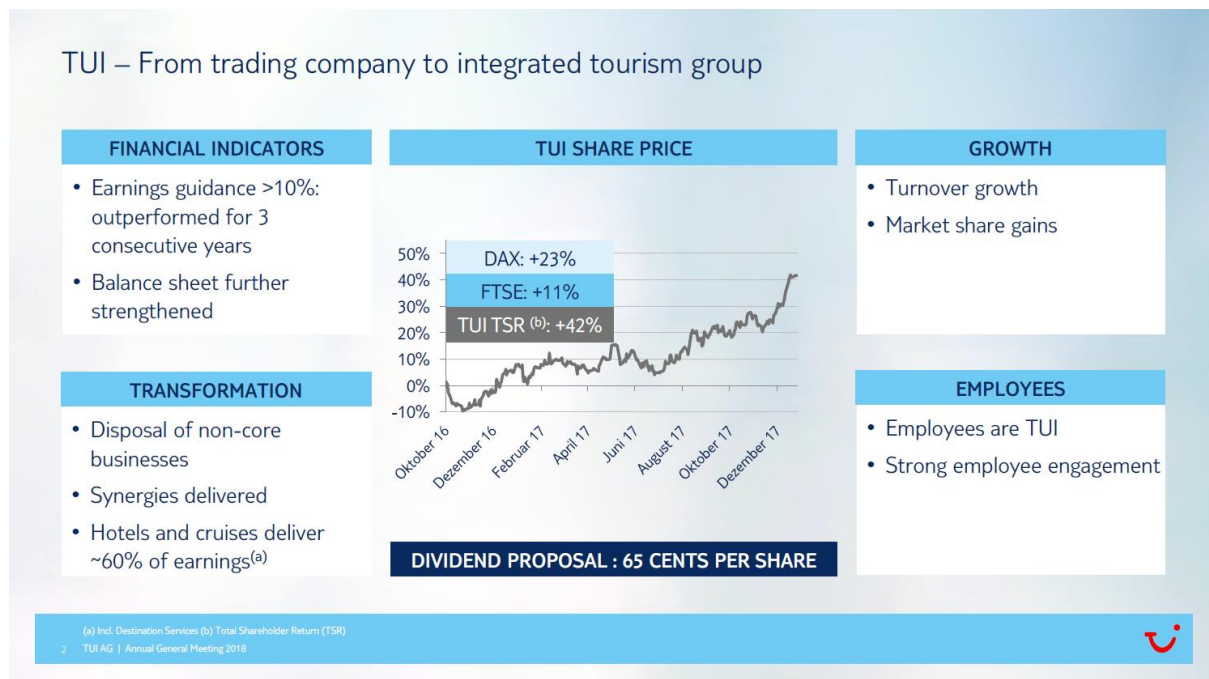
Chart 1: Title



Shareholders, Ladies and Gentlemen,

Welcome to our Annual General Meeting 2018. We are looking back upon an eventful and successful year for TUI, in which we again delivered double-digit earnings growth, as in the two previous years. Our balance sheet is stronger than ever before.

Chart 2: TUI – From trading company to integrated tourism group



We have also finalised our transformation from a trading company to an integrated tourism group. This process entailed a long way from an organisation predominantly operating as a trading company with many local businesses only five years ago. We operated a wide variety of brands and systems. Our profitability was low. This was partly due to the low trade margins, partly to unused synergies. Our earnings were highly seasonal. Our portfolio of businesses was unstructured and highly complex.

All of this has changed. Following the merger with TUI Travel, we successfully sold all non-core businesses. We have managed to leverage all synergies we had promised. We have refocused our business, transforming our organisation from a trading company to an integrated tourism group that plans, builds, finances and operates its own hotels and cruise ships. Hotels and cruises have now become the new key areas of our operations, contributing 60% to our earnings. The Group's tour operators continue to play a key role as they secure

direct market access and high occupancy for our hotels and ships. We have also introduced uniform platforms to consistently create a global business. All of these factors explain our extraordinary growth in earnings. We have also managed to increase our turnover worldwide and win market share.

You, our shareholders, have remained loyal to us for many years. You have always actively supported the transformation of our Company. The Executive Board and I personally would like to thank you for that support. Over the last few years, we were strong enough to transform the Company, strengthen its balance sheet and still pay exceptionally high dividends compared with our peers. Incidentally, we are planning to increase the dividend again this year, if you approve the proposal submitted by the Executive Board and Supervisory Board. Apart from the very attractive development of our share price last year, the dividend increase also reflects our success and shows that it has been worthwhile for you to place your trust in us.

By way of introduction, let me mention one more aspect. We certainly owe today's position to a good strategy, but in particular also to the strong commitment of our 67,000 employees. We are very much aware that employee engagement is an invaluable asset, in particular for a services company. Our employees are our brand ambassadors vis-à-vis our customers. They are TUI. Our employees show the right level of commitment, and this distinguishes us as a company. This requires big efforts by each individual employee in individual cases. I would like to use this opportunity to thank the entire team for that commitment on behalf of the entire Executive Board. However good our strategy may be, we would not have been able to successfully deliver it without that commitment.

Chart 3: Challenges and opportunities: External factors and megatrends



We are now in a perfect position. In 2018, TUI is in bouncing good health. However, we will and must not make the mistake now to expect past successes to continue in the future. The world around us is changing faster than ever before. This creates great challenges, but also great opportunities. In this context, it is important for us not to sit back and wait, but rather take the future in our own hands and shape it. Here, I see three key external factors and megatrends that play a particularly important role for our sector:

1) Digitalisation

Even a little more than five years ago, when I took over my role at TUI, digitalisation was considered as one of the key challenges. Tour operators primarily were traders, buying and selling travel products, e.g. committed hotel bed capacity. However, that trading business seemed to increasingly come under pressure. Internet platforms, the so-called OTAs, had more extensive offerings, better cost positions and were enormously financially strong due to

their large market capitalisation. We decided to transform our Company into an integrated tourism group and increasingly plan, build, finance and operate our own hotels and cruise ships. We wanted our tour operators to secure market access through direct distribution and increase our independence from the OTAs. To a great extent, we have achieved these goals. Our own differentiated products deliver attractive capital returns and support our distribution. This enables us to differentiate ourselves from our competition and create strategic entry barriers. Our integrated approach creates strong customer satisfaction and retention.

We are also observing further radical technical changes. Owning a computer centre, for instance, is getting less and less relevant. If we bring our IT and the relevant processes into the cloud – and we are well on track to achieve this – this will create enormous opportunities alongside the risks. The enormous computing power of the cloud can only be used if the software is cloud-ready. TUI benefits enormously from the use of Artificial Intelligence, e.g. in order to optimise the price/yield algorithms. We take advantage of these benefits to remain competitive. New technologies such as the blockchain can offer major benefits to open up and efficiently shape market access. If we make consistent use of these technologies, we will be able to efficiently optimise our occupancy rates and margins in our hotels, cruise ships and aircraft.

2) Geopolitical factors

We also continue to face the same geopolitical challenges. After years of growing terrorism, thank God we observed a decline over the past 12 months. Nevertheless, we live in times of growing nationalism and constant risk of terrorism. Globalisation does not only create undisputed positive effects, but also generates losers. The unequal living conditions and precarious situation of people in many countries often form the basis for radicalisation and terrorism.

Populist forces are gaining strength, and this trend also affects our source markets. These forces may have substantial impacts on the economy. Let me just mention Brexit as one example.

In the framework of global warming, natural disasters have become more frequent. Their impact on our business is obvious. Just think of the hurricanes in the Caribbean.

In order to optimally control the geopolitical challenges, double diversification of our business, both in the source markets and in the destinations, is important for us. Over the past few years, we have done quite well in this respect. Today, we are no longer only UK and Germany, and we are no longer only in the Mediterranean, Southern Europe and North Africa. Our Group's strategic positioning is therefore significantly more robust than it used to be in the past. We will continue down this path with steady determination and further optimise our investments around the world.

3) The new customer groups

Last but not least, new target groups have emerged. We are very strong in relation to traditional target groups. However, Generation Y – the target group of the under 35s - is now entering the market. Its members show a different purchasing behaviour, they purchase via mobile channels. They obtain their information from social media rather than consulting others, e.g. their travel agent. This generation attaches greater importance to life as such rather than the product and the aggregation of wealth. They have redefined luxury, saying that life and its experiences are the new luxury. In general terms, this is not an adverse trend for us. After all, we are an experience, not a product.

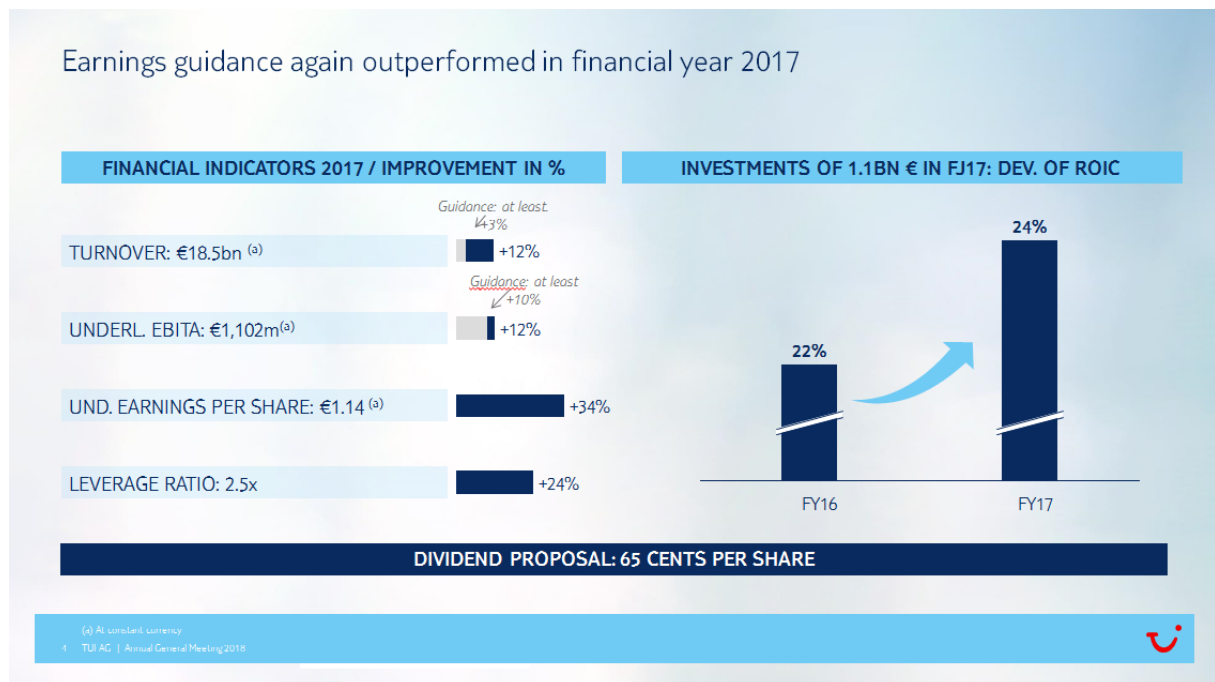
Nevertheless, this generation has its own world, its own brands. Here, we have to take care to ensure that TUI does not become their parents' brand, but

remains relevant. We have used the opportunity that has arisen from our brand migration, which has meanwhile been completed in all countries, to rejuvenate our brand and make it more digital and direct.

Ladies and Gentlemen, despite these big challenges, I primarily believe there are big opportunities, if we manage to analyse the megatrends in the right way for us and take advantage of these trends with great determination. We are well on track in this respect. I will come back to this point towards the end of my speech.

We should also be uplifted by the fact that the fundamental market developments have been intact for us for more than a decade. After all, growth in tourism markets has outperformed GNP growth for many years around the world, and the outlook is promising. People want to travel, and they increasingly do so. This applies to our core markets in northern Europe, and it also and in particular applies to the newly emerging middle classes around the world. Just think of the enormous potential in China, which I also referred to at last year's AGM. Overall, I am therefore very optimistic for our Company.

Chart 4: Earnings guidance again outperformed in financial year 2017



However, let us first of all look back upon the completed financial year: We again outperformed our earnings guidance.

We increased our turnover by 12% to 18.5 billion euros. About half that growth was attributable to higher customer numbers, while the other half was driven by higher prices.

We increased our EBITA by 12% to 1,102 million euros. Meanwhile, our hotel and cruise businesses contribute 56%, or including Destination Services 60%, respectively, to our EBITA. Their earnings contribution has thus almost doubled compared with the level reported at the merger at the end of 2014.

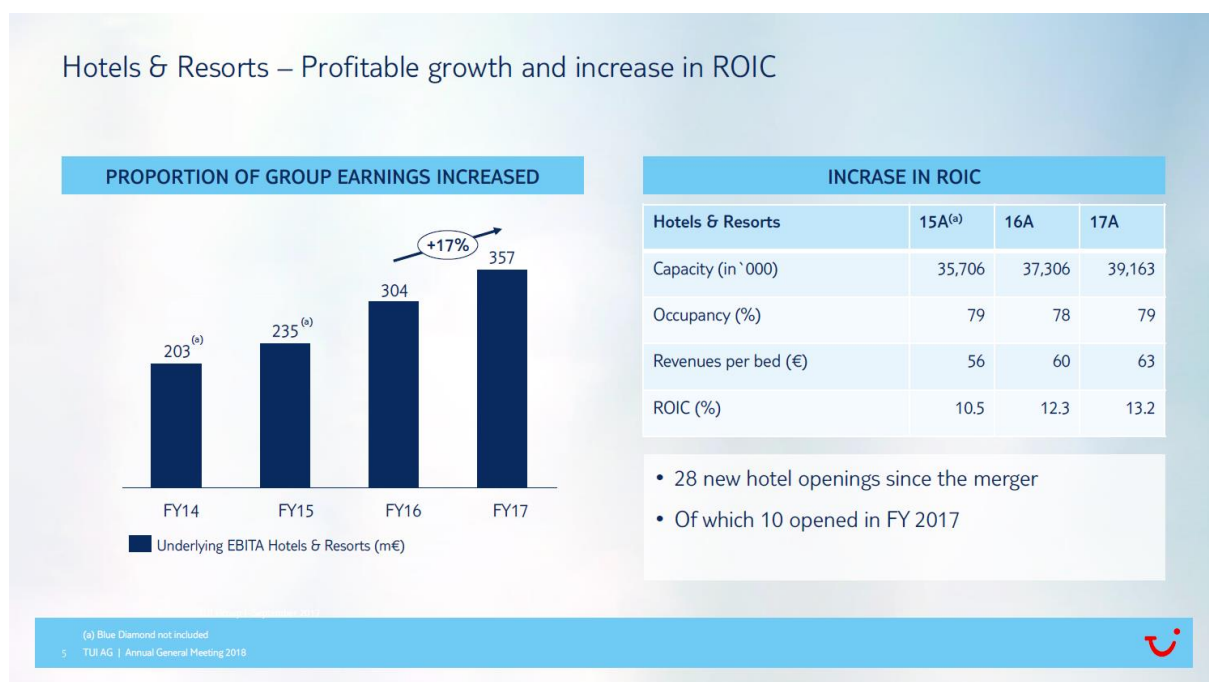
We increased our earnings per share by almost 34% to 1.14 euros. This growth was sufficient to simultaneously achieve our three core goals: an attractive dividend, investment in the transformation of our Company, and strengthening of our balance sheet.

Regarding balance sheet: we substantially strengthened our balance sheet. We now have an equity ratio of 25%. Our leverage ratio debt/EBITDAR is only 2.5 now.

Regarding investments: They totalled around 1.1 billion euros in the completed financial year. We were very disciplined regarding our investment decisions so that we managed to increase our ROIC from 22% to nearly 24%.

Regarding dividends: On the basis of these numbers, we propose an increase in our dividend for the completed financial year from 0.63 euros to 0.65 euros. This is an increase of 3% and a dividend return of around 4%, which is very high and attractive compared with our peers.

Chart 5: Hotels & Resorts – Profitable growth and increase in ROIC



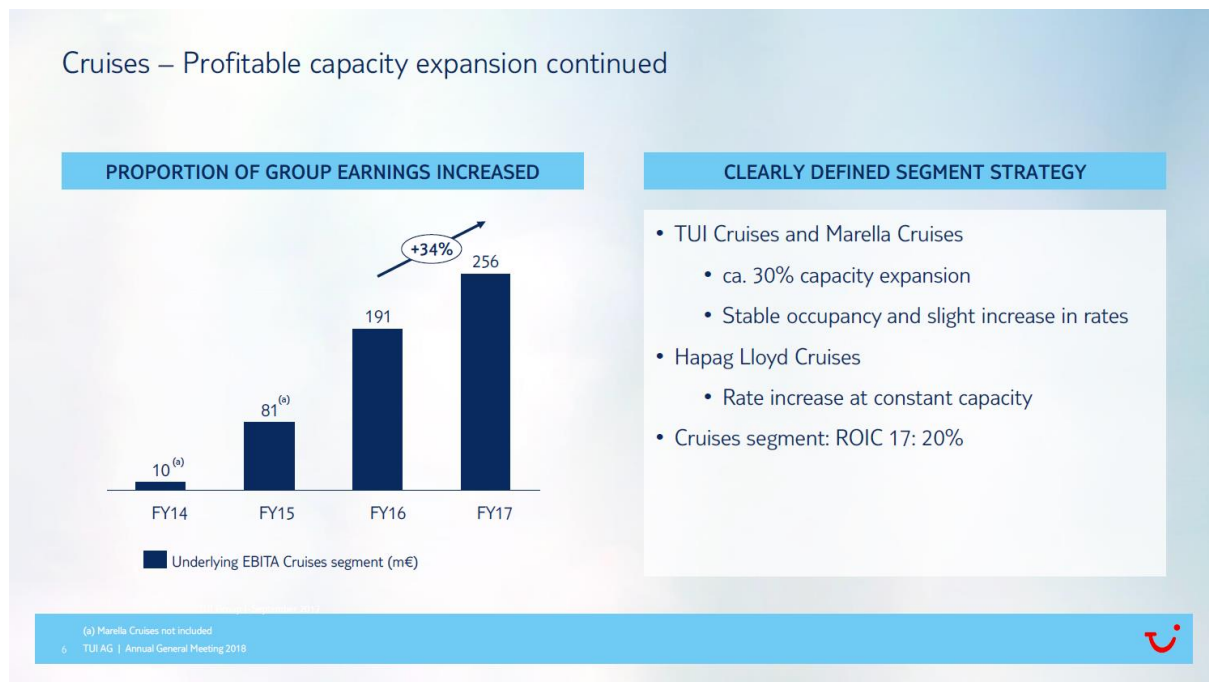
Ladies and Gentlemen, We have thus achieved the right positioning, and our results are very robust. We have delivered double-digit earnings growth for the third consecutive year and are aiming to achieve this in future, too.

In the interest of information, transparency and an enhanced understanding of our business, let me now briefly comment on the key events in our individual segments.

Hotels & Resorts:

In our Hotels & Resorts segment, we increased our EBITA by 17% from 304 million euros to 357 million euros. A key earnings driver was the expansion of our hotel portfolio. From the 28 new openings since the merger with TUI Travel, ten were effected last year. Average occupancy was high at 79%. The average rate was more than 63 Euros, i.e. more than 20% above the value reported at the time of the merger. We increased our ROIC further by one percentage point to more than 13%. This is the result of our highly disciplined investment policy. I have always said that the new TUI stands for profitable growth, not adventures at the expense of shareholders. We pursue a growth strategy while increasing our earnings and operating efficiency, prices and occupancy at the same time.

Chart 6: Cruises – Profitable capacity expansion continued



The Cruises segment increased its earnings by 34% from 191 million euros to 256 million euros, driven in particular by TUI Cruises and Marella Cruises.

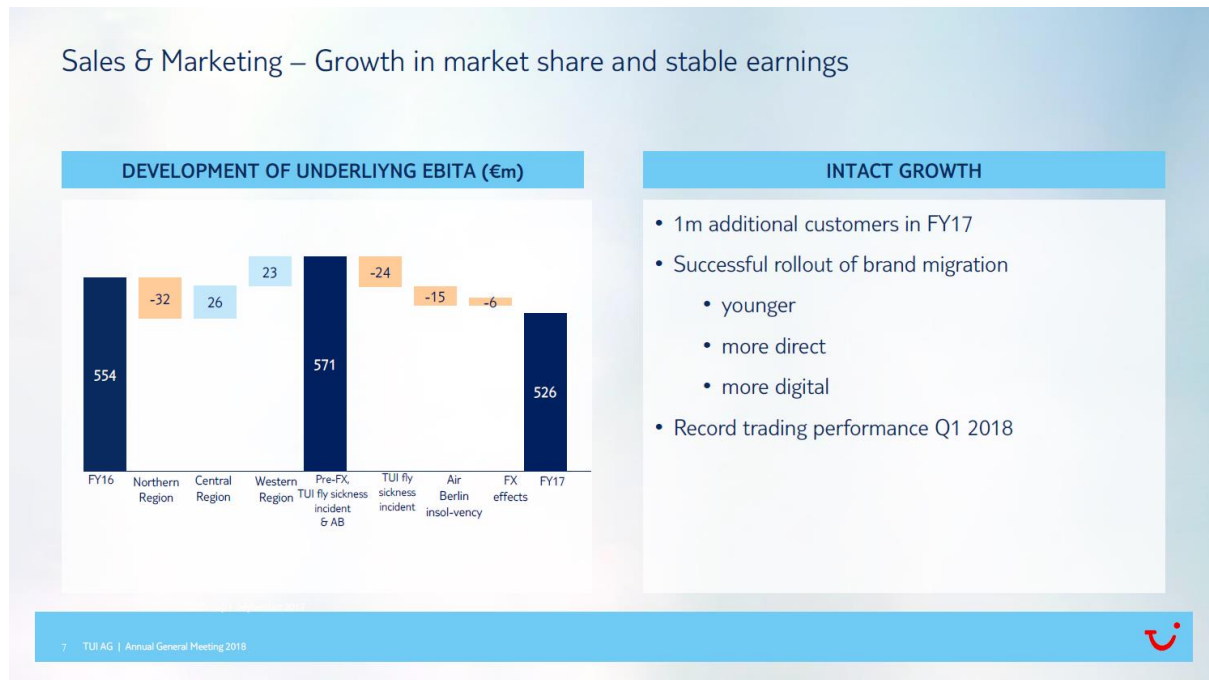
Incidentally, Marella Cruises is the name of our British cruise subsidiary, which was called Thomson Cruises until the brand migration from Thomson to TUI in autumn 2017. In both areas, we expanded our capacity by around 30% each last year. In both cases, we managed to maintain average occupancy at more than 100% and even deliver an increase in average rates.

At Hapag-Lloyd, we can also be highly satisfied with our results. In the luxury and expedition cruise segment, we had kept our capacity constant. We did not invest in an expansion of our fleet. The increase in earnings of 4 million euros exclusively resulted from increases in our rates.

Segment-specific ROIC for Cruises was nearly 20%, a new record level which was significantly higher than the cost of capital. As we currently invest significantly in growth, i.e. new ships, in this segment and these investments

and costs are up-front costs that do not go hand in hand with corresponding results, it is clear that our ROIC will continue to rise in the next few years, as scheduled.

Chart 7: Sales & Marketing – Growth in market share and stable earnings



Sales & Marketing comprises our tour operating business. In this segment, our earnings declined by 5% from 554 million euros to 526 million euros. The main drivers were the sickness incident at TUI fly at the beginning of the financial year and the insolvency of Air Berlin. Without these effects, we would have posted a slight increase in earnings.

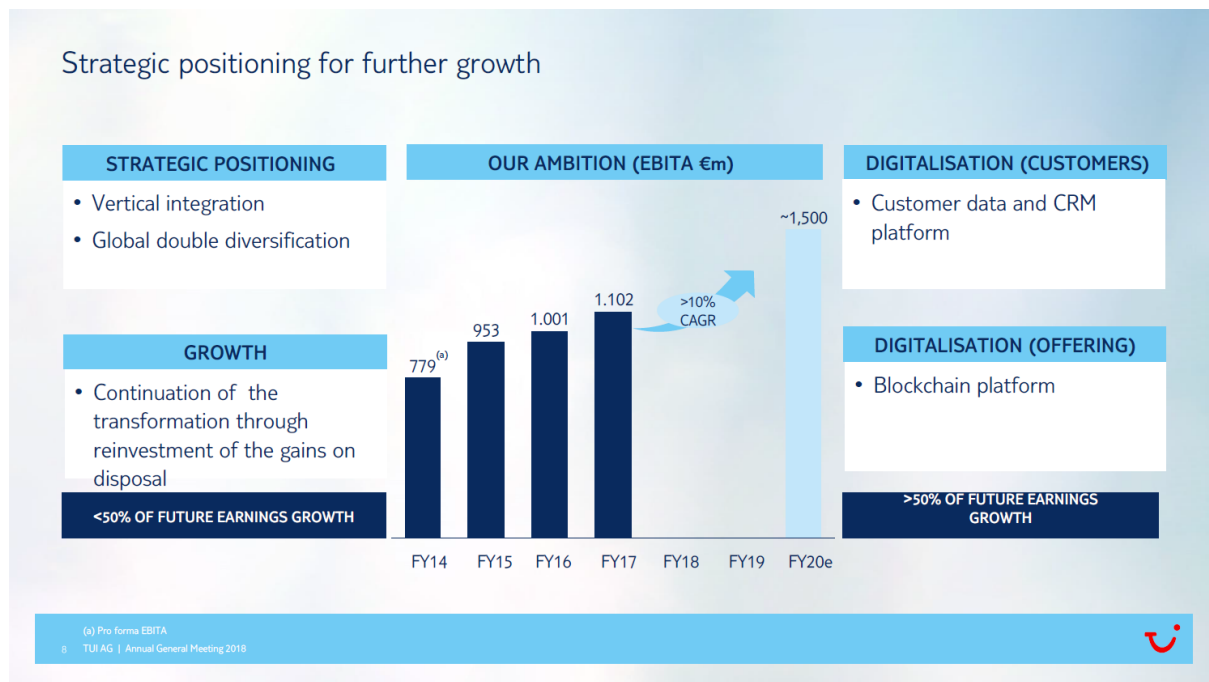
Our source markets themselves present a mixed picture. In Northern Region, we recorded a decline in earnings, resulting from the considerable reduction in the value of pound sterling after the Brexit referendum. The cost increases in US dollars and euros were not fully passed on to the market in the form of higher prices. A gratifying performance was delivered by Central and Western

Regions. In Germany, we benefited from market share gains and to some extent the consolidation of the market. In Belgium and the Netherlands, we also managed to increase our earnings.

In total, we managed to win one million customers and hence significant market share across all markets. This growth was achieved in a phase in which we migrated to the new global TUI master brand from the former local brands in all markets. This brand migration was very successful. Our unaided brand awareness is very high, but our positioning is now also younger, more direct and more digital. This is crucial for our brand's long-term relevance.

These positive trends also continued in the first quarter of the new financial year, which started in October. Our trading performance for the full year is currently on the highest level in the history of our Company. We can therefore reiterate our guidance for the current financial year.

Chart 8: Strategic positioning for further growth



Let me now turn to TUI's future strategic alignment.

We have pushed the transformation of our Company significantly ahead and are now delighted about TUI's strong positioning. We support our customers along the entire value chain based on vertical integration – from the booking via the flight all the way to services in the destination and the hotel. We already generate as much as 56% of our earnings in the much more attractive hotel and cruise businesses. I am saying 'more attractive' as these businesses are less seasonal and generate more cash. We have doubly diversified our portfolio. We operate in an increasing number of markets and expand our market shares in these markets. Over time, we have expanded our hotel and destination activities from Southern Europe and North Africa in particular to the Caribbean and South East Asia. As a result, we are much less susceptible to external factors and crises of any kind.

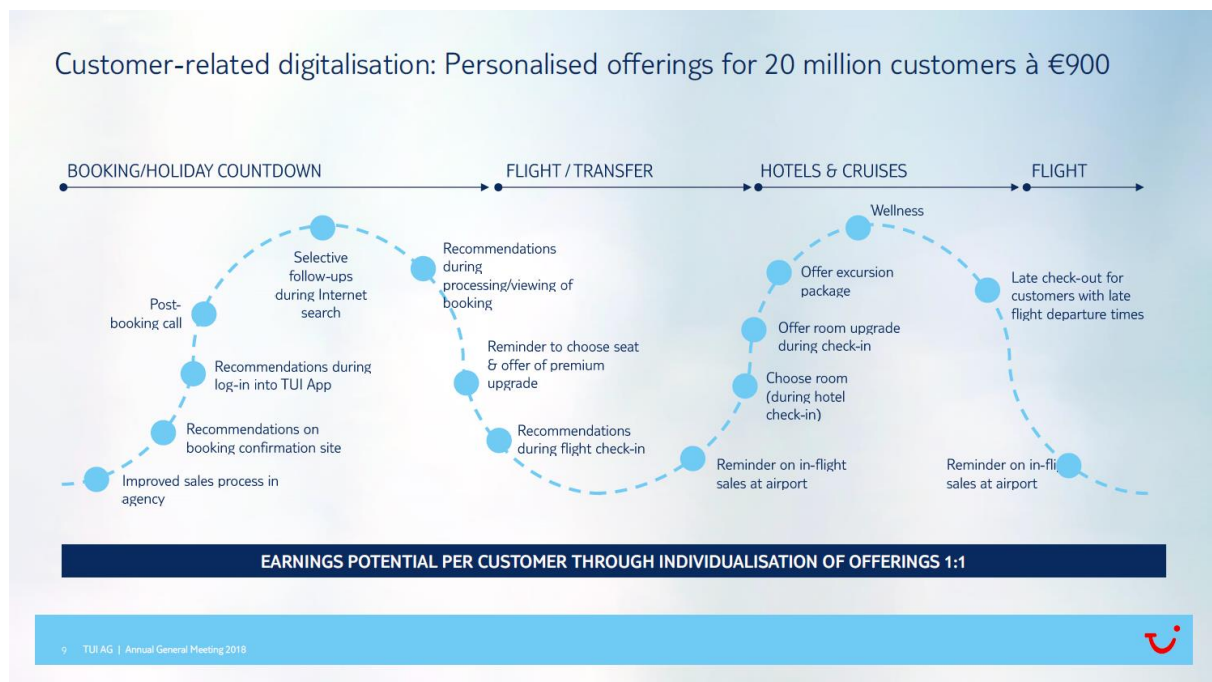
Our growth pipeline is well filled. For the next few years, we have an ambitious yet disciplined investment programme with clear minimum return targets ahead of us. The funds enabling us to make these investments alongside the high dividends and the strengthening of our balance sheet result from the divestments of our non-core businesses of the past few years, in particular Hotelbeds Group, Travelopia and Hapag-Lloyd. However, in order to be able to generate earnings growth of at least 10% per annum in future, too, we will have to do more.

This is where our strategic programmes of global digitalisation of our entire value chain take effect. To this end, we have launched two initiatives for the digital transformation of our Company:

- 1) Customer-related digitalisation: A customer data and CRM platform in the cloud, which will allow access to current customer data anywhere and in a globally uniform manner.
- 2) Offering-related digitalisation: A system based on cutting-edge blockchain technology allowing access to our entire risk capacity in hotels and cruises.

These two areas will contribute around half of our earnings growth each this year and remain a key earnings driver over the next few years.

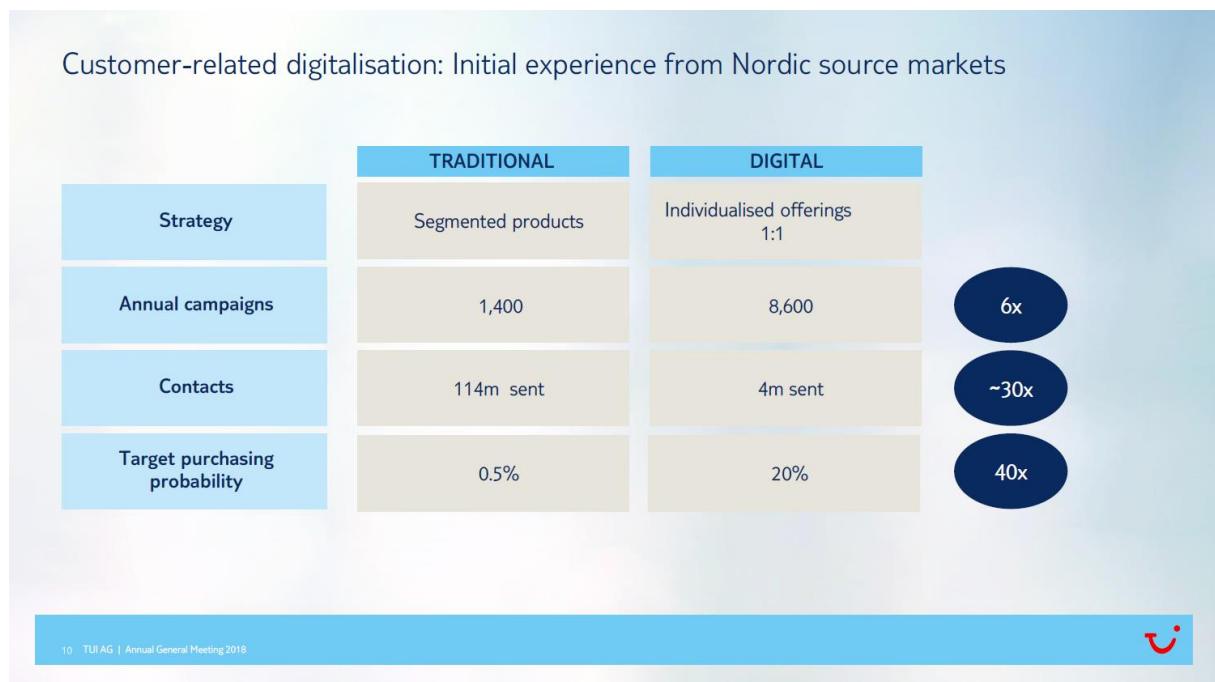
Chart 9: Customer-related digitalisation: Personalised offerings for 20 million customers à €900



Let me present the two initiatives in greater detail.

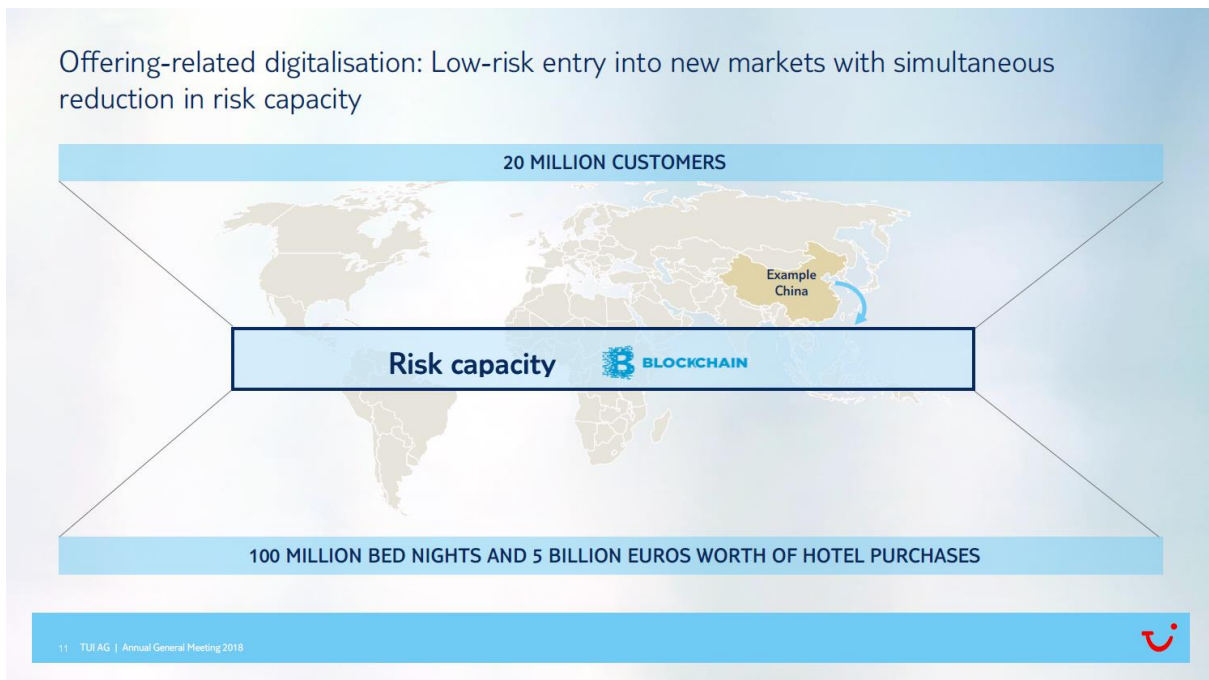
First of all, customer-related digitalisation: TUI has 20 million customers per year. Each one of these customers generates average turnover of around 900 euros, resulting in our Company's total turnover of around 18 billion euros. The crucial question now is: Should it not be possible to slightly increase this turnover to, for instance, 920 euros? To anticipate the answer: Of course, that should be possible, after all, we cater for our customers throughout the entire journey. However, it will be important to specifically tailor the offerings to our customers so that they are basically 1:1 individualised.

Chart 10: Customer-related digitalisation: Initial experience from Nordic source markets



The first results from the Nordic source markets are very promising. As in other markets, we used to develop and market products for segments here, too. In today's digital world, it has now become possible to design tailored offers for individual customers. In the old world, there were marketing plans and segmented offerings. In the digital world, we master complexity regarding the individual customer history, individual customer value, individual purchasing probability. The first examples have shown that our new systems have increased the individualisation of the campaign by a factor of 6 and contact efficiency by a factor of 30. We therefore regard an increase in the purchasing probability of a factor of 20% as certainly realistic, and this has already been exceeded by a number of individual campaigns.

Chart 11: Offering-related digitalisation: Low-risk entry into new markets with simultaneous reduction in risk capacity



Let me now turn to offering-related digitalisation: Here, we are talking about 100 million bed nights at our own risk, i.e. in owned hotels. Additionally, we purchase bed capacity from third-party hoteliers worth 5 billion euros and this, too, entails advance payments. The question is: Do we generate maximum value here?

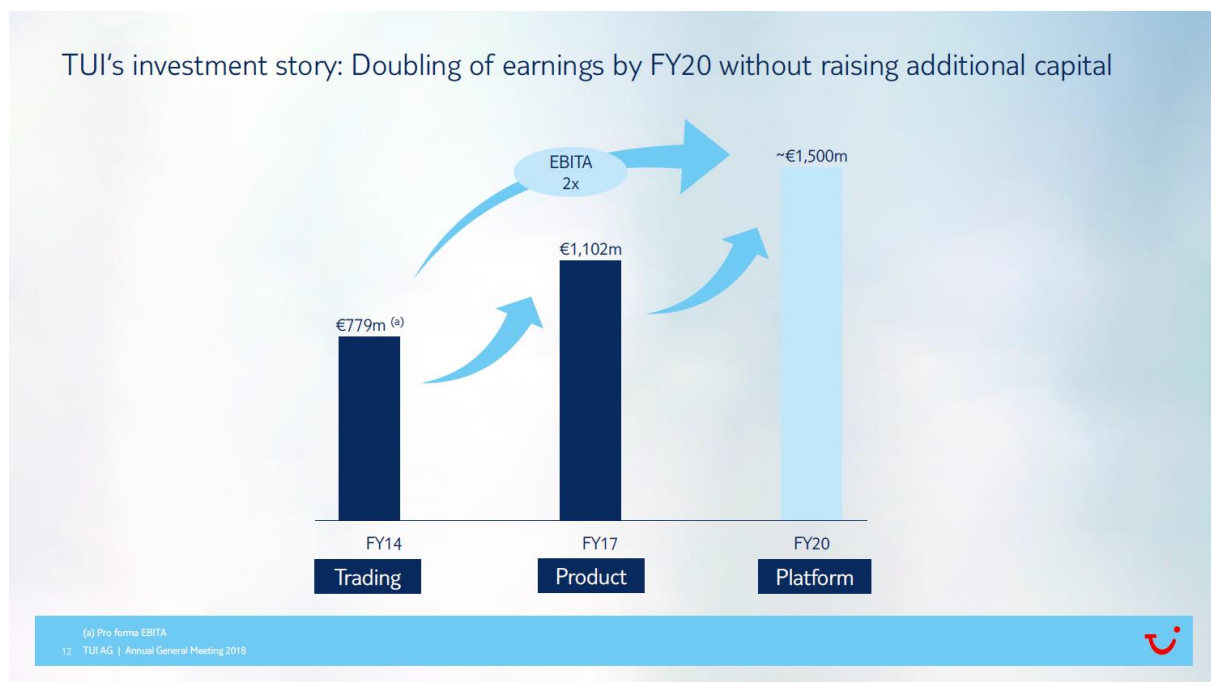
To date, capacity has been held in the respective reservation system in each market. These systems are not linked, for instance between Germany and the UK. If a hotel, for instance, sells well in the UK but relatively less well in Germany, this is only noticed at a very late stage, if at all. Shifting it into a different group is time-intensive and difficult.

Our new blockchain-based technology removes these structures. Due to intelligent integration in our price/yield system, we can identify the markets in

which capacity can deliver the highest value and therefore dynamically regroup that capacity.

The blockchain technology also enables us to open up capacity for third parties. If we manage, for instance, to provide access to our risk capacity to Chinese providers and sell, for instance, around 10% of our beds in a given hotel, we achieve two things: on the one hand, we enter a relatively low-risk market, in this case China, and on the other hand, we reduce our risk capacity in our core markets by these 10%. However, this means that we can increase prices in these cases from the first night. In our view, these effects will be enormous. The next few years will show how big they really are.

Chart 12: TUI's investment story: Doubling of earnings by FY20 without raising additional capital



Ladies and Gentlemen, Let me conclude my speech.

Our TUI has performed very well in the three years since the merger with TUI Travel. The strategic repositioning as the world's number one integrated

tourism group has been completed. We have successfully implemented the transformation from a trading company to a product-oriented organisation. We have delivered double-digit growth every year since the merger.

We are planning to again deliver earnings growth of more than 10% per annum over the next three years. To that end, we have initiated a digitalisation programme that will lead to another transformation of our Company. We are now planning to additionally build the leading platform organisation from the product-oriented organisation, with one platform for our more than 20 million customers and another platform globally offering our tourism products. Should we succeed in doing so – and I am convinced that we will – we will again deliver double-digit earnings growth in the next three years.

We would thus double our profitability over a period of six years without raising any additional capital. Ladies and Gentlemen, no other company in our sector has undergone a similarly successful transformation. In the overall corporate landscape, too, you would have to look a long way to find a similar example. Shareholders, Ladies and Gentlemen, this was the case over the past few years and will remain the case in the next few years.

Thank you very much!