Speech

Horst Baier

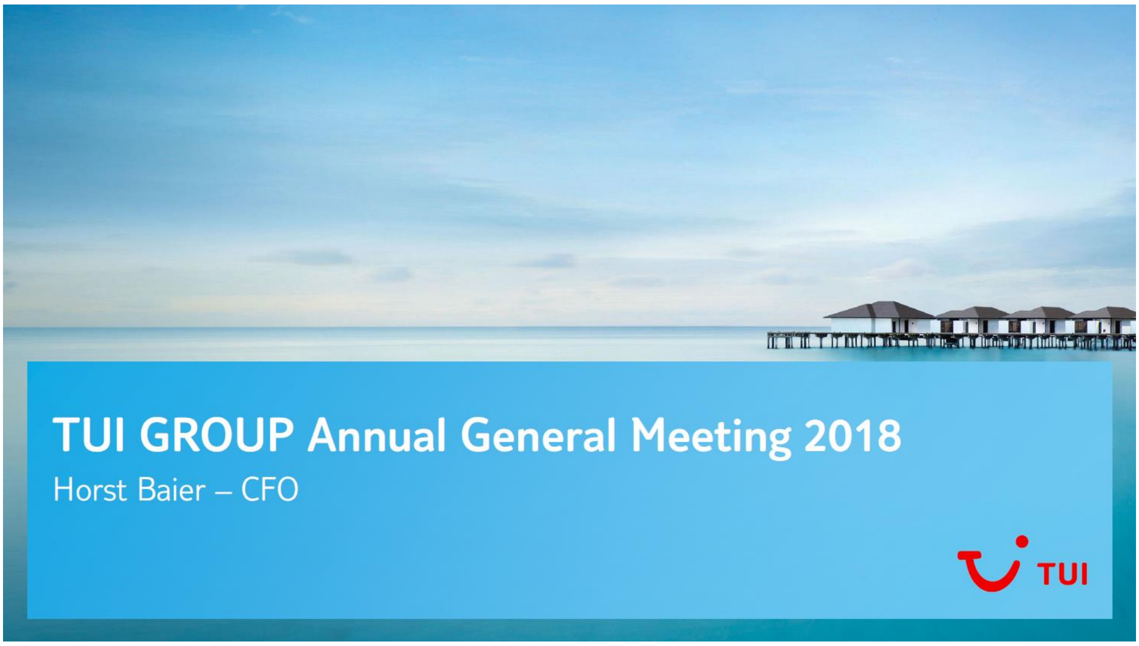
CFO TUI AG

at the Annual General Meeting

on 13 February 2018

- Check against delivery -

Chart 1: Title



Thank you very much, Mr Joussen.

Good morning, Ladies and Gentlemen,

Following Mr Joussen's presentation about TUI Group's strategic transformation since the merger in 2014, let me outline to you how this is reflected in our set of results.

Chart 2: TUI three years post-merger: Growing, profitable and financially strong

TUI three years post-merger: Growing, profitable, and financially strong

	FY14	FY17	
EBITA (UNDERLYING)	779 [(a)]	1,102	+12% p.a. [(b)]
NET INTEREST EXPENSE	224	119	-50%
UNDERLYING EARNINGS PER SHARE	0.75	1.14	+50%
DIVIDEND PER SHARE	0.33	0.65	+100%
LEVERAGE RATIO	3.6x	2.5x	-30%
EQUITY RATIO	18%	25%	+40%

(a) Pro forma EBITA based on current Group structure (b) Underlying EBITA CAGR of 12% since merger / CAGR of 13% at constant currency

2 TUI GROUP | Annual General Meeting 2018

TUI Group has become a totally different company from the merger three years ago: Growing, profitable and financially strong.

By the end of the completed financial year, we delivered all merger synergies and even slightly outperformed our targets. We are proud to have delivered on our promises and even have gone a little further.

Let me present a comparison of our pre-merger and current key financial indicators to illustrate this point:

- We have outperformed our ambitious guidance relating to the growth of our underlying EBITA three consecutive times.
- We have substantially reduced our one-off costs. As a result, our reported EBITA has also improved considerably.
- The Group's net interest expense has almost halved.
- Underlying earnings per share have risen by around 50 per cent.
- Dividend distribution per share has nearly doubled.
- We have improved our rating by 2 notches. Our leverage ratio has declined by around one third, while our equity ratio has improved by 40%.

I am delighted to tell you that TUI has considerably improved and strengthened its positioning since the merger in 2014. With a great deal of energy and the courage to transform the Company, we have managed to get TUI into shape. We have successfully sold non-core businesses. The disposal gains will be reinvested in hotels and cruises, at better returns on capital. We have achieved a lot and optimally positioned TUI for the future!

Chart 3: Income statement: Guidance exceeded for 3 consecutive years

Income statement: Guidance exceeded for 3 consecutive years

€m	FY17	FY16
Turnover	18,535	17,154
EBITA (underlying)	**1,102**	**1,001**
Adjustments	-76	-102
EBITA	**1.027**	**898**
Net interest expense	-119	-180
Hapag-Lloyd valuation	172	-100
Earnings before tax	**1,080**	**618**
Income taxes	-169	-153
Result from continuing operations	**911**	**465**
Discontinued operations	-150	687
Non-controlling interests	-117	-115
Group profit after non-controlling interests	**645**	**1,037**
Earnings per share cont. op. (€)	1.36	0.61
Underl. earnings per share cont. op. (€)	**1.14**	**0.86**

EBITA (UNDERLYING)
Further improvement in operating profitability, significant increase in underlying EBITA

NET INTEREST EXPENSE
Considerable reduction in financing costs

HAPAG-LLOYD
Book profit generated from the sale of the remaining stake in Hapag-Lloyd

RESULT FROM CONTINUING OPERATIONS
Significant improvement in result from continuing operations

DISCONTINUED OPERATIONS
Disposal of Travelopia in FY17 and Hotelbeds Group in FY16

EARNINGS PER SHARE
Considerable increase in underlying earnings per share

3 TUI GROUP | Annual General Meeting 2018

As every year, I would now like to briefly comment on the development of the Group's key financial indicators in financial year 2017.

TUI Group's turnover climbed to 18.5 billion euros. The year-on-year growth is based on sound growth in customer numbers and average selling prices.

The Group's underlying EBITA, a key indicator of our operating performance, totalled 1.1 billion euros.

Underlying EBITA does not include special one-off expenses of around 76 million euros, not forming part of the Group's operating performance.

Including these one-off expenses, we delivered a significant increase in our reported EBITA at growth of 14 per cent to 1.0 billion euros.

The Group's net interest expense declined by about 60 million euros to around 120 million euros. This was attributable to the increase in the Group's liquidity in the course of the year and, in particular, lower interest rates and the lower interest coupon on the five-year bonds issued by TUI AG in October 2016.

In the financial year under review, we took advantage of the good development of Hapag-Lloyd AG's share price to successfully exit our remaining stake in container shipping. We generated proceeds of around 172 million euros from the sale of the shares.

As a result, we increased our earnings before tax by 460 million euros to 1,080 million euros.

At 169 million euros, our tax expense was only slightly up year-on-year in 2017. At around 20 per cent, the Group's underlying tax rate remains below the value we had aspired to reach in the framework of the merger.

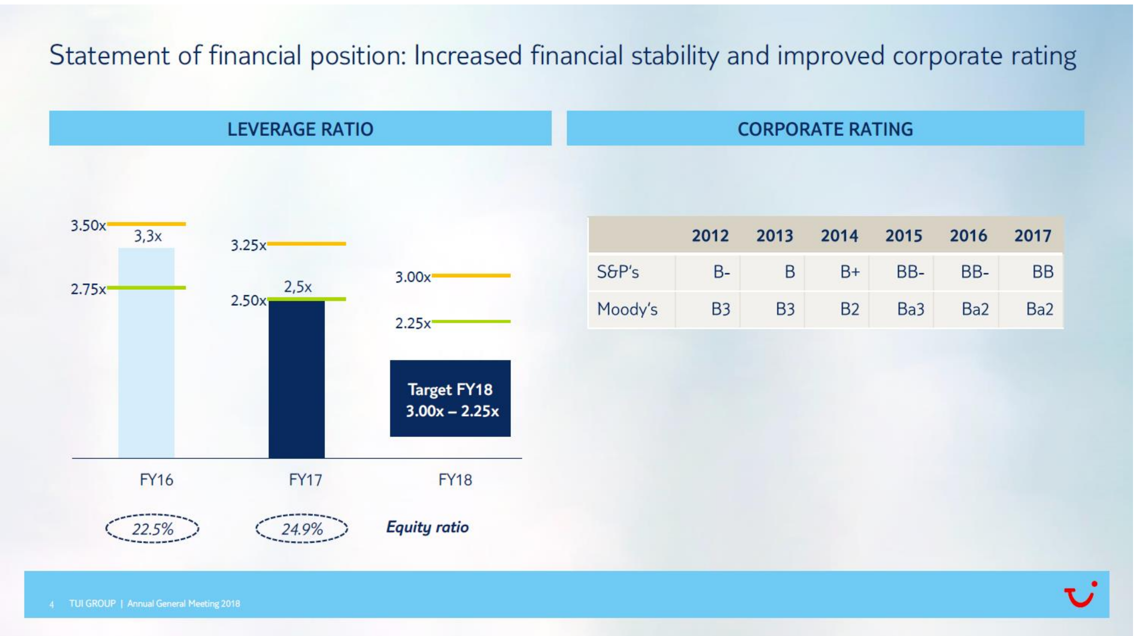
The result from discontinued operations shows the after-tax result of Travelopia until the company was sold in June 2017. In the prior year, this item had shown, in particular, the gain on disposal from the sale of Hotelbeds Group.

This takes me to our Group result after non-controlling interests, which, at 645 million euros, declined year-on-year, mainly due to the inclusion of the proceeds from the sale of Hotelbeds Group in the prior year.

At 1,14 euros, our underlying earnings per share, providing the best year-on-year comparision from a capital market perspective, grew substantially by 33%. This underscores our good operating performance, our significantly lower net interest expenses and the considerable improvement in our tax rate resulting from the merger.

So much for my explanations regarding our income statement. Let me now briefly comment on the development of our statement of financial position.

Chart 4: Statement of financial position: Increased financial stability and improved corporate rating



	2012	2013	2014	2015	2016	2017
S&P's	B-	B	B+	BB-	BB-	BB
Moody's	B3	B3	B2	Ba3	Ba2	Ba2

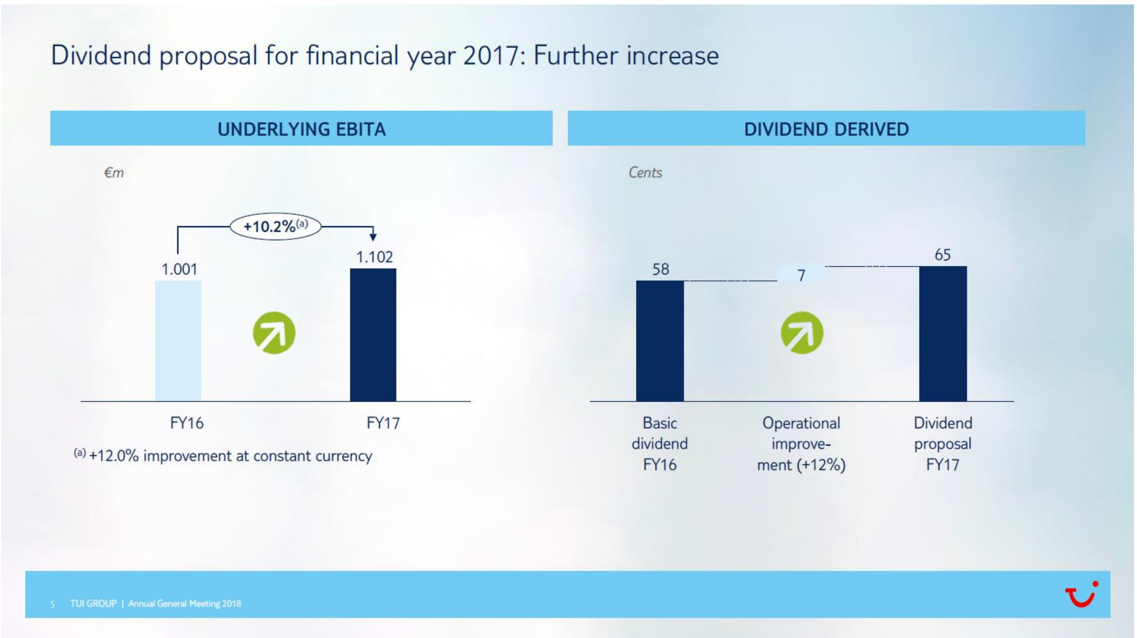
Our Group's balance sheet total declined by 2 per cent year-on-year to 14.2 billion euros due to the sale of non-core businesses. Our equity ratio of 24.9 per cent as at 30 September 2017 was more than 2 percentage points up on the prior year.

At the end of the financial year, TUI Group's continuing operations delivered a net cash position of 583 million euros, a significant increase on the prior year. This increase was driven by a good development of our working capital and cash inflows from the sale of Travelopia and Hapag-Lloyd. As already mentioned, we will use the resulting liquidity to further finance our planned growth in the hotel and cruise businesses.

As I indicated at the outset, our corporate rating has significantly improved over the past few years thanks to our transformation and our clearly improved KPIs. Our current S&P rating is BB, while our corporate rating by Moody's is Ba2.

This, we believe, confirms our strategy, and we are seeking to deliver further improvements, as you can also see from our financial targets and in particular our targeted leverage ratio. For 2018, our goal is to deliver a leverage ratio of 3x to 2.25x. As you can see from the chart, we have achieved continuous improvements of this indicator over the past few years, and despite our investment programme we are committed to further reducing the corridor. We are delivering ambitious yet disciplined growth.

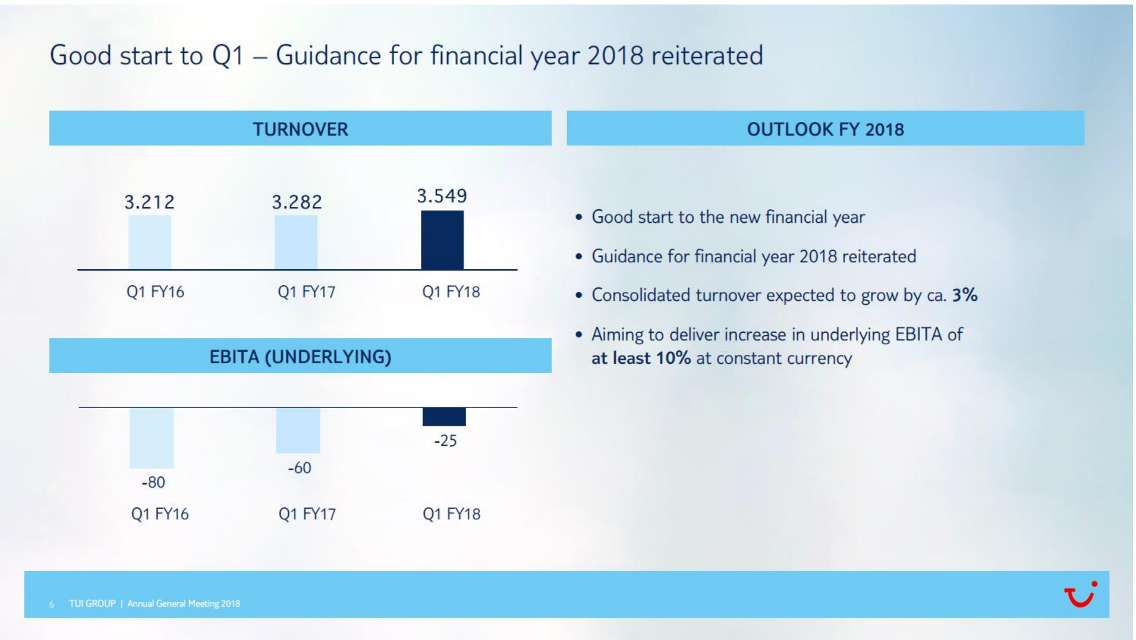
Chart 5: Dividend proposal for financial year 2017: Further increase



Let me now outline our dividend proposal for the completed financial year: In the wake of the merger between TUI AG and TUI Travel PLC, we had announced that the development of our dividend was going to be linked to the development of our new Group's underlying EBITA at constant currency. For financial years 2015 and 2016, we also paid an additional 10 per cent bonus on the base dividend. The proposed dividend is based on the base dividend paid for the previous financial year exluding that extra bonus, i.e. 58 cents per TUI AG share. Due to the strong growth in earnings of 12 per cent (at constant currency), we therefore propose to pay a dividend of 65 cents per share.

So much for my comments on our financial statements for financial year 2017. Let me now turn to our current trading performance in the first quarter of our new financial year 2018.

Chart 6: Good start to Q1 – Guidance for financial year 2018 reiterated



Earlier this morning, we published our set of results for Q1 on our website and explained our business performance to our analysts and investors at a conference call.

Our underlying EBITA rose by around 35 million euros year-on-year to a seasonal loss of minus 25 million euros.

We also have to stress that we managed to further reduce the seasonality of our earnings – a typical characteristic of the tourism sector, with negative profit contributions generated in the first two quarters of any one year which are subsequently more than offset by the 'strong' summer quarters (Q3 and Q4) – thanks to our increasing product orientation, i.e. hotels and cruises. In a nutshell: we have sigificantly reduced our seasonal loss for the fourth consecutive time.

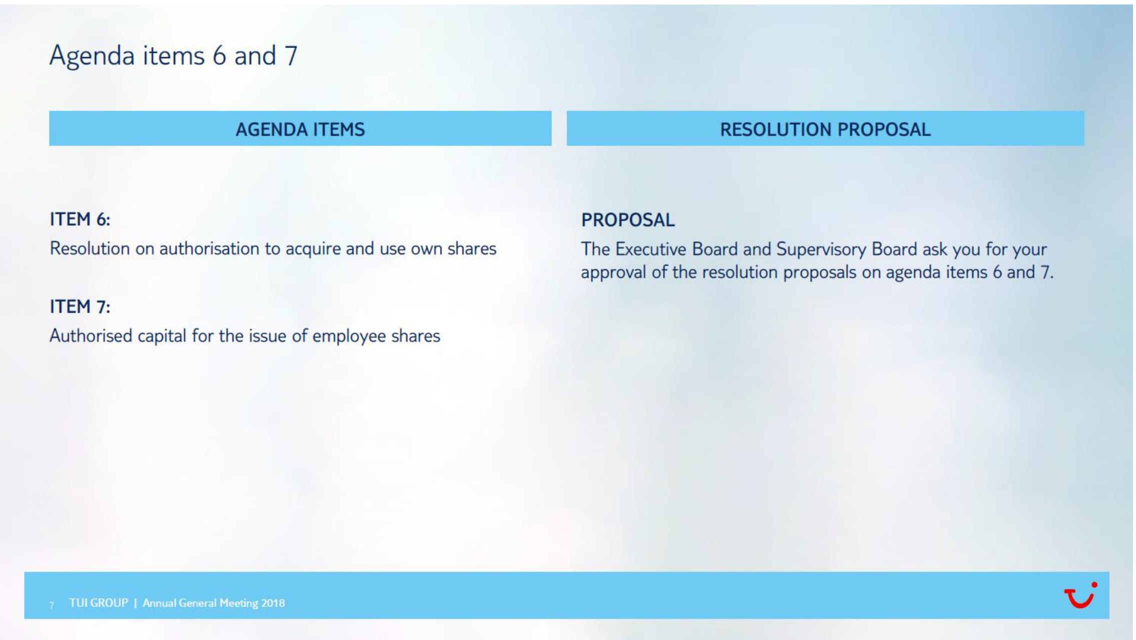
TUI Group has therefore delivered an overall good start to the new financial year. As a result, we are very confident that we will be able to deliver our goals for the full year 2018, which I will now briefly outline once again.

In terms of **turnover**, we expect to deliver growth of around 3 per cent at constant currency in financial year 2018. This growth will be driven by an expected increase in customer numbers and higher average selling prices in our Sales & Marketing units in the source markets as well as our growth strategy.

Regarding our **underlying EBITA**, we expect to deliver growth of at least 10 per cent in financial year 2018 at constant currency thanks to the implementation of our growth roadmap.

Ladies and Gentlemen,
Let me now make a few comments on the two authorisations proposed to the Annual General Meeting under agenda items 6 and 7.

Chart 7: Agenda items 6 and 7



As in the previous year, we are asking you to adopt a resolution on the acquisition and use of own shares and an authorisation to approve capital for the issue of shares to TUI Group employees.

In combination with the existing authorisations covering periods of several years before the expiry of approved and conditional capital, the new authorisation to acquire and use own shares will help us secure the Company's financial scope and its ability to swiftly and flexibly adjust its capital base to the Group's financial requirements.

The proposed authorisation according to agenda item 6 will again expire after 18 months: however, any contract to acquire own shares based on this authorisation must be concluded before the next Annual General Meeting in 2019. As in the past, the Company did not use the existing authorisation over the past 12 months and did not acquire any TUI shares. We therefore do not hold any own shares, as before.

Under the proposed resolution, the Company will be able to acquire own shares of up to 5 per cent of the capital stock, however at most around 29.4 million own shares, in the stock market or via a public offer to the shareholders. In doing so, the principle of equal treatment stipulated by the German Stock Corporation Act must be observed.

Apart from the requirements of the German Stock Corporation Act, the proposed resolution also reflects the requirements resulting from the listing of the TUI share at the London Stock Exchange and the relevant local corporate governance standards. This applies in particular for upper and lower limits to be observed in paying the purchase price to acquire own shares.

The Company does not currently intend to acquire any own shares. If the Annual General Meeting approves the proposed resolution regarding the authorisation, however, the Executive Board will review the option to use this authorisation from time to time. It will only use it if the Executive Board is convinced that this is in the best interests of the Company and all shareholders.

Under agenda item 7, we propose the creation of new authorised capital of 30 million euros. With the new authorisation relating to around 2 per cent of the capital stock, the Executive Board will be authorised to issue shares to employees over the next five years, exclusively in connection with the oneShare employee share programme. The pre-emption right of existing shareholders to the new employee shares will therefore be excluded. The authorisation granted in 2013 to issue employee shares has meanwhile expired.

This agenda item also includes the proposal to cancel the authorised capital of 18 million euros, which had been authorised in accordance with section 4 (8) of the Articles of Association. It had been created in 2014 in order to be able to fulfil any claims of TUI Travel PLC employees to be granted shares from employee share award systems after the merger. The authorisation was not used and can be cancelled ahead of its expiry date as all receivables have been settled.

As a matter of principle, the Executive Board will only use the authorisation to exclude pre-emption rights for the issue of new shares or the use of previously acquired own shares with the consent of the Supervisory Board and only if this is in the interest of the Company and meets the strict requirements for the exclusion of pre-emption rights stipulated by the German Stock Corporation Act.

We ask you for your approval of the proposed resolutions.

Chart 8: Summary and outlook: 3 reasons to invest in TUI

By way of conclusion, let me summarise the reasons in favour of investing in the TUI share.

As already outlined, TUI has a **strong strategic positioning**. We have positioned ourselves as a global player active in all stages of the tourism value chain. We support our customers in their search for new experiences, in booking our own hotel and cruise products or third-party products, and also cater for their needs in the destinations with attractive destination services. This strengthens customer satisfaction so that our customers are happy to book with us again. We combine unique products with strong distribution units, and our digitalisation initiatives will promote this even further. This positioning increases our profitability, offers competitive advantages and creates entry barriers.

Secondly, tourism is a **growth sector**, and we are participating in that growth. We have a strong track record. We have increased our underlying EBITA by 12 per cent on average since the merger, and our eanings per share are even up by an average of 21 per cent.

The reinvestment of the proceeds from sales worth around 2 billion euros supports the growth of our hotel and cruise segment, at clearly improved returns on capital and an even better earnings quality. We will also benefit increasingly from the digitalisation initiatives launched.

We therefore do not only expect an increase in our operating result of at least 10 per cent at constant currency in 2018, but also expect to deliver the same average growth in financial years 2019 and 2020.

Our goal is to deliver disciplined growth, as you can also see from the increase in our return on invested capital of 23.6 per cent in 2017. We are generating a **strong operating cash flow**, used to finance our growth and maintenance investments and pay our shareholders an attractive dividend. At the same time, we have significantly strengthened our balance sheet.

Our ambitious goal is to double underlying earnings to around 1.5 billion euros within six years.

Let me assure you, that we are well on track towards that goal and that we have created the necessary basis in the past few years!

Thank you very much for your attention.