



Speech

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at the Annual Shareholder Meeting

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– Check against delivery –

Shareholders, Ladies and Gentlemen,

Welcome to our Annual General Meeting 2019.

Before I come to talk about the previous year, in the light of recent events, please allow me to provide you with my view on the short-term development of our company. Last Wednesday we revised our earnings forecast for this year. Originally, we wanted to increase our earnings by at least 10% once again this year. Now we expect that we will roughly maintain our record result from last year, but will not improve upon it.

This assessment is based on the results of the first quarter of the year – Birgit Conix will be going into this in greater detail later – and, above all, on the basis of the 34% summer bookings that we now have in the system. We can see good volumes here, but low prices and margins.

Audit outlook – 3 effects

		
Prolonged hot summer	Capacity Shift	UK business

RECORD EARNINGS OF FY 18 WILL BE HELD

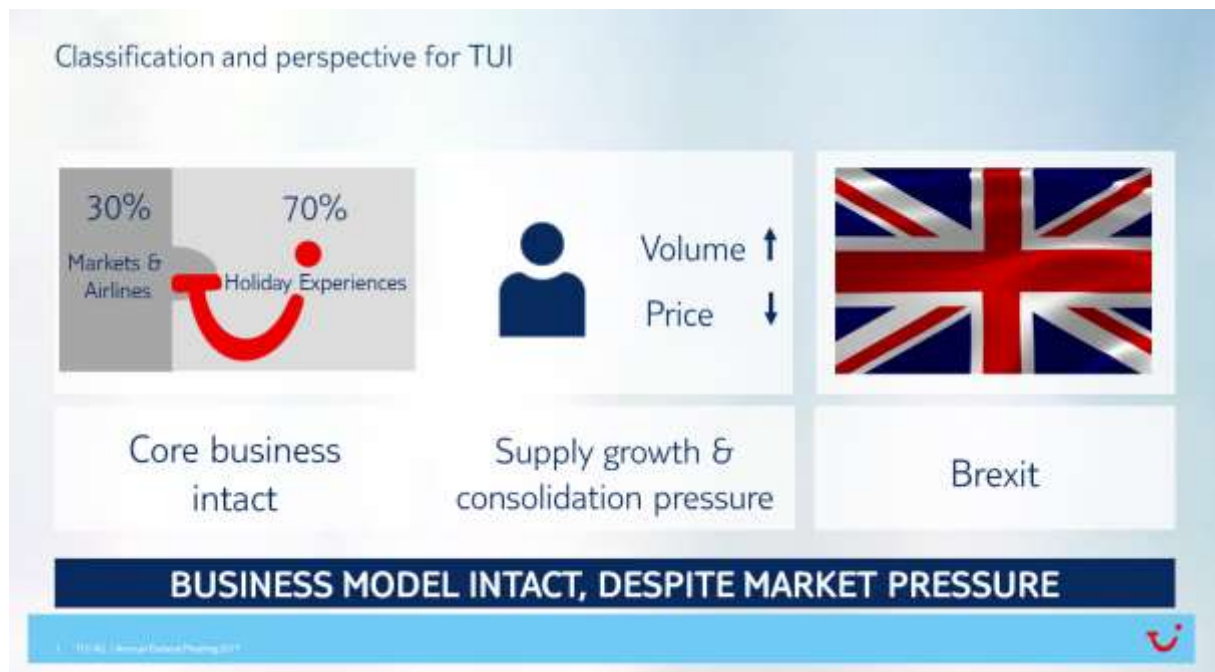
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This is the result of three effects:

- 1) The very poor summer last year is continuing to have an effect. We had already taken account of that for Q1 – summer business in October and weak winter business. In addition and unplanned, customers are delaying making their summer bookings. There is definitely demand, but only at low prices and margins.
- 2) The rapid growth in bookings to Turkey is generating an oversupply of capacities with corresponding pressure on prices and margins, especially in Spain. In the winter we are seeing that in the Canary Islands without real competition from other regions, and also in the forthcoming summer business that is apparent.
- 3) The continued weakness of the Pound and a reluctance to make bookings as a consequence of the upcoming Brexit puts pressure on prices and margins in the UK business.

Please allow me to put these developments into perspective:



- 1) The pressure on earnings essentially only affects our area of markets and airlines. This area accounts for only just over 30% of our earnings. Today, therefore, we are benefiting from the strategy we have been pursuing for five years, of transforming our company from a travel agent into an integrated tourism group. Competitors, who have not initiated and implemented such a transformation, are faced with quite different challenges.
- 2) The trend, that our business in the markets is becoming increasingly difficult, is not a new one; in the previous year already, our earnings fell by 14%. The weak pound and the hot summer were the catalysts of the trend, the competitive pressure, however, continues to be great.

The customers are travelling, the market continues to grow irresistibly, but they are spending less. It is strategically correct to participate in the market growth. The market consolidation pressure will increase. There will be winners and losers. We are strategically and financially strong. Our starting position is good.

- 3) And finally about Brexit: Here, following the Brexit vote, we have taken the falling value of the pound from € 1.33 to € 1.13 into consideration in the current earnings trend and forecast: we are looking at a reduction in purchasing power, because the costs incur in Euros and Dollars.

Is further trouble looming here?

- The future regulation of "ownership and control" of our airlines remains unresolved. It is European legislation that these must be in European hands. Today, TUI fulfils this condition, with the departure of the British we will no longer fulfil it – the approximately 30% British shareholders will then be formally out of consideration.
- Here, there are now several more or less advantageous solutions which all have one thing in common: we would not implement them if Brexit did not exist. Therefore, we will wait as long as possible before we take action.
- I am one of those who continue to hope that Brexit will not take place – for me personally as a convinced European, that would also be the best way – or if it should come, then it should be in orderly fashion.

- Above all, I believe that an open access European air traffic market was historically good for everyone – for the operators and, above all, for the customers. To preserve this is the task of the politicians and I also realize that this politically desired.
- In the event of an unregulated Brexit, that would be achieved if there were to be a mutual recognition of shareholders or some kind of provision to safeguard existing standards. This is all currently being considered.
- Should all of this not work, we still have a bunch of more or less good solutions. We would prefer not to be forced to use them. However, we do not expect it to be a major handicap to our business in the long term.

What are we doing now?



- 1) In order to strengthen our competitiveness, we will continue to further standardize our processes and systems in international markets. As a result, costs will be reduced; quality and innovativeness will be improved. We only develop everything once and then roll out the solutions globally. In terms of organization, we have laid the foundations for this by placing the markets under a single management. David Burling has a challenging job here.

- 2) In sales we will continue to march forward: more directly (today 74%), more online (today 48%) and more mobile (today 1%). That will save costs and even more important, it will greatly strengthen innovative power. Only in this way will we be able to achieve more sales with our customers in the markets.
- 3) In addition, we will expand our range of hotels and cruises to include further activities and experiences. The global market is enormous here at \$ 150 bn, is growing at an above-average 7% and is very fragmented with 300,000 suppliers. The margins are correspondingly high. Here we are in the pole position: We have many customers, know when they travel and what they do on holiday.
- 4) We are expanding our sales activities to markets that we do not yet serve. They are reminiscent of the goals of our TUI2022 programme: 1 m customers with € 1 bn in sales. Among other things, we are pursuing the goal of making even better use of our risk capacities, especially in the hotel sector.

The measures are designed to make us one of the winners in the process of consolidation. They require that we transform our company once again. Following the successful transformation into an integrated tourism group, we have now set out to become a digital platform company. I will come back to that in the last part of my speech.

But I have no doubt that we will succeed in keeping TUI on course for growth. My confidence in the future of our company is great. You can also recognize that by the fact that in December I personally bought another 100,000 shares.

However, please let me now say a few words about the year of 2018. In spite of the previously mentioned earnings trend in the markets, it was the most successful year in the company's history:

TUI – a strong brand with another record result in 2018

4x > 10%
earnings growth

6.3%
turnover growth

27 m
customers

800 m €
investments

2.7x
debt reduction

72€c
dividend proposal

- For the fourth time in succession, earnings growth exceeded 10%
- Sales increased by 6.3%
- With a total of 27 m customers, we had more customers than ever before. Our TUI brand enjoys growing awareness and relevance. This is very important with respect to our future success.
- We have invested over € 800 m in hotels, cruises and IT. We have increased our investment efficiency in every sector.
- Our balance sheet is very strong. The leverage ratio with a factor of 2.7 is very sound.
- We have the strength to invest, strengthen the balance sheet and at the same time pay you a record dividend of € 0.72.
- TUI is in a very healthy condition today. We are, as I said, in pole position in the event of a possible consolidation.

Dear Shareholders, the successes in recent years would not have been possible without our employees. Therefore, I would like to thank our 70,000 employees worldwide, also on your behalf, for their great dedication in the past year.

TUI – high employee engagement and social commitment



- 70,000 employees
- attractive employer
- newWork@TUI
- oneShare
- CSR

betterholidays
betterworld

 TUI CARE FOUNDATION

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- 70,000, that is more than ever before. An investing and growing company is not only attractive to you as shareholders, but also as an employer.
- We are a service company. Our brand shines. It shines through our employees and their great commitment. Yes, we invest in products like ships and hotels, yes, we invest in IT, but in the end it is our employees who make us unique and who, again and again, at our destinations make our brand an experience. They are the ones that inspire our customers and differentiate us in competition.
- In order to make our company even more attractive to our employees in the age of digitization, we have started together with the works council newWork@TUI. It is about taking advantage of the opportunities offered by digitization in terms of employees: time for money, trust time and place, life-long learning.

- Balancing the interests of our employees with your interests, in other words, the interests of our shareholders, is our foremost task throughout the board. Among other things, we launched our employee share program ONE Share for this purpose. More than 11% of all employees participated in it last year – a fantastic figure.
- We are convinced that the future of our company will also in future continue to depend on the fact that all stakeholder groups – shareholders, employees, customers and society – can be enthusiastic about our company.
- Please allow me to say a few words about our efforts within the framework of our social commitment. Here we rely on our sustainability initiatives in the operative business (e.g. most climate-efficient aircraft fleet, one of the most modern cruise fleets) as well as on our activities of our TUI Care Foundation on the spot. The focus here is on: education and local economic participation. The TUI academies and the interconnection between tourism and agricultural cooperatives are just two examples.

Please allow me now to say a few words about the individual areas of our company:

Hotels



- Growth in earnings of 19.4%, to now € 425.7 m
- Very high occupancy of 83% and turnover per bed and night of € 65
- As per end of the FY18: 44 new hotels since the merger and segment ROIC 14.5%
- We see the next wave in South-East Asia.

Cruises



- Earnings growth of 26.8% to now € 324 m
- TUI Cruises: 5.2 m passenger days, up 700,000; rates € 178, up € 5
- Marella: 3 m passenger days, up 300,000; rates € 141, up € 10
- HL Cruises 352,000 passenger days constant to PY; rates € 615, up € 21
- ROIC segment 22.8% up 2.9%
- For the next 7-10 years it will continue to be so, we will be taking delivery of three new ships this year

Destination Experiences



- Revenues increased by 33.4% to now € 594 m, earnings by 27.4% to € 44.7m
- Number of excursions increased by 17% to 5.4 m. That makes us number 1 in the world. However, the market for excursions and activities is very fragmented with over 300,000 providers
- I will be talking about it again a little later, but the Destination Experiences area is one of the major growth opportunities for us. Accordingly, we have invested heavily in this area last year. On the one hand, with the acquisition of the Destination Management division of Hotelbed Group, which now gives us a reach of 49 countries, and secondly with the acquisition of Musement a digital marketplace for activities worldwide. More than 150,000 activities are already offered there today and their services to users are supported very efficiently, from registration, selection, booking and ticketing right through to payment.

Markets and Airlines



- In the markets, we were able to increase our customer base by almost one million to the record figure of 21 m. Revenues increased by 5.3% to just under € 17 bn.
- Our customer satisfaction also continues to be at a very high level with an NPS value of 50.
- However, the result declined by 14% to € 453 m. There are many reasons for this: the weak pound, the good weather, over-capacity - I have already spoken about that.

How do we now remain competitive and continue to grow? Here I would like to refer once again to my introductory words: The transformation from traders to an integrated tourism group was and remains the correct strategy.

Strategic focus: Four initiatives for a digital future at TUI



- Online and Mobile Sales
- Mass Individualisation
- Capacity / Purchasing
- Global Market Presence

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We will continue to proceed in this direction. In addition, we will press ahead with the digitalization of our company. Our digital platforms will take global leading positions and reinvent the holiday experience for our customers.

In particular, there are 4 initiatives that will fundamentally change the way we operate:

Digitalisation 1: Sales

Online and Mobile Sales



~10%
distribution cost

~50%
online sales



- Distribution via app
- 200,000 app customers (2018)
- 5.5 m active app users

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- In the retail area we have over 10% distribution costs, but more importantly: we often do not know the customer
- The market shares in retail are sinking everywhere, there is one reason for that and this is not primarily the price: The service on the Internet is getting better, the technology is better and the use of customer data in the interests of customers is continuing to get better
- For years, our Internet distribution shares have been getting higher and higher, today they are around 50%, so the distribution costs for us today are around 10% on average.
- The latest trend is now the mobile distribution, above all through the app with two huge advantages. Distribution costs are practically zero and offers can be individualized so much that we achieve the highest conversion rates.
- Already last year, 200k customers have booked their holidays with us using the app. When you consider that we already have 5.5 m active app users, it becomes clear how quickly the booking shares can rise here.

Digitalisation 2: Individualisation of the offer



- I have already spoken about the mobile app as a sales channel. It also makes it possible to address each customer individually with offers specifically tailored for him.
- Important in this respect is a holistic view of the customer. Here our integrated business model is a huge competitive advantage. We deliver all services in the value chain.
- We process and store all our customer contacts digitally and increasingly make them available at all customer contact points.
- In addition, we are massively expanding our offerings. In the previous year, we acquired the Italian technology company Musement, which operates a platform for activities in 1500 cities and destinations. 150,000 providers have registered here and can be booked for the customers.
- Through Machine Learning and Artificial Intelligence, we learn and understand which of the many offers best suits each individual customer at which point in time.

- In this way, we have everything for everyone, without overstraining the customer in the buying process.
- The activity market worldwide is huge at \$ 150 bn and is growing fast. It is characterized by a high level of fragmentation. Our ambition is to be a leader in consolidating the market by becoming the best marketplace for these activities for both customers and suppliers.

Digitalisation 3: Optimization of the price-sales function



- With a capacity of 100 m bed nights in our 360 hotels and a purchase volume of € 5 bn, we manage an enormous risk capacity for third-party hoteliers. The aim is to optimally market these globally.
- It is a question of at what time which capacity should be sold in which market and at what price, in order to optimize the price-sales function.
- Traditionally we have worked here with our own yield system Cyrus. It has performed this function country by country. That continues to be the case today.

- If we now want to act globally, i.e. to take into account global trends, seasonality, demand curves, price sensitivities, different competitive conditions, the yield function becomes extremely complex. That is only possible with the enormous computing power in the cloud, with machine learning and artificial intelligence.
- Here we are the leaders worldwide and will continue to set the pace in order to stay ahead. Development is also generally still in its early stages, therefore the race has yet to be run.
- The earnings effects can be quite considerable simply as a result of the large volume of risk capacity. A 1% better price in this area would mean an improvement in the margin of up to € 100 m.
- The same applies if, in the area of hotel procurement, we achieve advantages through the higher market transparency resulting from Machine Learning and AI.

Digitalisation 4: Conquering global markets



- The global structure of a brand is often associated with heavy costs and large risks, especially in countries such as India, China or Brazil. And nevertheless the global presence is important and attractive for large brands. Both are also true for tourism.
- Here, with TUI2022, we launched a programme 2 years ago with the objective of achieving 1 m customers with € 1 bn in sales in 2022.
- Success after 18 months: around 100,000 customers per year with a loss of still around € 5 m in the markets.

Please allow me to come to the end of my presentation.



- The original idea of our company was the democratization of the holiday experience. The holiday in Majorca should be possible for many people. Markets were developed quickly and efficiently with a trading model.
- In the next phase, in 2013 we then decided to create holiday experiences ourselves. Our own hotels und cruises mean: greater differentiation, better realization of customer requirements, better margins.
- Now it is a question of creating digital marketplaces and global business models. This is the digital revolution – not only in our industry: the economies of scale are increasing globally and scaling business models and the satisfaction of individual needs are no longer mutually exclusive. We make use of these advantages consistently and are transforming our company for a second time. We are rolling out our brand globally and customizing what we have to offer for millions of our customers.

In recent years, we have brought sales, earnings, investments and dividends to ever new record levels. This year we will keep the results on a high level and actively participate in the possible consolidation.

With the digital transformation, we will ultimately continue to write the success story of our company – in the interests of our customers, employees and shareholders. The connection to TUI should and will continue to pay off for all of them.

Thank you very much!