Speech

Horst Baier

CFO TUI AG

at the Annual General Meeting

on 14 February 2017

- Check against delivery -

Chart 1: Title slide

Thank you very much, Mr Joussen.

Good morning, Ladies and Gentlemen,

Following Mr Joussen's presentation of our operating performance in financial year 2015/16, let me now briefly outline to you how this is reflected in TUI Group's income statement and statement of financial position.

Chart 2: Highlights financial year 2015/16

Highlights financial year 2015/16

in m€	2015/16	2014/15	Var. in %	Var. in % FX adjusted
Turnover[1)]	17,185	17,516	-2%	1%
EBITA (underlying)[1)]	1,001	953	5%	15%
EBITA[1)]	898	795	13%	
Result from continuing operations	465	408	14%	
Group profit	1,152	380	303%	
Net finance position (30 Sep)[1)]	-32	214	n.a.	
Underlying earnings per share (€)	0.86	0.84	2%	

Highlights FY 2015/16

- Turnover growth driven by increase in average revenue
- Considerable improvement in underlying EBITA, guidance again outperformed
- Significant increase in Group profit driven by book profit from the disposal of Hotelbeds Group

[1)] Continuing operations

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Let me start by presenting the development of our key indicators before taking you through the items in our income statement.

TUI Group’s turnover totalled 17.2 billion euros in financial year 2015/16. This initially marks a decline of 1.9 per cent year-on-year. Excluding the impact of foreign exchange translation, resulting in particular from the weakening of sterling against the euro, turnover grew by 1.4 per cent in the period under review, despite the geopolitical challenges.

The so-called FX translation effects are reflected throughout our financial statements for the completed financial year. In order to present our Group’s actual performance, we translate our turnover and our performance indicator EBITA at the foreign exchange rates used last year. Any variations determined in this way provide a picture unaffected by foreign exchange fluctuations. Let me now come back to our core metrics.

TUI Group's underlying EBITA from continuing operations rose by around 5 per cent year-on-year in financial year 2015/16. Excluding the negative impact of foreign exchange translation included in this figure, which also mainly results from the weakening of sterling in this case, the improvement amounted to 14.5 per cent. As already explained, this gratifying improvement in our performance was driven, in particular, by our Hotels and Cruises businesses and our tour operators in the UK and the Netherlands.

Due to this sound operating performance, which went hand in hand with a year-on-year reduction in one-off expenses, our reported EBITA also grew significantly in financial year 2015/16, with an increase of 13 per cent.

Our Group's result from continuing operations also improved, up by around 14 per cent.

We delivered a particularly strong increase in Group profit, i.e. earnings after tax. As Group profit included the book profit from the successful disposal of Hotelbeds Group in the financial year under review, it rose to around 1.2 billion euros.

At the end of the financial year, TUI Group's continuing operations had a new cash position of 32 million euros, whereas we had reported low net debt of 214 million euros in the prior year.

I will present details regarding the development of underlying earnings per share in a little while. However, let me first present the development of our key income statement items.

Chart 3: Income statement 2015/16

Income statement 2015/16

in €m	2015/16	2014/15
Turnover	17.185	17.516
EBITA (underlying)	**1.001**	**953**
Adjustments	-102	-159
EBITA	**898**	**795**
Net interest expense	-180	-183
Hapag-Lloyd measurement	-100	-146
Earnings before tax	**618**	**466**
Income taxes	-153	-58
Earnings by continuing operations	**465**	**408**
Discontinued operations	687	-28
Minorities	-115	-39
Group profit after minorities	**1.037**	**340**
Earnings per share cont. ops (€)	0.61	0.66
Underl. earnings per share (€)	**0.86**	**0.84**

Key changes

- Further improvement in operating profitability, significant increase in underlying EBITA
- Significant increase in reported EBITA, driven by lower one-off expenses
- Considerable improvement in earnings from continuing operations at normalised tax rate
- Earnings from discontinued operations comprise book profit from the disposal of Hotelbeds Group of around 681 million euros, completed in the period under report
- Slight improvement in underlying earnings per share

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In our operative performance reporting on our segments and the Group, we focus on underlying EBITA – i.e. earnings before interest, taxes and amortisation of goodwill. As already mentioned, the Group's underlying EBITA totalled around 1,001 million euros in the period under review, up 5 per cent year-on-year. Excluding the impact of foreign exchange translation from the weakening of sterling, underlying EBITA climbed by 14.5 per cent.

Underlying EBITA does not comprise special one-off expenses worth around 102 million euros, which do not form part of the Group's operative performance.

These adjustments include expenses for purchase price allocations of around 42 million euros and in particular integration costs of around 11 million euros from the merger between TUI AG and TUI Travel and from further restructuring measures, in particular in the source markets.

Reported EBITA from continuing operations including the one-off expenses mentioned above totalled around 898 million euros, an increase of around 13 per cent year-on-year.

The slight decline in our net interest expense to around 180 million euros in the period under review reflected the positive impact of the conversion of all convertible bonds in the prior year. On the other hand, the increase in liabilities from finance leases and the early redemption of a high-yield bond of TUI AG after the balance sheet date caused an increase in the interest expense [of around 12 million euros] for the completed financial year. In the next few financial years, this one-off expense will be followed by savings resulting from the reduction in the interest coupon on the five-year bond issued by TUI AG in October 2016.

In the period under review, the measurement of our stake in Hapag-Lloyd AG at the closing price of the Hapag-Lloyd share of 16.10 euros per share as at 31 March 2016 resulted in an impairment worth around 100 million euros on the fair value of 234 million euros, carried in financial expenses. The subsequent increase in the value from the rise in Hapag-Lloyd's share price to 18.29 euros as at 30 September 2016 and the resulting increase in its fair value to around 266 million euros was carried in equity outside profit and loss, in line with the provisions of IAS 39. Following a gratifying price increase over recent weeks, the Hapag-Lloyd share is now trading at slightly more than 27 euros. It thus offers value potential.

TUI Group's increased operating profitability, lower one-off expenses, lower interest expenses and lower expenses resulting from the measurement of our stake in Hapag-Lloyd resulted in an improvement in Group earnings before taxes of 152 million euros to 618 million euros.

The tax expense for 2015/16 rose by around 95 million euros year-on-year. This is primarily attributable to the one-off remeasurement of deferred tax assets on loss carryforwards carried out in the framework of the merger last year.

The result from discontinued operations shows the after-tax earnings of LateRooms Ltd, sold in October 2015, and Hotelbeds Group, for which the closing of the sale was announced on 12 September 2016. Our Group realised a book profit of around 681 million euros from the disposal of Hotelbeds Group. Moreover, the specialist tour operators were carried as a discontinued operation as at 30 September 2016 due to the intention to sell this business. We had taken the strategic decision to dispose Specialist Group as we see no synergies with TUI Group's other business, no ability to scale and therefore little potential for integration into our Group's strategy. As you will be aware, the agreement to sell the specialist tour operation business was signed last night.

This takes me to Group profit after minorities, which accounts for 1,037 million euros, up by almost 700 million euros on the previous year, in particular due to the book profit from the disposal of Hotelbeds Group included in this figure.

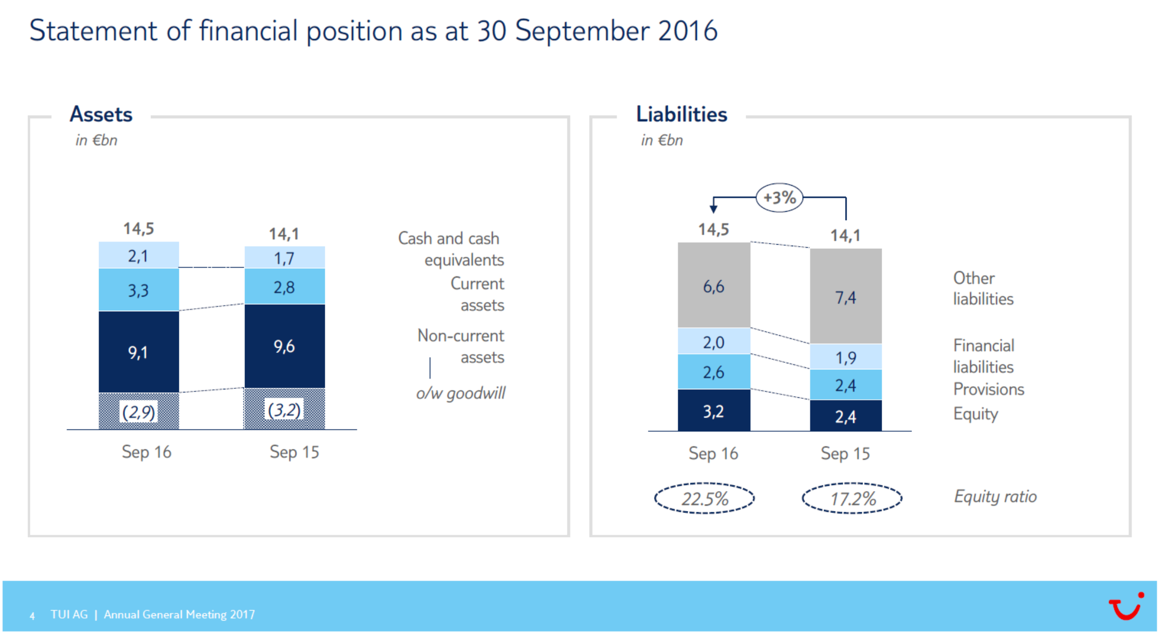
In order to determine meaningful earnings per share for you, we refer to earnings from continuing operations, which do not include profits from discontinued operations and totalled around 465 million euros in the completed year.

After deduction of the share in Group profit attributable to non-controlling interests, the Group posts earnings per share of 61 cents for its continuing operations in the period under review.

In order to enhance comparability, we have determined underlying earnings per share, which rose slightly to 86 cents year-on-year.

Following my explanations regarding our income statement, please allow me to briefly comment on our consolidated statement of financial position and the development of our Group's net debt.

Chart 4: Statement of financial position as at 30 Sep 2016



Our Group's balance sheet total rose by 3 per cent year-on-year to 14.5 billion euros. Our equity ratio of 22.5 per cent as at 30 September 2016 was around 5 percentage points up on the previous year.

Chart 5: Net debt as at 30 September 2016

Net debt as at 30 September 2016

€m

	30 Sep 2016	30 Sep 2015
Financial liabilities	2.041	1.886
current	1.503	1.653
non-current	538	233
Liquid funds	2.073	1.673
Net financial position	**-32**	**214**

Development of TUI Group's corporate ratings

	2011/12	2012/13	2013/14	2014/15	2015/16	Today
S&P's	B -	B	B +	BB -	BB -	BB
Moody's	b3	B3	B2	Ba3	Ba2	Ba2

- At the end of the financial year, TUI Group had a new cash position of 32 million euros
- In the period under review, the rating agencies continued to upgrade TUI Group's corporate ratings
- We have again formulated more ambitious target corridors for our Financial Policy

1) Fortzuführende Geschäftsbereiche

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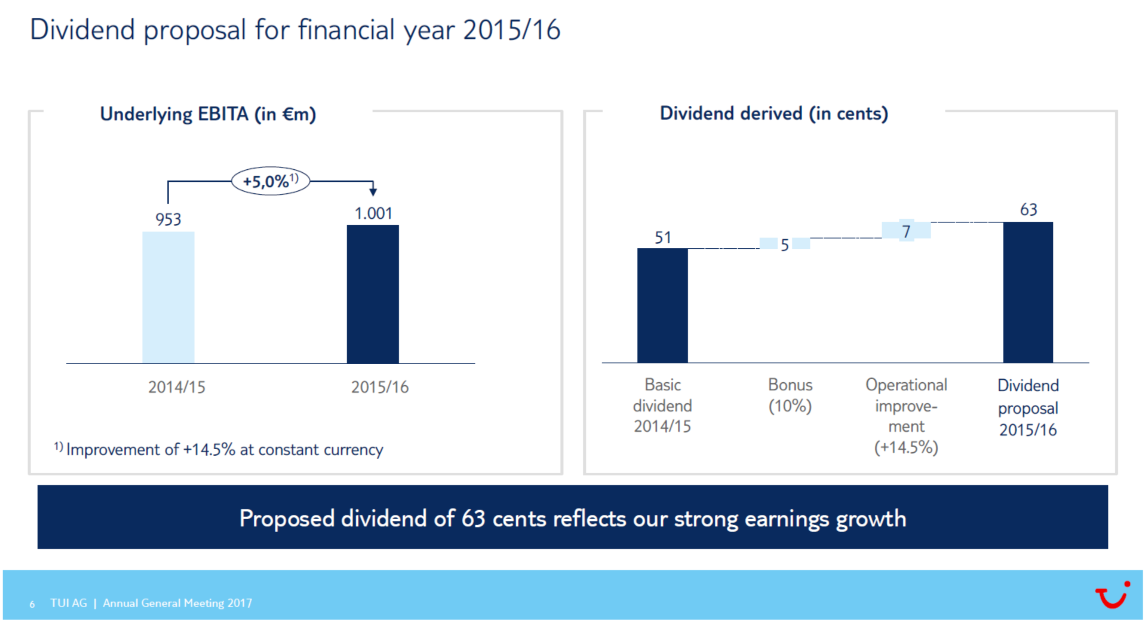
At the end of the financial year, TUI Group had a net cash position of 32 million euros for its continuing operations, whereas we had posted a low net debt of 214 million euros in the prior year.

In our view, the financial stability and flexibility of our Group is a key prerequisite for TUI Group's further development. Due to the development of certain credit metrics of financial year 2014/15 and our organisation's goal to further improve these metrics, Standard & Poor's changed the outlook of our corporate rating ("BB –") to positive in February 2016. Moody's had already upgraded our corporate rating from "Ba3" to "Ba2" in April 2016 in the light of the improved development of credit metrics and our resilience to negative geopolitical events.

We are seeking to deliver further improvements so as to secure sufficient access to debt capital markets even in difficult macroeconomic situations and further optimise our borrowing costs. In order to document this goal, we have defined a Financial Policy. In the period under review, we complied with the binding target corridors for the financial stability ratios "leverage ratio" and "coverage ratio" defined in our Policy. For the current financial year, we have defined even more ambitious target corridors.

This approach has started to pay off, as the early refinancing of the 2014 bond worth 300 million euros has impressively shown. Back in 2014, we paid 4.5 per cent at a Single B+ rating. In October 2016, TUI achieved a coupon of only 2.125 per cent our bond, also due in five years.
As you may have realised, S&P upgraded our rating to BB today. S&P has justified its rating upgrade by referring to the significant increase in our Group's profitability in a challenging market environment. Their more positive rating also acknowledges our clearly diversified business model and the enhanced cash flow predictability.

Chart 6: Dividend proposal for financial year 2015/16



Let me now explain 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 the new group's underlying earnings at constant currency. In addition, we will pay an additional 10% bonus on the base dividend for the last time for the completed financial year. The proposed dividend is based on the base dividend paid for the previous financial year excluding that bonus, i.e. 51 cents per TUI AG share. Due to the strong growth in earnings of 14.5 per cent (at constant currency) and the additional 10% bonus on the base dividend, our dividend proposal is therefore 63 cents per share. This is an increase of around 13 per cent versus the dividend of 56 cents paid by TUI AG for the previous financial year.

So enough of my comments on the financial statements for financial year 2015/16. Let me now turn to our current trading performance in Q1 2016/17.

Chart 7: Highlights Q1 2016/17

Highlights Q1 2016/17

in €m	2016/17	2015/16	Var. in %	FX-adj. var. in %
Turnover[1)]	3,286	3,212	2%	9%
EBITA (underlying)[1)]	-60	-80	25%	17%
EBITA[1)]	-70	-103	32%	
Result from continuing operations	-82	-138	41%	
Net debt (31 Dec)[1)]	1,518	1,876	-19%	
Earnings per share from continuing operations (€)	0.19	0.27	30%	
Underlying earnings per share (€)	0,18	-0.19	5%	

Highlights Q1 2016/17

- Considerable increase in Group turnover despite continued geopolitical challenges
- Significant reduction in seasonal loss year-on-year
- Reduction in net debt driven by successful disposal of Hotelbeds Group in the completed financial year

[1)] Continuing operations

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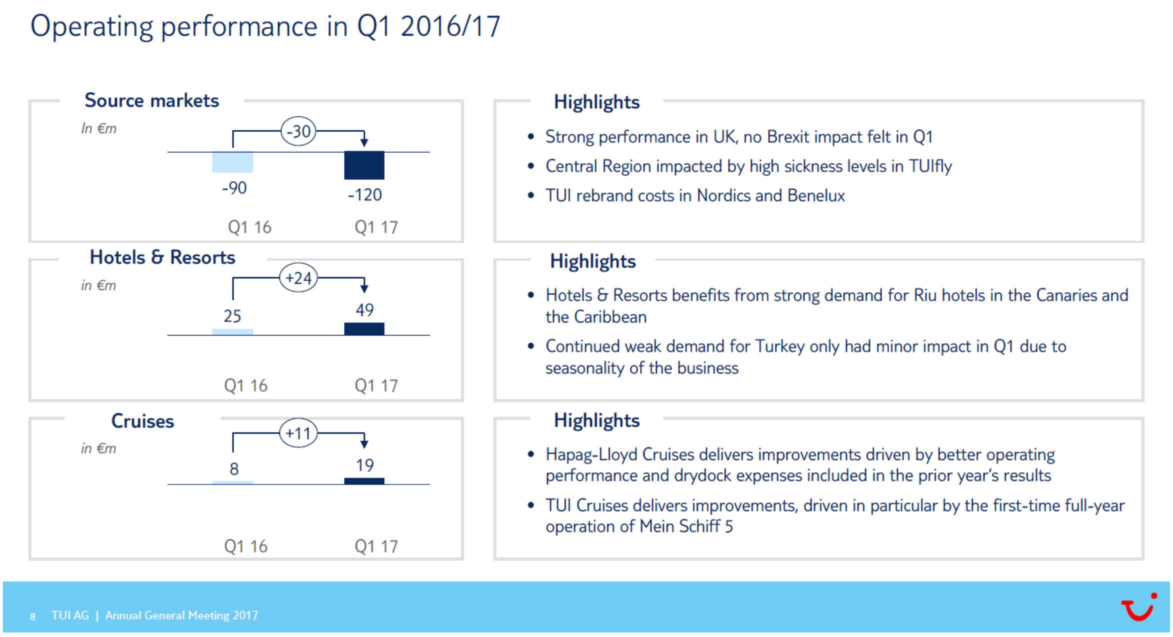
Earlier this morning, we published our Q1 results on our website and explained our business performance to analysts and investors in a conference call.

TUI Group has been off to a successful start to the Winter 2016/17 season, My Executive Board colleague has briefly commented on our key performance indicators. Let me therefore only make a few additional comments.

At minus 82 million euros, earnings from continuing operations were 56 million euros up year-on-year. Apart from the sound operative performance, this improvement was also driven by the non-cash impairment of our stake in Hapag-Lloyd AG of around 42 million euros.

Please allow me to point out once again that negative profit contributions are generated in the first two quarters in Tourism due to the seasonality of the business. These losses are then more than offset in the "strong" summer months (Q3 and Q4).

Chart 8: Operating performance in Q1 2016/17

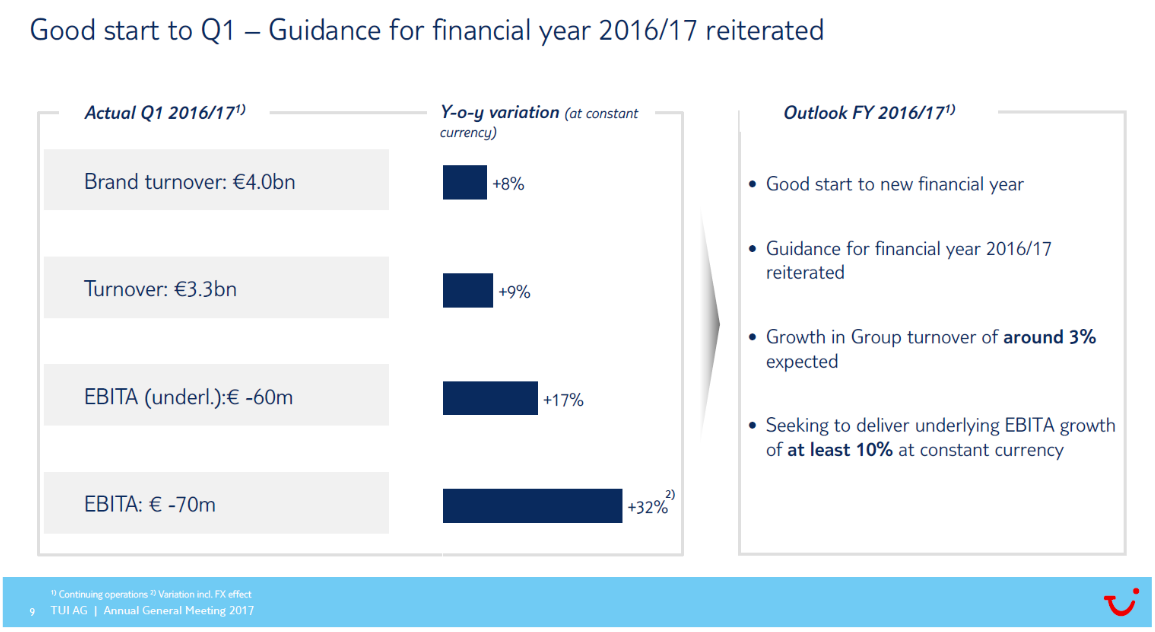


Let me now turn to the development of our individual segments.

The seasonal underlying EBITA loss of the source markets rose by 30 million euros year-on-year. While our tour operators in Northern Region delivered a further improvement in their performance, earnings by Central Region were adversely impacted by the flight cancellations caused by higher than usual sickness levels in TUIfly Germany in October 2016. Moreover, the operating result in the Nordics and Belgium was impacted by the phasing of additional marketing costs in relation to the TUI rebrand, which will be offset in the course of the full year.

Hotels & Resorts delivered an operating result of 49 million euros in Q1 2016/17. The year-on-year improvement of around 24 million euros is essentially driven by the continued strong demand for our Riu hotels in the Canaries and Caribbean. At the same time, the impact of the continued weak demand for travel to Turkey is less marked in the Winter season as most hotels in Turkey are closed during that period. Underlying earnings by the Cruises segment reflect the sound business performance in Q1 2016/17. They improved by around 11 million euros versus the prior year. TUI Cruises expanded its competitive position through an expansion of its fleet. It continued to deliver a good performance in the period under review, along with Hapag-Lloyd Cruises. Mein Schiff 5, launched by TUI Cruises in June of last year, has been very well received by the market.

Chart 9: Good start to Q1 – Guidance for financial year 2016/17 reiterated



Overall, TUI Group has started off very well into the new financial year, despite the headwind caused by current geopolitical events.

We are therefore very confident that we will deliver our goals for the full year 2016/17.

Let me now present our outlook for the current financial year 2016/17 in greater detail.

Our guidance regarding the expected development of TUI Group in financial year 2016/17, set out in our Annual Report 2015/16, is reiterated.

Turnover: In financial year 2016/17, we expect turnover to grow by around 3 per cent at constant currency, primarily driven by the expected increase in customer volumes and higher average prices of our volume tour operators as well as the delivery of our growth roadmap.

Underlying EBITA: We expect underlying EBITA to grow by at least 10 per cent at constant currency in financial year 2016/17, as we will deliver our growth strategy. Risks relate to the development of customer numbers against the backdrop of the continued volatililty of the economic environment in our major source markets and demand for our own hotels and cruise ships.

Ladies and Gentlemen,

Before summing up, please allow me to make a few comments on the proposed authorisations regarding the acquisition and use of own shares in accordance with agenda item 6.

Chart 10: Agenda item 6

Agenda item 6

ITEM 6:
Resolution on acquisition and use of own shares

The Executive Board and Supervisory Board ask you for your approval of agenda item 6.

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Under this agenda item, we are asking the Annual General Meeting to adopt a resolution on the acquisition and use of own shares of up to 5 per cent of the capital stock as the existing authorisation, adopted by last year's Annual General Meeting, will expire this year.

Alongside the existing unused authorisations for authorised and conditional capital approved by the Annual General Meeting in 2016, this new resolution serves to secure TUI Group's financial scope and its ability to adjust its capital base swiftly and flexibly to the Group's financial requirements.

Apart from the requirements of the German Stock Corporation Act, the new authorisation will also take account of the requirements resulting from the listing of TUI AG's shares in the London Stock Exchange and the relevant local corporate governance standards.

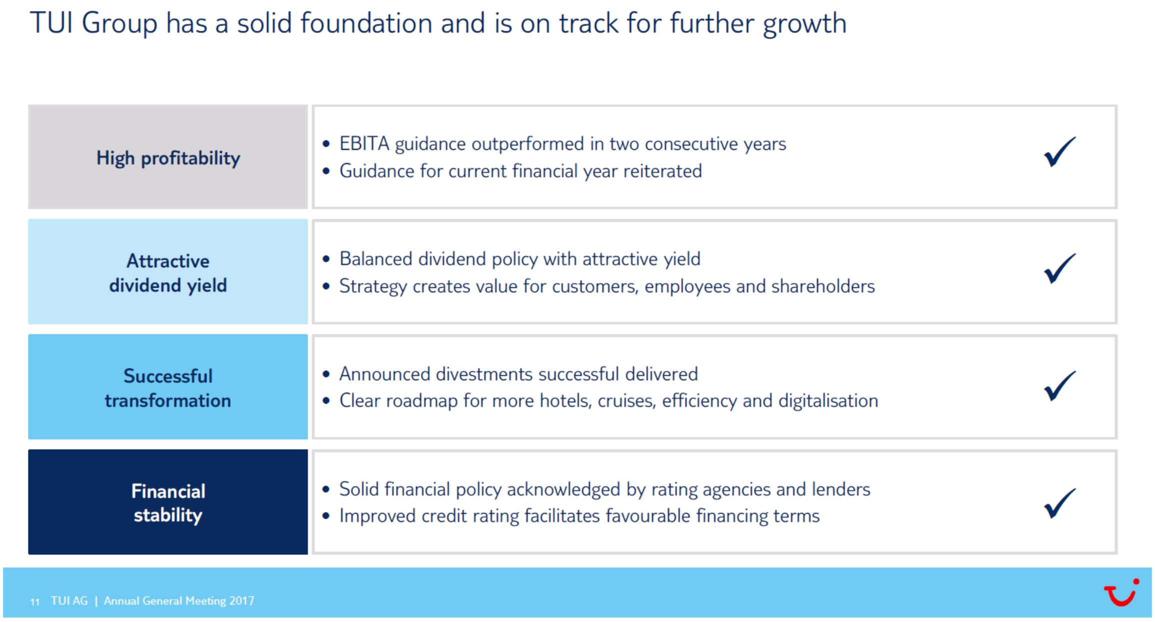
The proposed authorisation will again expire after 18 months. However, any contract to purchase own shares based on this authorisation must be concluded before the 2018 Annual General Meeting. The authorisation to acquire own shares approved by the 2016 Annual General Meeting, which will expire on 8 August 2017, has not been used to date. The Group does not hold any own shares.

The new authorisation is to offer the Company the possibility of acquiring own shares of up to 5 per cent of the capital stock, however, at most 29.35 million shares, in the stock market or via a public offer to the shareholders. In doing so, the principle of equal treatment, as stipulated by the German Stock Corporation Act, must be observed. With the approval of the Supervisory Board, own shares acquired may either be cancelled or sold by offering them over the stock exchange, or used subject to an exclusion of the shareholders' pre-emption rights, however, taking account of a voluntary cap of 10 per cent of the current capital stock.
The Company does not currently intend to make use of the authorisation proposed under agenda item 6. If the Annual General Meeting approves the proposed resolution, however, the Executive Board will review the option to use this authorisation from time to time. The Executive Board will only exercise the authorisation if it is convinced that this is in the best interests of the Company and all shareholders.

Moreover, the Executive Board will only use the existing authorisations for the issue of shares and bonds and the propsed resolution on the authorisation to acquire and use own shares with the exclusion of the shareholders' pre-emption rights if the strict requirements for the exclusion of pre-emption rights stipulated by the German Stock Corporation Act are met and, in particular, if the exclusion of the pre-emption rights is considered to be in the best interests of the Company.

We ask you for your approval of the proposed resolution.

Chart 11: TUI Group has a solid foundation and is on track for further growth



Following these technical explanations on agenda item 6, let me summarise my presentation as follows from a financial perspective:

Operationally, TUI has been very well on track since the merger.

- We have outperformed our EBITA guidance twice and have delivered a good start to the new financial year.

- We offer you an attractive dividend yield and aim to create further value for you.

- The transformation of our Group is progressing to plan: With the successful disposals of Hotelbeds for 1.2 billion euros and Travelopia for around 470 million euros we have achieved two key milestones. We also continue to actively deliver our growth roadmap for more hotels, cruise ships, efficiency and digitalisation.

Your TUI has become an entirely solid and healthy company. We have defined a clear Financial Policy, and this is acknowledged by rating agencies and lenders: Our credit rating has substantially improved. Against this background, we issued a 5-year bond with a coupon of 2.125%, i.e. at very attractive financing terms and conditions, in October 2016. The significantly more favourable refinancing costs have shown that the market already rates your Company like a company with a BB rating, and that we are thus playing in the league in which we belong.
This has again been impressively demonstrated by the upgrade effected by S&P earlier this morning.

This fundamentally solid position will allow your Company to develop further with an ambitious investment programme in combination with an attractive dividend policy and favourable financing terms and conditions.

Thank you very much for your attention.