8 August 2014

TUI Travel PLC
(“TUI Travel”)

Third Quarter Results ended 30 June 2014 and Interim Management Statement

DELIVERING GROWTH AND OUT-PERFORMING THE MARKET

- Strong Q3 result with underlying operating profit up 21% to £92m on a like-for-like basis[1]
- Remain pleased with progress in Summer trading - higher average selling prices across Mainstream
- Delivering against our growth levers
- Flexible and resilient business model means that we are delivering sustainable, profitable growth and out-performing the market

Peter Long, Chief Executive of TUI Travel PLC, commented:

“We are pleased to have delivered another strong performance this quarter across the Group with a 21% increase in underlying operating profit[2]. Demand for our unique holidays, which now account for over 70% of Summer sales, has continued to grow, as have bookings made online. Our One Mainstream structure, led by Johan Lundgren, continues to yield tangible benefits across a number of areas as we drive the organisation to deliver a performance similar to that achieved by our UK business. We remain pleased with progress in Summer trading, despite strong comparatives, and are achieving higher average selling prices across Mainstream overall.

“As the trading environment in the commodity space has become more competitive and airline capacity continues to increase, our flexible and resilient business model - focused on unique holidays and our relationship with the customer throughout their whole holiday experience - enables us to deliver sustainable, profitable growth and out-perform the market.”

Highlights

- **Strong Q3 performance across the Group**
  - Underlying operating profit increased by £36m to £112m (Q3 2013: £76m). On a like-for-like basis[1], underlying operating profit improved by 21% to £92m.
  - UK and Germany underlying operating profit up by 17% and 16% respectively (excluding Easter and on a constant currency basis[1]).
- **Remain pleased with progress in Summer 2014 trading**
  - Mainstream bookings performance in line with previous trading update, with improvements in the UK and Nordics.
  - Pleased with yield performance, with higher average selling prices across Mainstream overall.
  - 88% sold to date.
- **Delivering against our growth levers**
  - Further growth in Mainstream unique holidays and online bookings.
  - One Mainstream structure, led by Johan Lundgren, is firmly in place and yielding tangible benefits across multiple areas.
  - Strong Q3 performance by Specialist & Activity – underlying operating profit doubled on a like-for-like basis[1].
  - Accommodation Wholesaler continues to perform very well with Summer 2014 TTV up 16%.
- **Pleased with Winter 2014/15 trading; strong start to UK trading for Summer 2015**

[1] *Like-for-like basis is at constant currency rates and excludes the estimated timing impact of Easter (calculated by the change in margin in the weeks when the Easter holidays fall, compared to the same weeks in 2013). Constant currency basis assumes that constant foreign exchange translation rates are applied to the underlying operating result in the current and prior year*

[2] *Underlying operating profit/loss excludes separately disclosed items, acquisition related expenses, impairment of goodwill and interest and taxation of results of the Group's joint ventures and associates.*

Investor and Analyst Conference Call

A conference call for investors and analysts will take place today at 8.15am (BST). The dial-in arrangements for the call are as follows:

Telephone:	+44 (0)1452 555 566
Participant Code:	8363 3804

A presentation to accompany the conference call will be made available at 8.00am (BST) via our corporate website:

http://www.tuitravelplc.com

A recording of the conference call will be available for 30 days on:

Telephone:	+44 (0)1452 550 000
Participant Code:	8363 3804

Statement of proposed merger of TUI Travel and TUI AG

On 27 June 2014 the Independent Directors of TUI Travel PLC and the Executive Board of TUI AG announced that they had reached agreement in principle on the key terms of a possible all-share nil-premium merger of TUI Travel PLC and TUI AG. Following the extension granted to TUI AG by the UK Takeover Panel on 25 July, TUI AG must, by no later than 5.00 pm (London time) on 19 September 2014, either announce a firm intention to put forward a merger proposal or announce that it does not intend to put forward such a merger proposal. Further announcements will be made as required.

Enquiries:

Analysts & Investors

Andy Long, Director of Strategy & Investor Relations	Tel: +44 (0)1293 645 831
Tej Randhawa, Investor Relations Manager	Tel: +44 (0)1293 645 829
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Press

Lesley Allan, Corporate Communications Director	Tel: +44 (0)1293 645 790
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DELIVERING AGAINST OUR GROWTH LEVERS

We continue to deliver against our growth levers, supporting our ongoing profit growth roadmap, against a backdrop of increased capacity in the European leisure travel market.

1. Delivering Mainstream Growth

1.1 Unique holidays only available from TUI Travel

Sales of unique holidays account for 71% of Summer 2014 bookings to date, up three percentage points on prior year. Unique holidays result in higher levels of customer satisfaction and repeat bookings, placing us in a strong position versus the commodity competition. Our unique holiday offering also gives us control over the end-to-end customer experience and an opportunity to interact with our customers throughout their journey. Other leisure travel providers, such as airlines and online travel agents, do not benefit from this level of interaction.

1.2 Distributed directly to the customer - growth from online

Sales of Summer 2014 holidays direct to the customer account for 67% of bookings, up two percentage points on prior year. The growth in direct distribution is driven by the online channel, up three percentage points to 36% of sales for Summer 2014. Our customers are increasingly seeing the benefits of our digital transformation strategy, which is in turn driving conversion improvements from our new web platforms. The shift to online also drives significant margin improvement as distribution costs decrease.

1.3 Leveraging our scale

We have a significant position of strength as a result of our market-leading scale. Our One Mainstream structure, led by Johan Lundgren, is firmly in place and yielding tangible benefits across multiple areas, including purchasing, holiday concept development, distribution and online, digital transformation, airline and in-resort services.

2. Organic Specialist & Activity growth

The Specialist & Activity Sector reported a significantly improved underlying operating profit for Q3 14 of £14m (Q3 13: £6m). The restructuring of this Sector has enabled better management of business performance and the realisation of efficiency savings.

3. Leveraging our global leadership position in Accommodation Wholesaler through growth in existing markets

Accommodation Wholesaler continues to consolidate its global leadership position, with Summer 2014 TTV up 16% on prior year. This is being driven by strong trading across all source markets.

4. Investing in Accommodation OTA

In Accommodation OTA (online travel agent) we continue to build on our strong brand positioning of LateRooms.com in the UK and expand in the emerging markets across Asia through AsiaRooms.com and in Brazil with MalaPronta, Brazil's fourth largest accommodation-only OTA.

5. Focus on free cash flow generation, ROIC and operational efficiency

Improving the Group's profitability and free cash flow delivers superior returns on investment. This improvement allows us to invest further in the future of our business.

Our business improvement programme, which is nearly complete, delivered a further £3m of efficiency savings in the quarter. This is just one element of our focus on operational efficiency and we continue to drive efficiency improvements across our businesses.

CURRENT TRADING

Summer 2014

Overall, we remain pleased with progress in Summer 2014 trading with 88% of the programme sold to date. Mainstream booking performance is in line with our previous trading update and average selling prices are up 1%. We continue to see growth in unique holidays, which account for 71% of Mainstream bookings, up three percentage points on prior year. We are also very pleased with the growth in Mainstream online bookings, which account for 36% of all Summer bookings, up three percentage points on prior year.

Current Trading[1]		**Summer 2014**		
YoY variation%	**Total ASP[2]**	**Total Sales[2]**	**Total Customers[2]**	**Programme sold (%)**
MAINSTREAM				
UK	+2	+1	-1	87%
Nordics	-1	-4	-4	92%
Germany	Flat	-1	-1	86%
France tour operators	+3	-10	-13	88%
Other[3]	+1	Flat	Flat	91%
Total Mainstream	**+1**	**-1**	**-2**	**88%**
Accommodation Wholesaler[4]	**Flat**	**+16**	**+15**	**N/A**

[1] These statistics are up to 3 August 2014 and are shown on a constant currency basis
[2] These statistics relate to all customers whether risk or non risk
[3] Other includes Austria, Belgium, Netherlands, Poland and Switzerland
[4] These statistics refer to online accommodation businesses only; Sales refer to total transaction value (TTV) and customers refers to roomnights

In the UK, bookings are currently down 1% (down 3% at the last trading update) despite strong prior year comparatives. Comparatives in Q4 are not as strong due to the effect of unrest in Egypt in August and September last year. There has been an increased level of capacity in the wider market this year, particularly around sales of commodity product, however, our unique product offering puts us in a strong position relative to our competitors. Sales of unique holidays account for 84% of holidays sold to date, up one percentage point on prior year. This Summer has seen the successful launch of our latest Sensatori unit in Jamaica and further expansion of other unique concepts. Couples, Holiday Village and Splashworld volumes are up significantly on prior year. Growth destinations include Greece, Ibiza and, on the back of expanded long-haul capacity from our 787s, Jamaica, Mexico and Dominican Republic.

We are delighted with the continued progress in our digital transformation – online bookings account for 51% of Summer holidays sold to date, up four percentage points on prior year. We are also pleased with yield performance, with average selling prices up 2%, reflecting the change in mix towards more unique holidays. To date, 87% of the UK programme has been sold.

In the Nordics, reflecting the competitive trading environment, bookings are down 4% in line with capacity reductions (bookings were down 7% at the last trading update), with slightly lower average selling prices. Unique holidays account for 95% of sales, up one percentage point on prior year, and online sales account for 73% of bookings, up four percentage points on prior year. To date, 92% of the programme has been sold.

In Germany, bookings are down slightly compared with prior year, however, in recent weeks we have seen a significant increase in bookings. Average selling prices for packages are up 1% but are flat overall as a result of mix changes, with an increase in lower-priced overland sales since prior year. Unique holidays continue to grow, accounting for 54% of bookings, up two percentage points on prior year. Our Best Family, Robinson and Magic Life brands are performing particularly well. Online sales continue to expand in Germany, up 18% compared with prior year. To date 86% of the programme has been sold.

In France, bookings are down by 13%, in line with capacity reductions. We are pleased with the 3% increase in average selling prices, achieved in spite of the continued challenging trading environment. As well as further reducing our overall capacity we have continued to re-model our programme, adding new destinations such as Lanzarote, Fuerteventura, Menorca and Kos. We have also implemented a product improvement plan in our Clubs, to improve the offering in underperforming units, including free swimming lessons for all children. To date 88% of the programme has been sold.

In Accommodation Wholesaler, TTV is up 16%, with growth driven by all source markets. We continue to see particularly strong growth in demand for destinations in Latin America and Asia.

In Specialist & Activity, we are pleased with sales with continued good performances by the North American specialists, Marine and Adventure businesses.

Winter 2014/15 and Summer 2015

At this early stage, we are pleased with Winter trading. In the UK, where 23% of the programme has been sold, bookings are up 3% and average selling prices are up 3%. We are increasing capacity in selected destinations such as Jamaica and Mexico where we see growing demand, enabled by the expansion of our 787 fleet. Sales of unique holidays account for 83% of bookings, up three percentage points on prior year. We are also pleased with a strong start to UK trading for Summer 2015.

In the Nordics, where 29% of the programme has been sold, we have reduced capacity in order to strengthen our competitive position in what continues to be a challenging trading environment. Bookings are down 8%, in line with our capacity reductions, and we are encouraged by average selling prices being up 3% year-on-year. Sales of unique holidays account for 93% of bookings, up one percentage point on prior year.

FUEL/FOREIGN EXCHANGE

Our strategy of hedging the majority of our fuel and currency requirements for future seasons, as detailed below, remains unchanged. This gives us certainty of costs when planning capacity and pricing. The following table shows the percentage of our forecast requirement that is currently hedged for Euros, US Dollars and jet fuel.

	Summer 2014	**Winter 2014/15**	**Summer 2015**
Euro	96%	80%	41%
US Dollars	95%	81%	58%
Jet Fuel	91%	79%	52%

As at 1 August 2014

Foreign exchange translation reduced the underlying operating result by £1m in the first nine months of the year. Based on the prior year average Q4 rate of 1.17, a one cent movement in the Euro/Sterling rate impacts prior year Q4 underlying operating profit by circa £3.2m.

OTHER RECENT DEVELOPMENTS

During July, we agreed with the Trustees of our UK defined benefit pension schemes to make available to the members the option on retirement to exchange non-statutory future increases in their pension with a higher annual pension which increases only in line with inflation. The change will generate a one-off reduction in the pension liabilities of circa £28m to £32m and, consistent with the similar pension transaction which concluded in the UK in the first half of this year, this credit will be included within separately disclosed items.

OUTLOOK

We have delivered a strong result in the year-to-date. Unique holidays and online bookings have continued to grow. We remain pleased with Summer trading, despite strong comparatives. Specialist & Activity profits have improved significantly since the prior year, demonstrating the turnaround that has taken place in this Sector. We are also continuing to see strong trading in Accommodation Wholesaler.

As the trading environment in the commodity space has become more competitive and airline capacity continues to increase, our flexible and resilient business model - focused on unique holidays and our relationship with the customer throughout their whole holiday experience - enables us to deliver sustainable, profitable growth and out-perform the market.

BUSINESS AND FINANCIAL REVIEW

Group Performance

Third quarter ended 30 June 2014

	Underlying results[1]		
£m	**Q3 14**	Q3 13	**Change%**
Revenue	**3,797**	3,860	**-2%**
Operating profit	**112**	76	**+47%**
Operating profit on a like-for-like basis[2]	**92**	76	**+21%**

9-month period ended 30 June 2014

	Underlying results[1]		
£m	**9M 14**	9M 13	**Change%**
Revenue	**8,987**	9,257	**-3%**
Operating loss	**(186)**	(213)	**+13%**
Operating loss at constant currency[3]	**(185)**	(213)	**+13%**

[1] Underlying operating profit/loss excludes separately disclosed items, acquisition related expenses, impairment of goodwill and interest and taxation of results of the Group's joint ventures and associates
[2] Like-for-like basis is at constant currency rates and excluding the estimated timing impact of Easter (calculated by the change in margin in the weeks when the Easter holidays fall, compared to the same weeks in 2013).
[3] Constant currency basis assumes that constant foreign exchange translation rates are applied to the underlying operating result in the current and prior year

In the third quarter Group revenue decreased by 2% to £3,797m (Q3 2013: £3,860m). Foreign exchange translation reduced revenue by 4%, driven mostly by the weaker Euro. This was partly offset by the benefit of the later timing of Easter.

The Group's underlying operating profit increased to £112m (Q3 2013: £76m). This included an estimated £23m positive impact from the later timing of Easter. On a like-for-like basis, excluding the timing impact of Easter and foreign exchange translation, underlying operating profit increased by £16m or 21%.

The main drivers of the year-on-year improvement in underlying operating profit were:

£m	Q3	9M
Q3 13 underlying operating profit/(loss)	**76**	**(213)**
Trading	13	17
Business improvement	3	11
Q3 14 underlying operating profit/(loss) at constant currency excluding estimated timing impact of Easter	**92**	**(185)**
Easter [1]	23	-
FX translation	(3)	(1)
Q3 14 underlying operating profit/(loss)	**112**	**(186)**

1 The impact of Easter is estimated by calculating the change in margin in the weeks when the Easter holidays fall, compared to the same weeks in 2013.

Quarterly Segmental Performance

Segmental performance is based on underlying financial information (which excludes certain items, including separately disclosed items and acquisition related expenses).

	Total Mainstream and Emerging Markets	A&D	Specialist	Central	Total Group
Customers ('000)					
Q3 14	**5,458**	**-**	**387**	**-**	**-**
Q3 13	5,449	-	389	-	**-**
Change %	Flat	-	-1%	-	**-**
Revenue (£m)					
Q3 14	**3,251**	**230**	**316**	**-**	**3,797**
Q3 13	3,320	210	330	-	**3,860**
Change %	-2%	+10%	-4%	-	**-2%**
Underlying operating profit/ (loss) (£m) [1]					
Q3 14	**85**	**19**	**14**	**(6)**	**112**
Q3 13	59	18	6	(7)	**76**
Change %	+44%	+6%	+133%	+14%	**+47%**

[1] Underlying operating profit/loss excludes separately disclosed items, acquisition related expenses, impairment of goodwill and interest and taxation of results of the Group's joint ventures and associates

Mainstream and Emerging Markets

Underlying operating profit increased by £26m to £85m. This included an estimated £18m benefit from the timing of Easter offset by £1m adverse impact from foreign exchange translation.

In the UK we delivered a 17% increase in underlying operating profit (excluding the timing of Easter), despite last year's strong comparatives and a less benign capacity environment. We have continued to deliver efficiency savings, in particular in the airline, with reduced engineering and handling costs. In addition, the UK business delivered a further £1m of efficiency savings towards the business improvement programme in the period. We continued to see strong demand for unique holidays, accounting for 86% of departures in Q3, up one percentage point. We are also very pleased with our online bookings performance - the online channel accounted for 49% of all bookings during Q3, up three percentage points on prior year.

The Nordic region result was slightly lower than prior year on a like-for-like basis*. We have partially mitigated the impact of the challenging trading environment through a rigorous focus on operational efficiency. Unique holidays accounted for 95% of departures in the quarter, broadly in line with prior year. Online share improved by three percentage points to 72%.

In Germany we delivered a 16% increase in like-for-like* underlying operating profit (excluding the timing of Easter and on a constant currency basis), reflecting the success of our ongoing journey to improve operating margin in this source market. We have continued to drive operational efficiency whilst focusing on expanding our unique holidays offering and driving direct distribution. Unique holidays accounted for 54% of departures in the quarter, up two percentage points over prior year (which has been restated to include 1-2-Fly). Online bookings accounted for 12% of departures in the quarter, up three percentage points over prior year.

France delivered a further reduction in operating loss in the quarter on a like-for-like* basis. We have continued to refocus our tour operator programme in line with demand, reducing our exposure to North African destinations. We are continuing to reduce overheads, rationalise the retail estate, reduce the level of third party commissions and increase direct online sales. The tour operator delivered £1m of efficiency savings towards the business improvement programme in the quarter. In addition, the further restructuring announced at the end of the 2013 reduced costs by £3m.

The Other source markets delivered a broadly flat result year-on-year, including a strong performance by Netherlands. Emerging Markets delivered a flat result year-on-year, reflecting the ongoing challenging trading environment for the tour operators included here.

* Like-for-like basis is at constant currency rates and excluding the estimated timing impact of Easter

Accommodation & Destinations (A&D) Sector

The A&D Sector reported underlying operating profit of £19m (Q3 13: £18m). This included an estimated £2m benefit from the later timing of Easter and £1m adverse impact from foreign exchange translation. We continue to grow TTV and room nights for Accommodation Wholesaler with a focus on expansion in the Americas, Asia and Africa. In Accommodation OTA we remain focused on building on our strong brand positioning of LateRooms.com in the UK, and expanding in the emerging markets through AsiaRooms.com and MalaPronta.

Specialist & Activity Sector

The Specialist & Activity Sector reported a significantly improved underlying operating profit of £14m (Q3 13: £6m). This included an estimated £3m benefit from the later timing of Easter and £1m adverse impact from foreign exchange translation. The result also includes £1m delivery of further business improvement.

The restructuring of this Sector has enabled better management of business performance and the realisation of efficiency savings. The Marine and Adventure divisions have benefitted from improved trading, and the Sports division has also benefitted from the timing of events, including the FIFA World Cup.

Separately Disclosed Items

Separately Disclosed Items (SDIs) in the quarter amount to a charge of £45m. During the quarter advice was taken on the VAT position of Hotelbeds Product SLU, registered in Spain and located in the Canary Islands. Given the stricter interpretation of VAT regulations in Spain relating to businesses operating in the Canary Islands, the advice received was to regularise the VAT position. Therefore during the quarter additional VAT payments of £32m were made, of which £28m related to years prior to the current financial year and so this element is included within SDIs. Further payments of circa £16m are expected to be made later this financial year and have been accrued for accordingly.

APPENDIX 1

Part A

PROFIT ESTIMATE

Under the City Code on Takeovers and Mergers (the "Code") the following results for the third quarter ended 30 June 2014 are treated as a profit estimate (the "Profit Estimate").

Third quarter ended 30 June 2014

	Underlying results[1]
£m	**Q3 14**
Operating profit	**112**
Operating profit excluding estimated Easter[2] timing impact at constant currency[3]	**92**

[1] Underlying operating profit/loss excludes separately disclosed items, acquisition related expenses, impairment of goodwill and interest and taxation of results of the Group's joint ventures and associates
[2] The impact of Easter is estimated by calculating the change in margin in the weeks when the Easter holidays fall, compared to the same weeks in 2013.
[3] Constant currency basis assumes that constant foreign exchange translation rates are applied to the underlying operating result in the current and prior year

Notes

The Profit Estimate is based on the unaudited management accounts for the three months ended 30 June 2014 and has been prepared on the basis of the accounting policies to be used in the FY14 Annual Accounts.

Reports

As required by Rule 28.1(a) of the Code, PricewaterhouseCoopers LLP, as reporting accountants to TUI Travel, have provided a report stating that, in their opinion, the Profit Estimate has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group. In addition Lazard & Co. Limited ("Lazard"), as financial adviser to the Independent Directors of TUI Travel, has provided a report stating that, in its opinion solely for the purpose of Rule 28.1(a)(ii) of the Code and subject to the terms of its reports, the Profit Estimate, for which the Independent Directors of TUI Travel are solely responsible, has been prepared with due care and consideration.

Copies of these reports are included below. Each of PricewaterhouseCoopers LLP and Lazard has given and not withdrawn its consent to the publication of its report in the form and context in which it is included.

Part B

Report from PricewaterhouseCoopers LLP

The Independent Directors
TUI Travel PLC
TUI Travel House
Crawley Business Quarter
Fleming Way
Crawley
West Sussex
RH10 9QL

Lazard & Co., Limited
50 Stratton Street
London
W1J 8LL

(the "**Financial Adviser**")

8 August 2014

Dear Sirs

TUI Travel PLC

We report on the profit estimate made by TUI Travel PLC (the "**Company**") and its subsidiaries (together the "**Group**") comprising the statement of underlying operating profit and underlying operating profit excluding estimated Easter timing impact at constant currency for the third quarter ended 30 June 2014 (the "**Profit Estimate**"). The Profit Estimate and the basis on which it is prepared is set out in Appendix 1 Part A of the announcement of Third Quarter Results ended 30 June 2014 issued by the Company dated 8 August 2014 (the "**Announcement**").

This report is required by Rule 28.1(a)(i) of the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers (the "**City Code**") and is given for the purpose of complying with that rule and for no other purpose. Accordingly, we assume no responsibility in respect of this report to TUI AG (the "**Offeror**") or any other person connected to, or acting in concert with, the Offeror or to any other person who is seeking or may in future seek to acquire control of the Company (an "**Alternative Offeror**") or to any other person connected to or acting in concert with an Alternative Offeror.

Responsibilities

It is the responsibility of the independent directors of the Company (the "**Independent Directors**") to prepare the Profit Estimate in accordance with the requirements of the City Code. In preparing the Profit Estimate the Independent Directors are responsible for correcting errors that they have identified which may have arisen in unaudited financial results and unaudited management accounts used as the basis of preparation for the Profit Estimate.

It is our responsibility to form an opinion as required by Rule 28.1(a)(i) of the City Code as to the proper compilation of the Profit Estimate and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under Rule 28.1(a)(i) of the City Code to any person as and to the extent therein provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 23.3(b) of the City Code, consenting to its inclusion in the Document.

Basis of Preparation of the Profit Estimate

The Profit Estimate has been prepared on the basis stated in Appendix 1 Part A of the Announcement and is based on the unaudited management accounts for the three months ended 30 June 2014. The Profit Estimate is required to be presented on a basis consistent with the accounting policies of the Group.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information for the three months ended 30 June 2014 included in the Profit Estimate has been prepared and considering whether the Profit Estimate has been accurately computed using that information and whether the basis of accounting used is consistent with the accounting policies of the Group.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Estimate has been properly compiled on the basis stated.

However, the Profit Estimate has not been audited. The actual results reported, therefore, may be affected by revisions required to accounting estimates due to changes in circumstances, the impact of unforeseen events and the correction of errors in the management accounts. Consequently we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Estimate and the difference may be material.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the Profit Estimate has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business

Part C

Report from Lazard & Co., Limited

The Independent Directors
TUI Travel PLC
TUI Travel House
Crawley Business Quarter
Fleming Way
Crawley,
West Sussex
RH10 9QL

8 August 2014

Ladies and Gentlemen,

Possible all-share nil-premium merger (the "Proposed Combination") of TUI Travel PLC ("TUI Travel" or the "Company") and TUI AG ("TUI AG")

We report on the profit estimate made by TUI Travel in the announcement dated 8 August 2014, a copy of which is attached to this letter, comprising an estimate of underlying operating profit and underlying operating profit excluding estimated Easter timing impact at constant currency for the third quarter ended 30 June 2014 (the "Profit Estimate") of TUI Travel and its subsidiary undertakings (the 'Group').

We have discussed the Profit Estimate and the bases and assumptions on which it has been prepared with you as directors of TUI Travel, the senior management of TUI Travel and with PwC, TUI Travel's auditors. We have assumed with your consent that the Profit Estimate reflects the best currently available estimates and judgments of the management of TUI Travel as to the financial performance of TUI Travel for the period to which it relates. We have also discussed the accounting policies and bases of calculation for the Profit Estimate with the directors and the senior management of TUI Travel and with PwC. We have also considered PwC's report of today's date addressed to you and us on this matter. You have confirmed to us that all information relevant to the Profit Estimate has been disclosed to us.

For purposes of rendering this letter, we have, with your consent, relied upon and assumed the accuracy and completeness of all the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or review by, us, without any independent verification thereof.

On the basis of the foregoing, we consider that the Profit Estimate, for which you as directors of TUI Travel are solely responsible, has been made with due care and consideration.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the City Code on Takeovers and Mergers (the "Code") and for no other purpose. We are acting exclusively as financial adviser to the independent directors of TUI Travel and no one else in connection with the Proposed Combination; no person other than the independent directors of TUI Travel can rely on the contents of this letter and, to the fullest extent permitted by law, we assume no responsibility and will not accept any liability to any person other than the independent directors of TUI Travel in respect of this letter or the work undertaken by us in connection with this letter.

This letter is not an opinion regarding, and we express no view as to, the reasonableness or achievability of the Profit Estimate. Instead, this letter will address solely the matters required to be addressed by Rule 28.1(a)(ii) of the Code and does not address any other matter; it does not address, among other things, the relative merits of the Proposed Combination as compared to any other transaction or business strategy, the merits of the decision by TUI Travel to engage in the Proposed Combination, the fairness to TUI Travel shareholders of the exchange ratio in the Proposed Combination, or the price at which TUI Travel's shares or the shares of TUI AG would trade at any time.

Furthermore, this letter has been prepared independent of publication of the Profit Estimate and may not be relied on by you in recommending that TUI Travel shareholders vote to approve the Proposed Combination. This letter is not intended to and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the Proposed Combination or any matter related thereto.

Yours faithfully,

For and on behalf of
Lazard & Co., Limited

A copy of this announcement will be available on our corporate website at http://www.tuitravelplc.com. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

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