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THIS ANNOUNCEMENT IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND THERE CAN BE NO CERTAINTY THAT AN OFFER WILL BE MADE OR AS TO THE TERMS OF ANY OFFER

27 June 2014

For Immediate Release

TUI Travel plc ("TUI Travel") and TUI AG

Statement regarding proposed merger of TUI Travel and TUI AG

The Independent Directors of TUI Travel and the Executive Board (*Vorstand*) of TUI AG are pleased to announce that they have reached an agreement in principle on the key terms of a possible all-share nil-premium merger of TUI Travel and TUI AG (the "**Merger**"). The Merger, if consummated, is anticipated to deliver a number of strategic and financial benefits for both the TUI Travel shareholders and TUI AG shareholders.

Strategic Highlights

- Creation of the world's number one integrated leisure tourism business
- Continuation of existing strong leadership
- Significant synergies through combining the two businesses
    - Potential cost savings of at least €45 million (£36 million) per annum, in addition to certain cash tax benefits
    - Top line growth expected to be enhanced by broadening the portfolio of unique holiday experiences, increased occupancy levels in existing hotels, the future expansion of TUI AG's core hotel and cruise activities and integrated yield management
- Simplification of the current group structure to unlock further value within the businesses of the combined TUI AG and TUI Travel group (the "**Group**")
- Acceleration in the growth of the Core Mainstream Tourism Business
    - An enhanced growth profile from a broadened content portfolio and increased investment in digital platforms to drive accelerated growth in customer numbers
- Non-core businesses will be run separately and maximised for value
    - The current Online Accommodation businesses and Specialist and Activity sector of TUI Travel will operate separately from the core tourism business and opportunities to maximise their value for the Group will be actively pursued
    - Hapag-Lloyd stake to be held for disposal

Key Terms

- Under the terms discussed between the parties, TUI Travel shareholders (other than TUI AG and certain connected parties) would receive 0.399 new TUI AG shares for each TUI Travel share that they own
- German domiciled Group with a premium listing on the London Stock Exchange with an intention to seek inclusion in the FTSE UK Index Series (including FTSE 100), in parallel to a quotation on a German stock exchange
- Intention to adhere to both the UK Corporate Governance Code and the German Corporate Governance Code to the extent practicable. The Group is expected to be subject to the shared jurisdiction of the UK Takeover Code and applicable German takeover law

- TUI AG and TUI Travel expect that any dividends paid for the 2013/2014 financial year would ensure equivalent payment to TUI AG and TUI Travel shareholders, taking into account the exchange ratio and would be in line with the current TUI Travel dividend policy
- The Group intends to review its future dividend policy following completion of the Merger and in light of its expected profits and free cash flow generation, targeting a level which is in line with TUI Travel's current dividend policy

Mr. Alexey Mordashov, the largest shareholder in TUI AG, has indicated his support for the Merger.

Discussions remain ongoing and there can be no certainty that an offer will be made or as to the terms of any offer.

Media Calls

There will be a call for UK and Germany media at 1500hrs (BST), 1600hrs (CEST) today.

The UK media dial in details are:
Telephone number: +44 203 147 4862
(from Germany: +49 30 232 531 366)

The German media dial in details are:
Telephone number: +49 30 8687 1410

Analyst and Investor Webcast

A live webcast presentation for analysts and investors will start today at 1530hrs (BST), 1630hrs (CEST). To access the webcast, please go to www.tuitravelplc.com or www.tui-group.com for more details. The presentation will be available to download from both websites shortly before the webcast is due to start. It will also be possible to listen to the presentation via telephone.

The webcast dial in details are:
UK: +44 203 367 9216
Germany: +49 69 9418 4017
France: +33 17 225 3098
US: +1 408 916 9838

Analyst and Investor Briefing

A briefing for analysts and investors will be held on Monday, 30 June, at 0930hrs (BST) at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS.

Strategic Rationale: Creation of the World's Number One Integrated Leisure Tourism Business

If the Merger is consummated, it would bring together the content portfolio of hotels and cruise ships of TUI AG with access to customers through the distribution capability and unique holiday concepts of TUI Travel. It would create a pure play integrated leisure travel Group that is a global leader, capable of delivering a complete end-to-end customer experience, thereby significantly enhancing the Group's growth opportunities and capability for delivering material financial benefits.

TUI AG owns the most recognised travel brand in Europe. With over 230 hotels and more than 155,000 beds it is Europe's largest holiday hotelier while its cruise operation is one of Europe's most successful. Having rationalised its businesses through oneTUI it has ambitious growth plans to double the size of its content.

TUI Travel's leisure tourism business operates as a single organisation across Europe with a portfolio of tour operator brands servicing more than 30 million customers. Having differentiated itself from the rest of the industry, its growth is focused on the continued development of unique holidays, which are available exclusively through its brands, distributed directly through its own channels with significant numbers of its customers flying on its modern holiday airline fleet.

Core Mainstream Tourism Business

The Group would become a streamlined leisure tourism business which would enhance its growth and margin profile by vertically integrating the TUI AG hotel portfolio and cruise operations with the distribution capability of TUI Travel. The Group would focus on broadening its customer offerings, leveraging its brands and implementing its unique proposition across much of the hotel portfolio, providing a superior experience to its customers. The resources available to the Group would enable an acceleration of the development of new content, driving and broadening the range of unique holiday experiences that TUI Travel can deliver to new customers, thereby enhancing the Group's top line growth.

A holistic end-to-end customer approach would be developed offering unique, high quality content from the strongest brands in tourism booking anytime, anywhere, any way – driving further expected growth through lifetime customer value, building loyalty, retention and increased, long-term sustainable profit growth.

Key to this is operating effectively in a digital age. Single solutions developed and deployed to many would remove long-term infrastructure cost and the Group therefore expects it would be able to focus cash utilisation to accelerate the development of TUI Travel's existing digital platforms across the whole holiday cycle with two-way interaction – from suggestion, to research, to booking, travelling to the holiday, while on holiday, sharing it with friends and family and returning home to the suggestion for the next leisure travel experience from the Group – every step of the way. In doing this, personal interaction on the ground at home, in the air and in the resort would provide considerable added-value expertise.

The Core Mainstream Tourism Business recorded revenue of £13,426 million (excluding Inbound Services) and EBITA (excluding central costs but including Inbound Services) of £706 million in the financial year 2012/2013.

Non-Core Businesses

Given the future of the Group would be its Core Mainstream Tourism business, the management would focus on unlocking value from its other non-core assets.

The current Online Accommodation businesses and Specialist and Activity sector of TUI Travel would operate separately from the core tourism business and opportunities to maximise their value for the Group would be actively pursued.

The Online Accommodation business recorded total transaction value of £2,077 million and the Specialist and Activity sector recorded revenue of £1,433 million in the financial year 2012/2013. Combined EBITA for both businesses was £81 million for the same period.

The stake in Hapag-Lloyd Container Shipping held by TUI AG would be held as a business for disposal within the Group, resulting in the Group becoming a pure play integrated leisure tourism business.

Financial Benefits: Significant Shareholder Value Creation through both Growth and Financial Benefits

Growth is the key driver for the proposed combination of TUI AG and TUI Travel through the Merger, but financial benefits would be achieved in a number of areas. The Independent Directors of TUI Travel and the Executive Board of TUI AG, having reviewed and analysed the potential synergies of the Merger, believe these would include:

- Potential recurring cost savings of at least €45 million (£36 million) per annum are expected to be achieved by the third year following the completion of the Merger. Estimated one-off integration costs of approximately €45 million (£36 million) are expected to be incurred to achieve these cost savings

- Use of carried forward tax losses and a more efficient tax grouping possible under a unified ownership structure. Based on the group's tax calculations for the 2012/13 financial year a cash tax benefit of €35 million (£28 million) would have been achieved had the two businesses been combined in that year
- Top line growth is expected to be enhanced by commercial benefits such as accelerated broadening of the portfolio of unique holiday experiences, increased occupancy levels in existing hotels, the future expansion of TUI AG's core hotel and cruise activities and integrated yield management
- Simplification of the group structure unlocking further value within the Group's businesses, particularly those within the current TUI AG portfolio

Aside from the one-off integration costs set out above, no material dis-synergies (whether or not recurring) are expected in connection with the Merger. The Independent Directors of TUI Travel and the Executive Board of TUI AG consider that the identified synergies would only accrue as a direct result of the success of the offer and could not be achieved independently of the Merger.

The above information on the potential synergy benefits should be read in conjunction with Appendix I which includes further details including the key assumptions underlying the potential synergies.

The Combination of the Businesses would Result in Accelerating Growth and Strong Cashflow Potential

The Group would benefit from balance sheet strength, flexibility and strong free cashflow generation.

TUI AG and TUI Travel intend that any dividends paid for the 2013/2014 financial year would ensure equivalent payment to TUI AG and TUI Travel shareholders, taking into account the exchange ratio and would be in line with the current TUI Travel dividend policy.

The Group intends to review its future dividend policy following completion of the Merger, and in light of its expected profits and free cash flow generation, targeting a level which is in line with TUI Travel's current dividend policy.

If the Merger is consummated, the impact of these financial benefits would strengthen the long term prospects for the Group and therefore also for shareholders, customers, employees and other stakeholders.

Governance: Assured Continuation of the Leadership Team

TUI AG would propose to its shareholders to increase the Supervisory Board members from 16 to 20. This would be subject to approval in an extraordinary shareholder meeting, as the charter would need to be changed.

The Supervisory Board would comprise ten members representing the shareholders, drawn in equal number from both TUI AG and TUI Travel, and ten employee representatives. The new Supervisory Board would be chaired by Prof. Dr. Klaus Mangold and Sir Michael Hodgkinson would be co-Vice Chairman along with Frank Jakobi. Frank Jakobi would also be a representative of the employees.

Prof. Dr. Klaus Mangold's term as Chairman of the Supervisory Board will end at the Annual General Meeting in February 2016 and he will then retire. Peter Long will then, on the proposal of the Supervisory Board, be suggested as a member of the Board at the Annual General Meeting in 2016. The Supervisory Board will undertake all necessary steps to achieve this, and TUI AG will inform its shareholders at the EGM in 2014 about Peter Long's future position.

It is foreseen that for a limited period of two years, the Supervisory Board would have an Integration Committee, initially chaired by Prof. Dr. Klaus Mangold and co-chaired by Sir Michael Hodgkinson. Main responsibilities of this committee would be the monitoring of the Merger and its implementation. It would advise the Executive Board as a whole and would not have decision-making power.

Peter Long and Friedrich Joussen would become joint Chief Executives of the Group until February 2016 and would be jointly responsible for achieving the envisaged synergy benefits from the Merger. It is planned that Peter Long would then become Chairman of the Supervisory Board of the Group. Friedrich Joussen would lead the Group as sole CEO from February 2016 onwards.

It is anticipated that Peter Long would focus on delivering the envisaged value creation for shareholders of the Group, and would also ensure that the non-synergistic Online Accommodation businesses and Specialist and Activity sector are managed separately in the Group, maximising value. He would also work closely with Friedrich Joussen to ensure a smooth transition and hand-over until February 2016.

Friedrich Joussen would be responsible for the strategy and future development of the Core Mainstream Tourism Business and content platforms, all of which would be at the core of the Group in the future. He would focus on leading the Group to become even more competitive in the digital age. In particular, this would include an accelerated development of hotels and cruise content, profitable growth in the Mainstream markets based on strong enhanced central platforms like airline and IT to facilitate the achievement of the envisaged synergies.

It is envisaged that the Executive Board of the Group would have a balanced number of members drawn from TUI AG and TUI Travel. Apart from Peter Long and Friedrich Joussen it would further comprise:

From TUI Travel

- Johan Lundgren – Deputy-Group CEO leading all Mainstream markets
- William Waggott – CEO of Online Accommodation businesses and Specialist and Activity sector focusing on managing these businesses separately for value

From TUI AG

- Horst Baier – Group CFO
- Sebastian Ebel – HR/Arbeitsdirektor and in parallel responsible for all Group platforms & processes - including Hotels & Resorts, Cruises and IT

The Group would be incorporated and headquartered in Germany and would retain a two tier board structure. All of the envisaged appointments would be subject to final approval by the Supervisory Board. Group and operational management would continue to be located in multiple locations as the Group continues to draw on the expertise across its markets and the Group would endeavour to optimally utilise the existing talent in both companies.

It is intended that the Group would adhere to both the UK Corporate Governance Code and the German Corporate Governance Code to the extent practicable, and is expected to be subject to the shared jurisdiction of the UK Takeover Code and applicable German takeover law.

Key Terms of the Transaction

It is envisaged that the Merger would be achieved through a nil-premium merger of TUI AG and TUI Travel, by way of a UK Scheme of Arrangement involving TUI AG issuing new shares to the TUI Travel shareholders (other than TUI AG and certain connected parties). It is anticipated that the enlarged share capital of TUI AG would then be listed on the premium segment of the main market of the London Stock Exchange and would seek inclusion in the FTSE UK Index Series (including FTSE 100).

Under the proposed terms of the Merger, the TUI Travel shareholders (other than TUI AG and certain connected parties) would receive:

0.399 New TUI AG Shares in exchange for each TUI Travel share held by them at the relevant record time

The exchange ratio has been calculated on the basis that no dividend would be paid by either of TUI AG or TUI Travel prior to completion of the Merger, other than the TUI Travel interim dividend of 4.05 pence per TUI Travel share previously announced by TUI Travel and payable on 3 October 2014. TUI AG and TUI Travel expect that any dividends paid for the 2013/2014 financial year would ensure equivalent payment to TUI AG and TUI Travel shareholders, taking into account the exchange ratio and would be in line with the current TUI Travel dividend policy.

Listing and Indexation: Premium listing on the London Stock Exchange and intention to seek inclusion in the FTSE UK Index Series (including FTSE 100)

It is anticipated that the enlarged share capital of TUI AG would be listed on the premium segment of the main market of the London Stock Exchange and the Group would seek inclusion in the FTSE UK Index Series (including FTSE 100).

Following completion of the Merger, it is anticipated that TUI AG’s shares would be delisted from the regulated market of the Frankfurt Stock Exchange. However, an Open Market Quotation would also be sought on the Frankfurt Stock Exchange to provide the opportunity for investors to trade their shares in the Group in Euro on a German stock exchange.

Following completion of the Merger, it is anticipated that TUI AG would be eligible for inclusion in the FTSE UK Series Indices.

Commenting on the Merger

Sir Michael Hodgkinson, Deputy Chairman and Senior Independent Director of TUI Travel said:
“The Merger would deliver significant value to shareholders. This is partly due to the simplification of the ownership structure, the operational synergies that we foresee and also the successful working relationship already established between TUI AG and TUI Travel. Shareholders of TUI Travel can take great confidence from the fact that Peter Long and his team, who have created so much value for TUI Travel's shareholders, would be strongly influential in running the Group and the delivery of those synergies.”

Prof. Dr. Klaus Mangold, Chairman of the Supervisory Board of TUI AG said:
“The Merger would unlock significant value creation potential. It is a unique opportunity to simplify our group structure and combines a strong German corporate structure with a leading UK capital markets and FTSE 100 listing profile. It would create significant potential for our shareholders, employees and customers. I would take responsibility together with the above described integration committee. We will do everything to give comfort to the TUI AG shareholders to continue to be committed with their shares in the Group.”

Peter Long, Chief Executive of TUI Travel and Member of the TUI AG Executive Board said:
“I strongly believe that the Merger would give us the unparalleled opportunity to build on the successful platform we have created as TUI Travel. Friedrich Joussen and I have formed a very effective partnership over the last 18 months and together we would be able to accelerate our unique holiday concept growth plans utilising TUI AG’s strong asset portfolio, whilst seeking to maximise the value in our non-core businesses to deliver even greater value to all our shareholders as the world's number one integrated leisure tourism business.”

Friedrich Joussen, Chief Executive of TUI AG and Chairman of TUI Travel said:
“The Merger of TUI AG and TUI Travel would create the number one integrated leisure tourism group in the world and we would expect substantial synergies from combining these two publicly listed companies. Our strength would come from the combination of a global tour operator business, six airlines as well as a unique portfolio of tourism products including hotels, clubs and cruise lines. All combined under the globally renowned TUI AG brand representing unique holiday experiences and setting quality standards for the industry. This also provides us with a competitive advantage for the ongoing digitalisation of the tourism sector. We are convinced that the Merger, if implemented, would represent an important and positive step for our shareholders and customers and would enable us to offer attractive opportunities to our employees across 130 countries.”

Mr. Alexey Mordashov Support

Mr. Alexey Mordashov, TUI AG’s largest shareholder has indicated his support for the Merger, and said:
“I am pleased with the recent business development of both companies. The combination will serve to improve the tourism business model and help drive future business growth for the benefit of both shareholder groups.”

Anticipated Timing

It is currently anticipated that any announcement of a firm intention to put forward a Merger proposal would not be made before mid-September 2014, with closing anticipated by around Spring 2015.

Further Information

This announcement is not an announcement of a firm intention to make an offer under Rule 2.7 of the Code and there can be no certainty that an offer will be made or as to the terms of any offer. Assuming a merger is formally proposed to shareholders, full details will be published at that time relating to any proposals to be made to TUI Travel convertible bondholders and to holders of options over TUI Travel shares.

The parties reserve the right to introduce other forms of consideration and/or to vary the mix of consideration.

In addition, TUI AG reserves the right to make an offer for TUI Travel at any time on less favourable terms:

i. with the agreement or recommendation of the TUI Travel Independent Directors;

ii. in the event that any TUI Travel dividend is announced, declared, made or paid in excess of the interim dividend of 4.05 pence per TUI Travel share previously announced by TUI Travel;

iii. if a third party announces a firm intention to make an offer for TUI Travel on less favourable terms; or

iv. following the announcement by TUI Travel of a whitewash transaction pursuant to the Code.

Statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. For the purposes of Rule 28 of the Code, statements of estimated cost savings and synergies in this announcement are solely the responsibility of the Independent Directors of TUI Travel and the Executive Board of TUI AG. These statements are not intended as a profit forecast and should not be interpreted as such. Appendix I includes reports in connection with the synergy statements from PricewaterhouseCoopers LLP, Deutsche Bank AG ("Deutsche Bank"), Greenhill & Co Europe LLP ("Greenhill") and Lazard & Co., Limited ("Lazard"), as required pursuant to Rule 28.1(a) of the Code. Each of PricewaterhouseCoopers LLP, Deutsche Bank, Greenhill 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.

The Independent Directors of TUI Travel comprise all directors of TUI Travel other than Friedrich Joussen, Peter Long, Horst Baier and Sebastian Ebel, being those directors of TUI Travel who also have roles within the existing TUI AG group. Peter Long, as CEO of TUI Travel, is not participating in the Executive Board (*Vorstand*) of TUI AG for the purposes of the Merger.

Under Rule 2.6(a) of the Code, TUI AG is required, by no later than 5.00 p.m. (London time) on 25 July 2014, to either announce a firm intention to put forward a merger proposal to TUI Travel in accordance with Rule 2.7 of the Code or announce that it does not intend to put forward such a merger proposal, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline may be extended with the consent of the UK Takeover Panel in accordance with Rule 2.6 of the Code.

The Executive Board of TUI AG and the Independent Directors of TUI Travel each confirms its intention to request an extension to the deadline from the Panel if the parties are still in discussions at that time.

A further announcement will be made in due course.

A copy of this announcement will be available for inspection on TUI Travel's website at www. tuitravelplc.com and on TUI AG's website at www.tui-group.com by no later than 12 noon (London time) on the business day following this announcement. For the avoidance of doubt, the contents of these websites are not incorporated into and do not form part of this announcement.

Details of Relevant Securities of TUI AG in Issue

In accordance with Rule 2.10 of the Code, TUI AG confirms that it has in issue:

(a) 279,061,400 ordinary shares (without par value). TUI AG holds no shares in Treasury. The International Securities Identification Number ("**ISIN"**) for the ordinary shares is DE000TUAG000.
(b) EUR 67,209,645.10 of convertible bonds with a coupon of 5.5% due in November 2014 in issue (the "**TUI AG November 2014 Bonds**"). The ISIN for the November 2014 Bonds is DE000TUAG117.
(c) EUR 338,945,036.76 of convertible bonds with a coupon of 2.75% due in March 2016 in issue (the "**TUI AG March 2016 Bonds**"). The ISIN for the March 2016 Bonds is DE000TUAG158.

The TUI AG November 2014 Bonds and the TUI AG March 2016 Bonds are convertible into TUI AG ordinary shares.

Note:

- The total number of ordinary shares comprises the registered share capital of TUI AG, together with all shares issued out of the conditional capital since the date that TUI AG's registered share capital was last recorded with the Commercial Register and in its charter.

Details of Relevant Securities of TUI Travel in Issue

In accordance with Rule 2.10 of the Code, TUI Travel confirms that it has in issue:

(a) 1,118,010,670 ordinary shares with a nominal value of 10 pence each. TUI Travel holds no shares in Treasury. The ISIN for the ordinary shares is GB00B1Z7RQ77.
(b) GBP 350,000,000 of convertible bonds with a coupon of 6.0% due in October 2014 (the "**TUI Travel 2014 Convertible Bonds**"). The ISIN for the 2014 Convertible Bonds is XS0455660216.
(c) GBP 400,000,000 of convertible bonds with a coupon of 4.9% due in April 2017 (the "**TUI Travel 2017 Convertible Bonds**"). The ISIN for the 2017 Convertible Bonds is XS0503743949.

The TUI Travel 2014 Convertible Bonds and the TUI Travel 2017 Convertible Bonds are convertible into TUI Travel ordinary shares.

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This announcement is not intended to, and does not, constitute, represent or form part of any offer, invitation or solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities whether pursuant to this announcement or otherwise.

The distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law or regulation and therefore any person who comes into possession of this announcement should inform themselves about, and comply with, such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws or regulations of any such relevant jurisdiction.

Notice to US holders of TUI Travel Shares

The Merger is expected to involve an exchange of the securities of a UK company for the securities of a German company and be subject to UK and German disclosure requirements, which are different from those of the United States. The financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Merger is anticipated to be made by means of a scheme of arrangement under the UK Companies Act 2006 and otherwise in accordance with the requirements of the Code. The scheme of arrangement will relate to the shares of a UK company that is a 'foreign private issuer' as defined under Rule 3b-4 under the US Securities Exchange Act of 1934, as amended (the "**US Exchange Act**"). Accordingly, the proposed combination will be subject to disclosure and other procedural requirements applicable in the UK to schemes of arrangement, which differ from the disclosure requirements of the US proxy and tender offer rules under the US Exchange Act.

Any securities to be issued under the Merger have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or under the securities laws of any state, district or other jurisdiction of the United States, or of Australia, Canada or Japan. Accordingly, such securities may not be offered, sold, re-offered, resold or delivered, directly or indirectly, in or into such jurisdictions except pursuant to exemptions from the applicable registration requirements of such jurisdictions. It is expected that the new TUI AG shares to be issued in the Merger will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act.

Any securities to be issued under the Merger have not been and will not be registered with, recommended by or approved by the US Securities and Exchange Commission or any other federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed comment upon the accuracy or adequacy of this announcement. Any representation to the contrary is a criminal offence.

Forward-looking statements

This announcement contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "targets", "aims", "projects" or words or terms of similar substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would","might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of TUI AG's or TUI Travel's operations and potential synergies resulting from the Merger; and (iii) the effects of global economic conditions on TUI AG's or TUI Travel's business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause the actual results, performance or achievements of TUI AG or TUI Travel to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of TUI AG or TUI Travel to differ materially from the expectations of TUI AG or TUI Travel, as applicable, include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation, changes in political and economic stability, disruptions in business operations due to reorganisation activities (whether or not TUI AG combines with TUI Travel), interest rate and currency fluctuations, the failure to satisfy any conditions for the Merger on a timely basis or at all, the failure to satisfy the conditions of the Merger if and when implemented (including approvals or clearances from regulatory and other agencies and bodies) on a timely basis or at all, the failure of TUI AG to combine with TUI Travel on a timely basis or at all, the inability of the Group to realise successfully any anticipated synergy benefits when the Merger is implemented, the inability of the Group to integrate successfully TUI AG's and TUI Travel's operations and programmes when the Merger is implemented, the Group incurring and/or experiencing unanticipated costs and/or delays or difficulties relating to the Merger when the Merger is implemented. Such forward-looking statements should therefore be construed in light of such factors.

Neither TUI AG nor TUI Travel, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Other than in accordance with its legal or regulatory obligations, neither TUI AG nor TUI Travel is under any obligation and TUI AG and TUI Travel each expressly disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Statements by Financial Advisers

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFIN - Federal Financial Supervisory Authority). Deutsche Bank AG, London Branch is further authorised by the Prudential Regulation Authority and is subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Deutsche Bank is acting as joint financial adviser to TUI AG and no one else in connection with the Merger or the contents of this announcement and will not be responsible to anyone other than TUI AG for providing the protections afforded to its clients or for providing advice in connection with the contents of this announcement or any matter referred to herein.

Greenhill & Co. Europe LLP, which is authorised and regulated by the Financial Conduct Authority, and is also authorised under German Banking Law (competent authority: BaFIN - Federal Financial Supervisory Authority), is acting as joint financial adviser to TUI AG and no one else in connection with the Merger or the contents of this announcement and will not be responsible to anyone other than TUI AG for providing the protections afforded to its clients or for providing advice in connection with the contents of this announcement or any matter referred to herein.

Lazard & Co., Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to the Independent Directors of TUI Travel and no one else in connection with the Merger and will not be responsible to anyone other than the Independent Directors of TUI Travel for providing the protections afforded to clients of Lazard & Co., Limited nor for providing advice in relation to the Merger or any other matters referred to in this announcement. Neither Lazard & Co., Limited nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Lazard & Co., Limited in connection with this announcement, any statement contained herein, the Merger or otherwise.

Barclays Bank PLC, acting through its investment bank ("Barclays"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for TUI Travel and no one else in connection with the matters described herein and will not be responsible to anyone other than TUI Travel for providing the protections afforded to its clients or for providing advice in relation to the matters described in this announcement or any transaction or any other matters referred to herein

Merrill Lynch International ("BofA Merrill Lynch"), a subsidiary of Bank of America Corporation, is acting exclusively for TUI Travel in connection with the matters described in this Announcement and for no one else and will not be responsible to anyone other than TUI Travel for providing the protections afforded to its clients or for providing advice in relation to the matters described in this Announcement or any transaction or any other matters referred to herein.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

End

APPENDIX I

QUANTIFIED FINANCIAL BENEFITS STATEMENT

Part A

This announcement includes statements of estimated cost savings and synergies arising from the Merger (together, the "**Quantified Financial Benefits Statement**").

A copy of the Quantified Financial Benefits Statement is set out below:

Financial Benefits: Significant Shareholder Value Creation through both Growth and Financial Benefits

Growth is the key driver for the proposed combination of TUI AG and TUI Travel through the Merger, but financial benefits would be achieved in a number of areas. The Independent Directors of TUI Travel and the Executive Board of TUI AG, having reviewed and analysed the potential synergies of the Merger, believe these would include:

- *Potential recurring cost savings of at least €45 million (£36 million) per annum are expected to be achieved by the third year following the completion of the Merger. Estimated one-off integration costs of approximately €45 million (£36 million) are expected to be incurred to achieve these cost savings*
- *Use of carried forward tax losses and a more efficient tax grouping possible under a unified ownership structure. Based on the group's tax calculations for the 2012/13 financial year a cash tax benefit of €35 million (£28 million) would have been achieved had the two businesses been combined in that year*
- *Top line growth is expected to be enhanced by commercial benefits such as accelerated broadening of the portfolio of unique holiday experiences, increased occupancy levels in existing hotels, the future expansion of TUI AG's core hotel and cruise activities and integrated yield management*
- *Simplification of the group structure unlocking further value within the Group's businesses, particularly those within the current TUI AG portfolio*

Aside from the one-off integration costs set out above, no material dis-synergies (whether or not recurring) are expected in connection with the Merger. The Independent Directors of TUI Travel and the Executive Board of TUI AG consider that the identified synergies would only accrue as a direct result of the success of the offer and could not be achieved independently of the Merger.

Further information on the bases of belief supporting the Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out below.

Further information on the potential cost savings

Potential recurring cost savings of at least €45 million (£36 million) per annum are expected to be achieved by the third year following the completion of the Merger.

The potential cost savings are expected to derive from a corporate streamlining process resulting from the combination of the two businesses.

The major component parts of the proposed corporate streamlining are:

- Cost savings expected to arise from the consolidation of overlapping functions which are expected to represent more than half of the total identified cost savings; and
- The costs that would be saved from moving from a structure with two separate stock market listings to one listing.

Bases of belief

Following initial discussions between the parties regarding the Merger in May and June 2014, TUI AG and TUI Travel established a senior executive team to evaluate and assess the potential synergies available for the integration.

The team, which comprised senior strategy, financial and human resources personnel from both TUI AG and TUI Travel, has worked collaboratively during the last 6 weeks to identify and quantify potential synergies as well as estimate any associated costs.

In preparing the Quantified Financial Benefits Statement, both TUI AG and TUI Travel have shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential synergies available from the Merger.

The cost bases used as the basis for the quantification exercise are the six months actual cost base to March 2014 plus six months of the latest forecast cost base to September 2014 for each business.

The exchange rate used to convert between EUR and GBP is 0.8000.

Reports

As required by Rule 28.1(a) of the Code, PricewaterhouseCoopers LLP, as reporting accountants to TUI AG and to TUI Travel, have provided a report stating that, in their opinion, the Quantified Financial Benefits Statement has been properly compiled on the basis stated. In addition Deutsche Bank and Greenhill, as financial advisers to TUI AG, and Lazard, as financial adviser to the Independent Directors of TUI Travel, have provided reports stating that, in their opinion, and subject to the terms of such reports, the Quantified Financial Benefits Statement, for which the Independent Directors of TUI Travel and the Executive Board of TUI AG are jointly responsible, has been prepared with due care and consideration.

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

Notes

1. The statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. No statement in the Quantified Financial Benefits Statement, or this announcement generally, should be construed as a profit forecast or interpreted to mean that the Group's earnings in the first full year following the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of TUI AG and/or TUI Travel for the relevant preceding financial period or any other period.

2. Due to the scale of the Group, there may be additional changes to the Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost savings may be materially greater or less than those estimated.

3. In arriving at the estimate of synergies set out in this announcement, the Independent Directors of TUI Travel and the Executive Board of TUI AG have assumed that:

    a. There will be no significant impact on the underlying operations of either business.
    b. There will be no material change to macroeconomic, political or legal conditions in the markets or regions in which TUI AG and TUI Travel operate that materially impact on the implementation or costs to achieve the proposed cost savings.
    c. There will be no material change in exchange rates.
    d. There will be no material change in tax legislation or tax rates in the countries in which TUI AG and TUI Travel operate that could materially impact the ability to achieve the cash tax benefit.
    e. Achievement of the cash tax benefits would be facilitated by the Group being a German domiciled and headquartered business.

Part B

Report from PricewaterhouseCoopers LLP

The Directors
TUI AG
Karl-Wiechert-Allee 4
30625 Hanover
Germany

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

Deutsche Bank AG, London Branch
1 Great Winchester Street
London
EC2N 2DB

Greenhill & Co. Europe LLP
Lansdowne House
57 Berkeley Square
London
W1J 6ER

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

(together the "**Financial Advisers**")

27 June 2014

Dear Sirs,

Possible all-share nil-premium merger of TUI Travel PLC ("TUI Travel") and TUI AG ("TUI AG")

We report on the potential operational synergies and related cost reductions and tax savings statement (the "**Statement**") by the Independent Directors of TUI Travel (the "**TUI Travel Directors**") and the Executive Board (*Vorstand*) of TUI AG (the "**TUI AG Board**") set out in the paragraph titled: "*Financial Benefits: Significant Shareholder Value Creation through both Growth and Financial Benefits*" of the Rule 2.4 Announcement dated 27 June 2014 (the "**Announcement**") to the effect that:

- "*Potential recurring cost savings of at least €45 million (£36 million) per annum are expected to be achieved by the third year following the completion of the Merger. Estimated one-off integration costs of approximately €45 million (£36 million) are expected to be incurred to achieve these cost savings*
- *Use of carried forward tax losses and a more efficient tax grouping possible under a unified ownership structure. Based on the group's tax calculations for the 2012/13 financial year a cash tax benefit of €35 million (£28 million) would have been achieved had the two businesses been combined in that year*".

The Statement has been made in the context of disclosure in Appendix I of the Announcement setting out the bases of the belief of the TUI Travel Directors and the TUI AG Board supporting the Statement and their analysis and explanation of the underlying constituent elements.

This report is required by Rule 28.1(a)(i) of the City Code on Takeovers and Mergers (the "**Code**") and is given for the purpose of complying with that rule and for no other purpose.

Responsibilities

It is the responsibility of the TUI Travel Directors and the TUI AG Board to make the Statement in accordance with the Code.

It is our responsibility to form our opinion as required by Rule 28.1(a)(i) of the Code, as to whether the Statement has been properly compiled on the basis stated.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed or to the shareholders of TUI Travel as a result of the inclusion of this report in the Announcement, and for any responsibility arising under Rule 28.1(a)(i) of the 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 28.1(a)(i) of the Code, consenting to its inclusion in the Announcement.

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. We have discussed the Statement together with the relevant bases of belief (including sources of information and assumptions) with the TUI Travel Directors and the TUI AG Board and with the Financial Advisers. Our work did not involve any independent examination of any of the financial or other information underlying the Statement.

Since the Statement and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual benefits achieved will correspond to those anticipated in the Statement and the differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, on the basis of the foregoing, the Statement has been properly compiled on the basis stated.

Yours sincerely

PricewaterhouseCoopers LLP

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 Deutsche Bank and Greenhill

The Executive Board
on behalf of TUI AG
Karl-Wiechert-Allee 4
30625 Hanover
Germany

27 June 2014

Dear Sirs,

Possible all-share nil-premium merger of TUI Travel plc ("**TUI Travel**") and TUI AG ("**TUI AG**")

We refer to the Quantified Financial Benefits Statement, the bases of belief thereof and the notes thereto (together, the "**Statement**") as set out in Part A of Appendix I of this announcement, for which the Independent Directors of TUI Travel (the "**TUI Travel Directors**") and the Executive Board (*Vorstand*) of TUI AG (the "**TUI AG Board**") are jointly responsible under Rule 28 of the City Code on Takeovers and Mergers (the "**Code**").

We have discussed the Statement (including the assumptions and sources of information referred to therein), with the TUI AG Board and those officers and employees of TUI AG who developed the underlying plans. The Statement is subject to uncertainty as described in this announcement and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by TUI AG, or otherwise discussed with us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any opinion as to the achievability of the quantified financial benefits identified by the TUI AG Board.

We have also reviewed the work carried out by PricewaterhouseCoopers LLP and have discussed with them the opinion set out in Part B of Appendix I of this announcement addressed to yourselves and ourselves on this matter.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the City Code on Takeovers and Mergers and for no other purpose. No person other than the TUI AG Board can rely on the contents of this letter and, to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter, its contents or the work undertaken in connection with this letter or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed, except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Statement, for which you, as the TUI AG Board are jointly responsible with the TUI Travel Directors, has been prepared with due care and consideration.

Yours faithfully,

Deutsche Bank AG, London Branch

Deutsche Bank AG, London Branch

Yours faithfully,

Greenhill & Co. Europe LLP

Greenhill & Co. Europe LLP

Part D

Report from Lazard & Co., Limited

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

27 June 2014

Dear Sirs,

Possible all-share nil-premium merger of TUI Travel plc ("TUI Travel") and TUI AG ("TUI AG")

We refer to the Quantified Financial Benefits Statement, the bases of belief thereof and the notes thereto (together, the "**Statement**") as set out in Part A of Appendix I of this announcement, for which the Independent Directors of TUI Travel (the "**Independent Directors of TUI Travel**") and the Executive Board (*Vorstand*) of TUI AG (the "**TUI AG Board**") are jointly responsible under Rule 28 of the City Code on Takeovers and Mergers (the "**Code**").

We have discussed the Statement (including the assumptions and sources of information referred to therein), with the Independent Directors of TUI Travel and those officers and employees of TUI Travel who developed the underlying plans. The Statement is subject to uncertainty as described in this announcement and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by TUI Travel, or otherwise discussed with us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any opinion as to the achievability of the quantified financial benefits identified by the Independent Directors of TUI Travel.

We have also reviewed the work carried out by PricewaterhouseCoopers LLP and have discussed with them the opinion set out in Part B of Appendix I of this announcement addressed to yourselves and ourselves on this matter.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to TUI Travel or its shareholders or any person other than the Independent Directors of TUI Travel in respect of the contents of this letter; 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 exclude all liability to any other person, in respect of this letter or the work undertaken in connection with this letter.

On the basis of the foregoing, we consider that the Statement, for which you as the Independent Directors of TUI Travel are jointly responsible with the TUI AG Board, has been prepared with due care and consideration.

Yours faithfully,

Lazard & Co., Limited