

Joint Report
of the Executive Board of TUI AG
and the management board of DEFAG Beteiligungsverwaltungs GmbH III
pursuant to sec. 293a German Stock Corporation Act
about the conclusion of a
profit and loss transfer agreement
between TUI AG and DEFAG Beteiligungsverwaltungs GmbH III

I. General

TUI AG intends to conclude a profit and loss transfer agreement (hereinafter individually also referred to as an “Agreement”) with its subsidiary, DEFAG Beteiligungsverwaltungs GmbH III (“DEFAG III”), having its registered office in Hanover and registered in the commercial register of the Local Court (Amtsgericht) of Hanover under HRB 200803. The final draft of the Agreement was prepared and initialed by representatives of the two contracting parties on 19 November 2021.

The profit and loss transfer agreement dated 29 June 2006 previously in place between TUI AG and the DEFAG III was cancelled with effect as of 30 September 2021 due to an amendment of tax law. It is intended to conclude a new profit and loss transfer agreement in compliance with the tax-law requirements with effect as from 1 October 2021.

The Executive Board of TUI AG and the management of DEFAG III jointly submit the following report on the final draft of the Agreement pursuant to sec. 293a German Stock Corporation Act (*Aktiengesetz* – “AktG”).

II. Conclusion of the Agreement

The Supervisory Board of TUI AG has already approved the conclusion of the Agreement. In order to become effective, the Agreement requires the approval of TUI AG's General Meeting in addition to the approval of the shareholders' meeting of the DEFAG III.

The Executive Board and Supervisory Board of TUI AG therefore propose to the Annual General Meeting of TUI AG to be convened on 8 February 2022, to approve the Agreement.

According to sec. 294 para. 2 AktG, the Agreement shall not become effective until its existence has been entered in the commercial register at DEFAG III's registered office.

III. Parties of the Agreement

1. TUI AG

TUI AG has its registered seats in Berlin and Hannover and is registered in the commercial register of the Local Court (Amtsgericht) of Berlin-Charlottenburg under HRB 321 and in the commercial register of the Local Court (Amtsgericht) of Hanover under HRB 6580. TUI AG is a listed company and the parent company of the TUI Group. TUI AG's registered office is Karl-Wiechert-Allee 4, 30625 Hanover, Germany. The financial year of TUI AG begins on 1 October and ends on 30 September of the following year.

Statutory object of the company is to engage on a commercial basis in tourism (including all associated services and project developments), the acquisition of interests in enterprises active in tour operating, commercial air transportation, passenger shipping, the hotel industry, the leisure industry, in travel agents as well as other services, namely in its own facilities or in facilities of affiliated companies, as well as the bundling of affiliated companies under a centralised management.

Upon registration of the capital increase in the competent commercial register on 28 October 2021, the share capital of the company increased by EUR 523,520,778.00. The share capital of the Company entered in the commercial register amounts to EUR 1,622,914,412.00 and is divided into 1,622,914,412 no-par value shares.

Members of the Executive Board of TUI AG are Friedrich Joussen (CEO), David Burling, Sebastian Ebel, Peter Krueger, Sybille Reiß und Frank Rosenberger.

According to sec. 10 para. 1 of the Charter of TUI AG, the company is legally represented by two members of the Executive Board or by one member of the Executive Board together with one authorized representative (Prokurist).

2. DEFAG III

DEFAG III was established by articles of association dated 29 June 2006 and entered in the commercial register of the Hanover Local Court under HRB 200803 on 26 July 2006 under the name DEFAG Beteiligungsverwaltungs GmbH III. The articles of association of DEFAG III were last amended by shareholders' resolution dated 22 September 2021.

The registered office of DEFAG III is Karl-Wiechert-Allee 4 in 30625 Hanover. The financial year of DEFAG III begins on 1 October and ends on 30 September of the following year.

According to sec. 2 of the articles of association, statutory objective of DEFAG III is the holding of participations of the TUI Group.

DEFAG III essentially received its previous appearance in 2012 through the contribution of the 49% shareholding in RIU HOTELS S.A., Palma de Mallorca, Spain, as part of an internal restructuring within the Group. In the past financial year 2020/21, DEFAG III disposed of its minority interest in RIU HOTELS S.A. as part of the Group-wide "asset-right" strategy.

The share capital of DEFAG III amounts to EUR 10,000,000.00 and is fully contributed. The sole shareholder is TUI AG.

The managing directors of DEFAG III are Thomas Pietzka and Thorsten Wölke.

If more than one managing director has been appointed, two managing directors or one managing director together with an authorized representative are jointly authorized to represent the company in accordance with the general representation provision in the articles of association.

3. Profit situation of DEFAG III

In the past financial year 2020/21, DEFAG III achieved a net profit of EUR 267,509,854.09 before profit transfer, mainly due to the sale of the minority interest in RIU HOTELS S.A. As of 30 September 2021, the balance sheet shows total assets of approx. EUR 33.9 million and equity of approx. EUR 10.0 million. In the past financial year 2020/21, the capital reserve of EUR 240.0 million was distributed to the shareholder TUI AG. For the current financial year, a balance result is expected with comparable total assets and equity. DEFAG III currently does not employ any staff.

IV. Legal and economic reasons for the conclusion of the Agreement

A fiscal unity is to take effect between TUI AG and DEFAG III, if possible with effect from the beginning of the financial year of DEFAG III ending on 30 September 2022.

The conclusion of the Agreement serves in particular to establish a fiscal unity for corporate income tax purposes pursuant to sections 14, 17 of the German Corporation Tax Act (Körperschaftsteuergesetz) between TUI AG and DEFAG III in order to be able to include any future earn-out payments from the sale of the minority shareholding in RIU HOTELS S.A. in the combined income taxation of DEFAG III as the controlled company and TUI AG as the controlling company.

The profit and loss transfer agreement dated 29 June 2006 previously in place between TUI AG and the DEFAG III was cancelled with effect as of 30 September 2021. The profit and loss transfer agreement was terminated as it no longer complied with the legal requirements of the amendments to tax law that came into force for the first time in the financial year 2020/21. Therefore, the existing profit and loss transfer agreement would no longer have been effective for tax purposes in subsequent financial years. The conclusion of a new profit and loss transfer agreement shall take into account the amendments to tax law and therefore to restore the legal situation as it existed until the change in tax law in financial year 2020/21.

V. Explanation of the Agreement

A copy of the final draft of the Agreement is attached to this report. The provisions of the Agreement are explained below.

1. Preamble

The preamble contains the statement that TUI AG holds all shares in DEFAG III.

The preamble also includes a statement on the purpose of the Agreement. It is intended to implement a tax group between TUI AG and DEFAG III with effect as of the beginning of the financial year of DEFAG III ending on 30 September.

2. Transfer of profits

Clause 1 (1) of the Agreement lays down the obligation to transfer profits, which is a characteristic feature of a profit and loss transfer agreement. It lays down the obligation of DEFAG III to transfer the entire profits pursuant to all provisions of sec. 301 AktG, as amended. During the term of the Agreement, DEFAG III undertakes to transfer all of its profits to TUI AG, to the extent permissible by sec. 301 AktG.

With the consent of TUI AG, DEFAG III may allocate a proportion of its annual net income into its revenue reserves (sect. 272 (3) German Commercial Code) if and to the extent this is in line with commercial law and economically reasonable from a prudent business perspective. Other revenue reserves established during the term of the Agreement must, upon the request of TUI AG, be dissolved to the extent this is legally permissible and be used to compensate any annual net loss or be transferred as profits. Revenue reserves other than the revenue reserves mentioned above, in particular revenue reserves accrued prior to the conclusion of the Agreement, may not be transferred as profits or be used to compensate any annual net loss of DEFAG III. The same will apply to any retained profits generated prior to the conclusion of the Agreement or to other reserves.

The obligation to transfer all profits will apply for the first time for DEFAG III's entire financial year in which the Agreement becomes effective. The claim to receive profits vests as of the end of the financial year of DEFAG III and will be due at the same point in time.

3. Absorption of losses

Clause 2 of the Agreement provides for the obligation of TUI AG, as the controlling company, to compensate any annual net loss that may be incurred by DEFAG III during the term of the Agreement in accordance with all provisions of section 302 AktG. The reference is dynamic: Reference is made to "the relevant set of provisions as amended" of the relevant statutory provisions. In line with sec. 302 (1) AktG in its current applicable version, any annual net loss must be compensated only to the extent that such loss is not compensated by taking amounts from other revenue reserves which have been allocated to them during the term of the Agreement. This obligation to assume losses is a mandatory consequence of the Agreement.

The claim to loss compensation generally arises as of the end of the financial year of DEFAG III and will be due at the same point in time.

Reference is made to the provisions of sec. 302 (3) and (4) AktG:

Sec. 302 (3) AktG governs the option of DEFAG III to waive the compensation claim and to reach a settlement on such claim. In the present case, the reference made to sec. 302 (3) AktG entails, in particular, the following: DEFAG III may waive or settle any claim for compensation only after the expiration of three years from the date on which the registration of the termination of the Agreement in the commercial register will be deemed to have been announced pursuant to sec. 10 German Commercial Code. The foregoing will not apply if TUI AG is unable to make payments when due and enters into composition with its creditors to avoid insolvency proceedings or if the liability for compensation is subject to an insolvency plan or restructuring plan.

Pursuant to sec. 302 (4) AktG, the claim for compensation of losses will become time-barred after ten years from the date on which the registration of the termination of the Agreement in the commercial register has been announced pursuant to sec. 10 German Commercial Code.

4. Consent requirement

Consent requirements are set forth in clause 3 of the Agreement. The Agreement requires the consent of the shareholders' meetings of DEFAG III and of the General Meeting of TUI AG. The corresponding wording of the Agreement shows that the consenting resolution of the General Meeting of TUI AG already exists at the time of conclusion of the Agreement. The Agreement will become effective with its registration in the commercial register at the registered office of DEFAG III, which is also set out in clause 3.

5. Term, termination

Clause 4 of the Agreement contains provisions on the term and the termination of the Agreement. The Agreement is effective for a fixed term of five years, starting at the beginning of the financial year of DEFAG III in which the obligations to transfer profits (clause 1 of the Agreement) and to compensate losses (clause 2 of the Agreement) apply for the first time.

During this term the Agreement may only be terminated for good cause (aus wichtigem Grund). If the expiration of the five years (e.g. due to the implementation of an abbreviated financial year) occurs in the course of a financial year of DEFAG III, the Agreement will terminate at the earliest at the end of such financial year.

Clause 4 further contains a clause on the automatic extension of the Agreement. The Agreement is extended by periods of one year each if it is not terminated by giving one month's prior notice to the end of the financial year (ordentliche Kündigung), but no earlier than with effect as of the expiry of the financial year at the end of which the minimum period specified under tax law for the corporate income tax group established by the Agreement has been completed. In this connection, clause 4 further contains information on determining notice periods. This states that for the purposes of determining whether or not notice was given in good time, the notice will generally be deemed to be effected on receipt by the respective other party. A termination of the Agreement prior to the expiration of its term is possible for good cause, however. Clause 4 sets out examples of good cause in the form of a non-exhaustive list (full or partial termination of the indirect or direct participation of TUI AG in DEFAG III by TUI AG, the sale of its shares in DEFAG III by TUI AG, any other reorganisation, such as for example a contribution of the shares in DEFAG III or a conversion of DEFAG III into a partnership, a merger or de-merger of any of the parties or liquidation of any of the parties).

6. Final provisions

Clause 5 of the Agreement contains various final provisions.

Firstly, it specifies that in deviation from sec. 307 AktG the shareholders of DEFAG III (including any new shareholders) may resolve unanimously to continue the Agreement. Pursuant to the express provision of the Agreement, such resolution will not disrupt the term of the Agreement (clause 4).

Secondly, clause 5 of the Agreement provides that modifications of and amendments to the Agreement are required to be in written form in order to be effective; this will also apply for this requirement of written form and in addition sec. 295 AktG will apply.

Clause 5 of the Agreement further contains a severability clause. This clause provides in particular that if any individual provision of the Agreement is or becomes void or impracticable or if there is a gap in the Agreement, the validity of the remaining provisions will not be affected. In the event that any individual provision becomes void or impracticable, such provision will be replaced by a valid and practicable provision coming as close as legally possible to the legal and economic purpose of the void or impracticable provision.

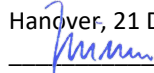
In addition, clause 5 of the Agreement states that the place of performance of the respective obligations and the exclusive place of jurisdiction, including with regard to the question of the validity of the Agreement, will be Hanover.

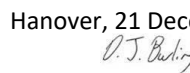
7. No provisions on compensation or settlement payments

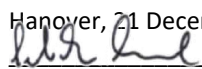
Upon conclusion of the Agreement and approval of the Agreement by the shareholders' meeting of DEFAG III, TUI AG will be the sole shareholder of DEFAG III. TUI AG will therefore not be obliged to pay any compensation or settlement to external shareholders in DEFAG III in line with sec. 304 and 305 AktG. The Agreement therefore does not contain any provisions concerning compensation or settlement payments.

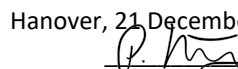
The Agreement will not be audited by an expert auditor (contract auditor) with reference to sec. 293b AktG as all shares of DEFAG III as the controlled company are held by TUI AG as the controlling company.

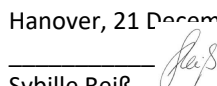
TUI AG
Executive Board

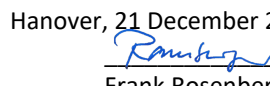
Hanover, 21 December 2021

Friedrich Jousen -
(CEO)

Hanover, 21 December 2021

David Burling

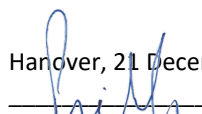
Hanover, 21 December 2021

Sebastian Ebel

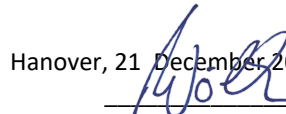
Hanover, 21 December 2021

Peter Krueger

Hanover, 21 December 2021

Sybille Reiß

Hanover, 21 December 2021

Frank Rosenberger

DEFAG Beteiligungsverwaltungs GmbH III
Management Board

Hanover, 21 December 2021

Thomas Pietzka

Hanover, 21 December 2021

Thorsten Woelke

Annex: Copy of the final draft of the Agreement