



Speech

Friedrich Jousen

**Chairman of the Executive Board of TUI AG
on the occasion of the Annual General Meeting
am 08. Februar 2022**

– the spoken word takes precedence over this transcript –

Ladies and gentlemen, dear shareholders,

I would like to welcome you to this year's Annual General Meeting. Our lives continue to be defined by the pandemic. That is also the reason why we are once again meeting virtually today. A face-to-face meeting would not have been an option against the background of the current infection rates and the continuing restrictions. I am therefore all the more pleased to welcome you today, once again virtually, directly from our headquarters in Hanover.

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The financial year 2021, like the financial year 2020, was marked by the COVID crisis. However, we saw a strong recovery in the tourism markets in the fourth quarter. Of the 5.4 million customers in financial year 2021, 3.8 million travelled with us in the fourth quarter. Our hotels and resorts division, as well as the regions around Germany, Belgium, and the Netherlands, were particularly successful in this respect. In these areas, we already achieved positive EBIT contributions again. The strength of the market recovery is also reflected in the fact that we were able to generate a positive free cash flow of € 1.4 billion in the fourth quarter of the financial year. Our liquidity currently stands at € 3.3 billion.

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Ladies and gentlemen, dear shareholders, I am extremely relieved that we can now leave the crisis behind us with considerable market momentum. For our employees, the crisis meant enormous uncertainty for almost two years and the associated stress and fear of losing their jobs and the company as a whole. Working from home without the cohesion of the team was technically possible, but for some, it also led to the feeling of having to cope with the difficulties alone. I am therefore very proud that we made it through the crisis as a team and that our employees still stand behind the company today with an extremely high level of commitment. We always say that TUI and the TUI team can handle a crisis. That is true, but it cannot be taken for granted. Each and every individual in the TUI family deserves our thanks for the commitment and the will to succeed that saved our company through the crisis. Now everyone sees and feels that things are moving forward again.

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The positive trend at the end of financial year 2021 has now continued in the first quarter of financial year 2022. In the quarter that ended in December, we had 2.3 million customers in the markets. In the first quarter of the previous year, there were 0.5 million customers. Accordingly, we were able to significantly reduce the seasonal losses from € -676 million in the same quarter of the previous year to € -274 million in the quarter which just ended.

For this year's important summer season, we have planned an extensive recovery of the markets. At the same time, we are still 28% below the comparable pre-crisis level in terms of bookings, with 3.5 million customers. This figure is currently improving week by week. The week before last week it was already at 100% of the pre-crisis level.

Of course, the price level is also important for the margin. Here we are at a plus of 22% across all markets for the summer. Based on this development, we will, as agreed, return KfW loans amounting to about € 700 million in a first step on 1 April this year.

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Ladies and gentlemen, dear shareholders, the COVID pandemic had a serious impact on the travel industry and thus on our company in both financial years, 2020 and 2021. However, it had a fundamentally different effect in each year. While the financial year 2020 had started with record figures in the first five months and then ended with massive losses in the summer of 2020 due to the crisis, it was exactly the opposite in the financial year 2021. Here we started in winter without any business worth mentioning and ended with a thoroughly respectable fourth quarter. The decline in turnover from € 7.9 to 4.7 billion as well as the decline in the number of guests from 8.1 to the aforementioned 5.4 million in each case in a year-on-year comparison therefore have only limited significance.

What is important, however, is that we were able to limit the losses. Thus, TUI Group's underlying EBITDA was minus € 1.1 billion in the completed financial year, an improvement of € 0.5 billion year-on-year. Underlying EBIT also recovered by € 0.9 billion to an operating loss of € 2.1 billion. Earnings before taxes on income amounted to minus € 2.5 billion in the reporting year. The loss was thus € 0.7 billion lower than in the previous year.

Due to lower gross investments as well as the sale of strategically irrelevant company shareholdings and here in particular our 49 per cent share in the real estate portfolio of Riu Hoteles S. A., the Group had cash inflows from net tangible and financial investments of € 699 million in the reporting year.

As a result, and due to the successful revival of operations, the Group again recorded positive cash flows in the third and fourth financial quarters. These were so substantial that a positive cash flow of € 0.1 billion was also recorded for the full year.

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Ladies and gentlemen, dear shareholders, we can therefore state that at the end of financial year 2021, the tourism market has picked up speed again. In addition, we were able to use the financial year 2021 to stabilise the economic situation of our company. This becomes clear when looking at the balance sheet. Our liquidity is currently at € 3.3 billion.

In addition to the enormous cost savings during the entire crisis and the restart of operations in the fourth quarter, it was decisive that we managed to refinance a total of € 2.2 billion in the last twelve months.

Specifically, in April 2021 we issued convertible bonds with a seven-year term in a total nominal amount of € 400 million. In June 2021, an increase was made by issuing convertible bonds with a total nominal amount of another € 189.6 million. In addition, we raised more than € 500 million through the sale of Riu Hoteles Real Estate S.A. in May 2021.

Formally, after the end of the financial year in October 2021, the transaction committees of the Executive Board and Supervisory Board then approved a capital increase of € 1.1 billion, which was subsequently successfully implemented.

Furthermore, we used the financial year 2021 to extend our revolving credit line ahead of schedule until July 24.

Through these successfully implemented measures, we were able to achieve an improvement in our credit rating with both, Moody's and S&P.

For further details on the measures carried out, I refer to the reports made available on the website on the utilisation of the authorisation to issue convertible bonds and/or bonds with warrants and the authorisations to increase the share capital.

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Dear shareholders, let me now turn to the proposed resolutions on today's agenda.

Under agenda items 5 to 9, we are asking you to authorise the Executive Board to carry out various capital measures. As described, we have already taken important steps concerning our refinancing in the last 12 months. The focus was on securing liquidity. Looking ahead, it remains our goal to return to a gross leverage ratio of less than 3 times. The new authorisations give us the flexibility to act at any time if market opportunities arise.

A proposal will be made to the Annual General Meeting under agenda item 5 for new authorised capital of around € 162 million and under agenda item 6 for further authorised capital of around € 627 million. Furthermore, under agenda items 7 and 8, we are asking for approval to issue convertible bonds, bonds with warrants, profit participation rights or participating bonds with a total nominal amount of up to € 2 billion and conditional capital of around € 162 million, which will be supplemented by further conditional capital of around € 81 million. In addition to these standard contingency resolutions, we are asking under agenda item 9 for the approval of further authorised capital of € 671 million, which may be used for the repayment of the Economic Stabilisation Fund silent participation II granted in January 2021. For the details of these resolutions, I refer to the invitation to today's Annual General Meeting.

Let me then turn to the remaining agenda items not shown in the chart.

Agenda item 10 concerns the approval of the remuneration report. Dr. Zetsche has already gone into this in more detail.

This leaves agenda item 11, in which we ask you to approve the profit and loss transfer agreements between TUI AG and DEFAG Beteiligungsverwaltungs GmbH I and DEFAG Beteiligungsverwaltungs GmbH III. The purpose of these resolutions is to ensure the continued recognition of the tax group between TUI AG and the two wholly-owned subsidiaries.

The adjustment of the previously existing profit and loss transfer agreements was and is necessary due to changes in the tax framework. Again, further details can be found in the invitation and in the reports made available on the website.

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Ladies and gentlemen, dear shareholders, let me now turn to the market, which has suffered enormously in the short term due to the crisis, but is unlikely to have lost its attractiveness in the long term. There are strong arguments in favour of this view:

1) Travel continues to be a megatrend

People are staying healthier longer, getting older, have more time and a higher available income. All of this has been true for the last 15 years before the crisis, and has led to a market growth at a rate of twice the GDP growth. Since the basic data have not changed and, in addition, the household

savings rate is at a historically very high level, the growth dynamic based on this data will not change either. The demand for holidays and travel will remain high and possibly increase further.

In addition to demographic change, there is a new phenomenon that can be described with the expression "Experience is the New Luxury". This is about the fact that it is becoming increasingly important for more and more people to experience something instead of owning something. People increasingly define themselves by experiences and less and less by their possessions. This market trend originally comes from the younger generation, but has now also caught on with the older generations. The new pursuit of experiences naturally benefits travel in particular.

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2) Tourism is a force for good

Without tourism, destinations lack investment and direct spending by customers. Without tourism, there is hardly any basis for economic prosperity, especially in many emerging and developing countries, but also in the countries of Southern Europe. Tourism enables most destinations to participate in global value creation. As the most important economic sector in the majority of destinations, tourism also contributes significantly to enabling social participation. Education and training, for example, play a central role here. Without tourism as well as economic and social sustainability, it is also difficult to ensure environmental sustainability in the destinations. One thing is clear: people who do not know how to finance their lives today will hardly care for the environment of tomorrow.

Experience shows that industries and companies that ensure economic, social and ecological sustainability in equal measure have particularly good growth prospects. This is predominantly true for tourism, as shown above. In particular the experience of the past two years clearly shows: without tourism, the situation quickly becomes difficult, especially in the destinations. One could sum it up like this: Without tourism, many things get worse - and nothing gets better.

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TUI has a special role to play here. As a long-standing partner in most destinations, we not only ensure sustainable economic and social conditions, as a market leader we also feel responsible for the environmental sustainability of our industry. We have always been a leader in this area. For example, we operate the most environmentally efficient aircraft fleets and cruise ships. Our hotels are environmentally certified at a very high level, in the year before the pandemic by 80%. Of course, we want to remain in this leading position. One of the very important activities in this area is our Co-Lab on Rhodes, which I officially launched with Greek Prime Minister Mitsotakis in January this year. Together, we want to show on Rhodes how the transformation to a sustainable destination can work, closely aligning ourselves with the United Nations Sustainable Development Goals. With the Co-Lab, we want to make Rhodes a sustainable destination of the future. In doing so, the island can also become a model for many other destinations around the world.

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Ladies and gentlemen, dear shareholders, we therefore have good reasons to assume that tourism will return to its very strong pre-crisis growth rates after the pandemic. But are we as TUI also in a position to participate adequately in this and to emerge from the crisis as winners? We think so because we did our homework during the crisis. Our activities focused on the following four areas:

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1) The development of new growth markets in the field of activities and excursions.

The global market of excursions and activities is not only the third-largest tourism market after flights and hotels, but also larger than cruises, and it also has a special growth dynamic. For example, the tourist market of excursions and activities grew by over 8% per annum in the years before the crisis. Moreover, the market is extremely fragmented, with several 100,000 operators active in it. The market for excursions and activities is not very digitised, the main distribution channel is still the whiteboard in the hotel lobby. In addition to growth, the opportunities here lie in the consolidation and digitalisation of the market.

Based on our destination agencies and the digital platform Musement, which we acquired, we were able to complete the targeted full integration into our company during the crisis. Musement activities are tailor-made for our customers in our TUI App, i.e. offered individually for each customer. The providers of excursions and activities only need an internet connection to offer their activities to our 21 million customers. The offer is already made directly after the purchase of the trip when the customer calls up his travel documents in the app.

We can already see how great the potential of this strategy is. While in the past quarter the revenue of activities sold per customer remained roughly constant for our customer base, the revenue per customer via the app increased seven-fold on a comparable basis. Total sales of all activities, in the direct client portfolio and via the new strategic partners, were already above pre-crisis levels.

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2) Digitising our entire value chain via the introduction of our own cloud-based software architecture TRIPS.

Two years before the crisis, i.e. as early as 2018, we had already started to build another core competence alongside integrated tourism with our digital platforms. The goal here was to achieve customer-specific individualisation of our business without losing the economies of scale that are important for costs. The mass individualisation for 21 million customers not only means a significant increase in the relevance of the offer but is ultimately also the basis for further growth through additional sales in our customer base.

The transformation affects all our core systems, such as the booking and pricing platforms, purchasing and inventory systems for hotel room allotments, customer data and distribution systems. For all these systems, the goal was and is to achieve mass individualisation, differentiation in the market and growth, essentially through in-house developments.

As a result, TRIPS is now cloud-based, open and globally available in a uniform way. During the crisis, the architecture was fully rolled out for the first time in Belgium and the Netherlands. The results are impressive. Our goals seem realistic based on the first experiences. TRIPS will be able to customise offers for all our 21 million customers and implement innovations on a weekly basis worldwide. Our target of saving substantially more than € 100 million a year after the completion of the global rollout is a very positive additional effect.

In this context, the standstill during the crisis has allowed us to carry out

the very complex initial installation and the transformation of the relevant business processes practically to the exclusion of the customers and thus without any major risks in the market. In the next few years, we will now introduce TRIPS in the other markets and switch off all legacy systems in the area in order to complete the global transformation.

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3) The implementation of our asset right financing strategy

The transformation of our company from a tour operator to an integrated tourism group that not only sells holidays but designs, finances, builds, operates and markets holiday experiences and destinations was a successful transformation process by 2019. The advantages are still obvious today. While competition is increasing in distribution through digital platforms, the offers in the destinations differentiate enormously. Accordingly, the share of our hotels and resorts, as well as our cruise division, in the company's overall result had grown to almost 70% before the crisis.

However, there is a strategic disadvantage to this success. Growth is limited by our own content development and the corresponding investments. We are now resolving this contradiction by decoupling growth in this area from the investments on our balance sheet. In cruises, we do this by investing in joint ventures that are not consolidated and therefore not on our balance sheet. In hotels, there are also joint venture structures, but the hotel funds we have initiated will become more important. We have now announced the first large hotel fund. It will enable us to mobilise equity for hotel growth, which is focused on real estate. The funds in this asset class are enormous, and the investment within the framework of our hotel investments is extremely attractive. We believe that in the long term this will allow us to increase profitability through differentiated products while realising our high growth ambitions.

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4) Realising savings from our Global Realignment programme

In the past financial year, € 240 million of the promised € 400 million annual cost savings were already reflected in the results. In the financial year that has now begun, we will complete the Global Realignment programme and will achieve € 340 million of cost savings. This means that we will complete the realignment programme one year earlier than promised.

We have made it a point to achieve these savings without sacrificing quality or compromising on growth. The key to this was and is a consistent digitalisation and globalisation of all essential business processes. I have already talked about the positive effects of digitalisation, especially the enormous opportunities of mass individualisation for customer relevance and growth. But the cost effects are just as important for us. We assume that the efficiencies will be reflected to a large extent in increased profitability. After the planned rapid reduction of our debt, which has grown during the crisis, higher profitability will then be one of the decisive factors for a sustainable increase in the value of our company.

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Ladies and gentlemen, dear shareholders, the TUI of the future will once again be very different from the TUI of the past. By implementing the measures outlined above, we will significantly reduce our debt level and at the same time grow in such a way that we achieve an EBIT target that is considerably higher than the pre-crisis level. We are therefore convinced that TUI will emerge as a winner from the crisis in a recovering, strongly growing tourism market.

So, there are very good reasons to be invested in TUI or to invest in it. Thank you for participating today and for your long-standing loyalty to our company.