TUI GROUP

Speech

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Chief Financial Officer (CFO) TUI AG

on the occasion of the Annual General Meeting

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– Check against delivery –

Slide 1: Title slide

Dear shareholders. I too would like to welcome you most warmly to our AGM and thank you for your support over the past years. I look forward to moving forward together and I hope that this AGM will be another significant step for TUI on the road back to profitable growth.

This is my first AGM as Chief Financial Officer of our company. I have been with the TUI Group since 2011 and have since held various responsible positions in finance. I would like to thank Sebastian Ebel, the Supervisory Board and you in particular for the trust you have placed in me.

I will focus my remarks on two main points:

First of all, let me explain to you how our operational recovery has been reflected in the key performance indicators of the last financial year 2022 and in the just completed first quarter of the new financial year.

I will then go into the agreement we have reached with the Economic Stabilisation Fund ("WSF") to further reduce state support: in particular with regard to the capital reduction proposed in agenda item 6 of today's Annual General Meeting and the associated intended rights issue capital increase.

Slide 2: FY 2022 – Strong operational & financial recovery, especially due to business performance in Q4

When we first look back at the financial year 2022, the fourth quarter with the important summer business was particularly crucial for us.

At the beginning of the financial year it was not yet foreseeable that the TUI Group would be able to close the year like this: 16.7 million guests, 16.5 billion euros turnover, 409 million euros operating result and a cash flow of over 1 billion euros.

Because a year ago, at our last general meeting, we still had to talk about Omicron. It was unclear if and when travel would be possible again without significant restrictions. Spring 2022 was also still burdened by the fading pandemic, and the start of the Ukraine war caused additional uncertainty. It was not until our third quarter, i.e. the three months from April, that we were able to significantly and sustainably ramp up our business again.

And it was not until the summer months of July to September, when travel was at its strongest, that our customers actually went on holiday with us again as they had before the pandemic. In these last three months of our financial year, we were able to almost reach the pre-crisis level with an operating EBIT of over one billion euros.

The one-off expenses for the disruptions at the airports had a negative impact on the Group result over the summer. We were able to transport 96 per cent of our guests to their destinations in May and June without any major disruptions. Unfortunately, however, there were considerable interruptions in the travel process, especially due to insufficient handling capacities at airports in the UK, the Netherlands and also in Germany. We regret this very much. Our staff have done everything in their power to support our guests and we have invested in measures for the reliability our customers expect from us.

Slide 3: FY 2022 – Profit & Loss Statement

In detail, the income statement for the full year shows an operating result (underlying EBIT) of 409 million euros. Our Hotel segment already exceeded the strong results of 2019 in the last two quarters. Cruises and TUI Musement also continued their operating ramp-up with good results. Markets & Airlines again delivered clearly positive operating results in all regions in Q4.

This lays the foundation for the Group's further financial recovery. As presented by Sebastian Ebel, rest assured: our ambitions go beyond that.

As far as the rest of the income statement is concerned, i.e. in particular the adjustments and the net interest result, these figures were all in line with our expectations. The net interest expense still includes one-time charges from the repayment of state aid. In addition, the increased indebtedness due to the COVID burdens of the past three years also has an impact here. The resulting Group loss for the financial year was reduced by 2.3 billion euros compared to the previous year, but a loss of 213 million euros remains. We will continue to work on this.

Slide 4: FY 2022 – Cash flow, debt ratios

The Group's operating cash flow also recovered very significantly, reaching around 1.7 billion euros in the past financial year. In addition to EBITDA, i.e. earnings before interest, taxes, depreciation and amortisation, of
1.2 billion euros, another key driver was the strong return of working capital due to the operational ramp-up of our business.

This positive financial development leads to a significantly improved balance sheet structure. Net debt of 3.4 billion euros has decreased by around 1.5 billion compared to the previous year.

As early as spring 2022, we were therefore also able to begin gradually reducing the state aid received. We were able to gradually reduce KfW's loan commitments by unused amounts of 0.9 billion euros to 2.1 billion euros. In addition, we repaid parts of the warrant bond issued to WSF in the amount of 91 million euros. Thanks to the sustained operational recovery in the summer and with your support in the context of a cash capital increase, we were finally able to repay WSF's Silent Participation II in the amount of 0.7 billion euros, which had been recognised in equity until then, in June.

Overall, we have thus already been able to relieve the balance sheet by a little more than 2 billion euros in the last 12 months. This has also been achieved in particular through your support and contributions.

Slide 5: Positive business development also continues in Q1 FY 2023

Let me now turn to the current development in the new financial year 2023.

As published a few hours ago, 3.3 million guests travelled with TUI in the first three months of the financial year, an increase of around one million year-on-year.

The seasonal loss was almost halved to an underlying EBIT of minus 153 million euros. Hotels & Resorts once again achieved a result above the already good pre-pandemic level. Our cruise business had all 16 ships in operation this quarter and improved earnings significantly year-on-year. Markets & Airlines also improved, with Central and Northern Region significantly outperforming the 2022 result.

Our incoming bookings are also developing well. More than 8 million bookings have already been received for the current winter and summer 2023. Although the cumulative level of bookings is still below the pre-pandemic level, we have seen an increase in demand in recent weeks, also compared to 2019.

We have thus made a good start to the new business year despite a challenging environment. We are therefore confident that we will be able to achieve our goals for the full year 2023. In view of the continued heightened uncertainties, we do not want to give a concrete quantitative forecast for revenue and underlying earnings at this point in time. But of course, these two most important key figures should continue to improve significantly compared to the last financial year.

In summary, the significant economic recovery also shows that we have now put the COVID 19 pandemic behind us operationally.

I am therefore very pleased that in December we were able to reach an agreement with the Economic Stabilisation Fund ("WSF") on the possibility of fully repaying the state aid granted through the WSF.

Slide 6: Repayment Agreement with the Economic Stabilisation Fund ("WSF")

We have always communicated very clearly and agreed with all parties on the goal of returning the state aid we received during the pandemic as quickly as possible.

The December agreement now sets the terms for the repayment of the remaining state aid granted by the WSF, opens up the possibility of a further substantial repayment of KfW's credit lines and is the basis for the corresponding resolutions at today's Annual General Meeting.

The agreement will enable us to implement a structured process in a year of transformation in which we want to make TUI fit for profitable growth. At the same time, it opens up the opportunity to reduce our net debt and interest costs and, with a strengthened balance sheet, to further improve our financial and entrepreneurial leeway at the right time.

What does the agreement look like in detail?

Specifically, this concerns Silent Participation I for 420 million euros and the remaining part of the Warrant bond subscribed by WSF in the amount of 59 million euros.

In accordance with the original terms and conditions, both instruments could be converted by WSF at any time into shares in TUI at 1.00 euro per share and subsequently be utilised at the market price. However, to enable us to redeem them, WSF waives this right until 31 December 2023.

TUI will therefore be able to redeem both instruments in full by then. For the financing, we have undertaken to work towards the implementation of a capital increase.

Structurally, we are thus replacing the issue of new shares to WSF with new shares in the context of a rights issue.

Implicitly, this orderly process also allows us to return decision-making authority to you, our shareholders, in the context of this AGM and the subsequent rights issue.

The agreement thereby preserves for WSF the economic advantage that was the condition for supporting our company during the COVID pandemic. As required by budgetary and EU state aid law, the repayment is made at the current share price level, but also at a market discount of 9.3 per cent. Overall, the complete exit of WSF thus results in a repayment price of between 730 million euros and – if the upper limit of 2 euros per share is reached – a maximum of 957 million euros (plus interest accrued under the stabilisation measures), depending on the share price development. As of today, this would result in a price of around 892 million euros.

In addition to repaying Silent Participation I and the Warrant bond, we intend to use the planned funds from the rights issue to significantly reduce our credit line received from KfW.

Slide 7: Agenda items 5 and 6

How is the agreement reflected in the agenda items of today's Annual General Meeting?

Under the Repayment Agreement, we are initially obliged to propose to you a reduction in the share capital of TUI AG – from currently around 1.785 billion euros to then around 179 million euros through the consolidation of shares at a ratio of ten to one on the basis of the Economic Stabilisation Acceleration Act.

This reduction of the share capital proposed in agenda item 6 reduces the number of shares by a factor of ten, but the price of the share on the stock exchange then arithmetically increases proportionally. The unchanged market value of the Group is distributed among fewer shares in the result.

Let me also answer the question about the reason for the proposed capital reduction right away:

In the case of rights issues, discounts on the stock market price customary in the market are granted for new shares. However, the subscription price may not fall below the arithmetic portion of each share in the Company's share capital, i.e. 1.00 euro in the case of TUI. The share consolidation increases the flexibility to grant such necessary discounts in a volatile stock market environment and thus creates the preconditions for raising new share capital.

At the same time, the planned capital reduction by reverse stock split will not affect the existing authorisations for capital increases of TUI AG. These remain valid unchanged and the amount of authorised and conditional capital will not be reduced to one tenth in line with the scope of the capital reduction. The capital reduction in combination with the already approved contingent resolutions therefore forms the basis so that the Repayment Agreement can be implemented. In the framework of a binding commitment, the Executive Board of TUI AG has declared that, to the extent legally permissible, Authorised Capital 2022/I will be used primarily for the full repayment of the funds received from the WSF and Authorised Capital 2022/II will be used primarily for the reduction of the KfW credit lines. The complete declaration of commitment with a detailed description of the facts can be found in section II. of the invitation to this Annual General Meeting immediately following the agenda. In order for the repayment to be implemented, we also require confirmation that it is unobjectionable under state aid law. This has now also been received.

An important note is that the division between the two capitals is only a legal technical process and the capital increase would be carried out within the framework of a uniform subscription offer.

The cancellation of three shares proposed under agenda item 5 merely serves to enable the capital reduction in an even consolidation ratio of ten to one (by reducing the total number of shares from 1,785,205,853 to 1,785,205,850). The three shares required for this purpose will be made available to us free of charge by an employee of TUI. All other shareholders are not affected by this cancellation.

Slide 8: Implementation of the capital increase

What would the further implementation look like?

Provided that you as our shareholders approve both agenda items 5 and 6, the reverse stock split would take place promptly after this Annual General Meeting and after registration in the commercial register.

The exact timing of the subsequent capital increase we are aiming for has not yet been determined. The number of new shares to be issued would then depend in particular on the development of the share price and thus the amount to be paid to WSF. The resulting subscription ratio and subscription price would be published at the beginning of the subscription period.

Slide 9: Summary

So much for the key points of our agreement with WSF, the related reverse stock split that we have proposed to you in agenda items 5 and 6 of this AGM and the subsequent planned capital increase.

Dear shareholders, let me summarise:

Implementation would allow TUI to replace the state aid still being used with equity, further simplify our capital structure and thus accelerate the necessary improvement in our credit rating. Our aim is to repay the remaining, virtually unused KfW credit lines over time in an orderly and complete manner.

Sebastian Ebel, the Executive Board, the Supervisory Board and I are in agreement: the financial discipline necessary for this will remain one of our top priorities in the future. In doing so, we also want to live up to the responsibility we have towards you: for your support during the COVID pandemic as well as in perspective with the targeted capital measures.

We see many growth opportunities for TUI. We see the financial year 2023 – as Sebastian Ebel has already outlined – as a transitional year in which we want to create the financial conditions for future growth with attractive returns in a market environment that has not yet been fully restored.

I therefore ask for your support for the agenda items in today's AGM and our way forward.

Thank you for your attention.