



Speech

Friedrich Joussen

**Chairman of the Executive Board of TUI AG
on the occasion of the Annual General Meeting
on 25 March 2021**

– the spoken word takes precedence over this transcript –

Ladies and gentlemen, dear shareholders,

I am delighted to welcome you to today's ordinary Annual General Meeting for the last full financial year 2020. Two months have passed since our extraordinary Annual General Meeting in January, during which we successfully performed the capital increase on which you passed a resolution.

In January I had already reported to you on the last full financial year 2020. For that reason, today I will focus in particular on strategically relevant issues.

Chart 2: TUI before the Corona crisis: World market leader in tourism

Before the crisis, TUI was a company in rude health, a company that could rightly claim to be a global leader in tourism, that developed and designed holiday resorts in the destinations, with EBIT structurally above

€1 billion and annual investments similarly in excess of €1 billion. We were able to finance our business activities on the capital market with debt capital at an interest rate of 1.5 percent. In 2019 we had 27 million customers around the world and were planning revenue growth of just under 20 percent for 2020. Our bookings in January and February 2020 reflected this.

Chart 3: Transformation to a digital platform company accelerated

In 2018, i.e. a good two years before the crisis, we had started transforming TUI from a vertically integrated tourism group into a digital platform company. At the time we had set the objective of decoupling our growth from the direct investments on the balance sheet in order to be able to grow more quickly. At the same time, we sought to implement global scaling effects with our IT systems. The transformation therefore involves four pillars:

Chart 4: TRIPS: Own development of core booking system

- 1) The transformation of our core booking systems via our own development of TRIPS, which covers all key systems – hotel purchasing, own and third-party room allocations, flight management, product packaging, price and yield, CRM, web frontend and app. The development of our core system is almost complete today and is being implemented uniformly around the world. The first bookings in Belgium and Netherlands have been managed via TRIPS since the end of February of this year. Here we anticipate IT synergies and consequently cost savings significantly in excess of €100 million per year along with a substantial boost to the speed of innovation and development because we can now completely independently put new software versions into operation in a weekly rhythm. This means we are quicker, closer to the customer and more attractive as a result.

Chart 5: TUI MUSEMENT: Growth in the Activities Market

- 2) The transformation of our Experiences business area through the acquisition and integration of the digital platform company Musement. The integration is now complete and is delivering excellent results. The platform is now sufficiently scalable and robust that companies like Booking.com are also using it for their customers.

Chart 6: TUI BLUE Horizon: Individualisation for millions of customers

- 3) TUI Blue Horizon: Our hotel contracts and room allocations are now located in the cloud in a globally standardised database. All allocations are presented and positioned in terms of each room individually as opposed to the standard room categories. Each room thus becomes a product that can be individually described, priced and booked, enabling features that are extraordinarily well-liked by customers, such as their desired room. That's worth up to an extra €15 per night to them. I won't go into other features here for time reasons. They work in a very similar way and are so attractive to our customers that they also justify a price premium. In a nutshell, we're talking about the individualisation of our product range for many millions of customers.

Chart 7: Asset Right: Growth through investment partnerships

- 4) With our Asset Right strategy, which we've been pursuing for around two years, we are working towards bolstering our revenue and earnings growth by not making all investments ourselves and as a consequence including fewer assets on the balance sheet. We retain control over the product, the brand, the capacity and sales. We already achieved this a year ago in our cruises segment by including Hapag-Lloyd Cruises in TUI Cruises. A similar step is planned for Marella as soon as the markets permit. In terms of our hotels, we launched TUI Blue two years ago and already have over 100 franchise partners. The next step is to spin off our own hotels into funds initiated by us with corresponding management contracts.

Ladies and gentlemen, dear shareholders, the transformation of our company into a digital platform company, which we embarked on at an early stage, was already the right thing to do prior to the crisis, and during the crisis it has been a key factor in the company's survival.

Chart 8: Review 2020: Corona crisis hits TUI with great force

The crisis only started for us at the start of March 2020. Prior to that, bookings were higher than previous years and as such at record levels. With the lockdown on the weekend of 15 March, TUI became a company without a product and without revenues. Our revenues fell by 98 percent in our quarter to June 2020. The restrictions did not start to ease until mid-June. The 1.9 million customers up to September reflected the very limited possible destinations on offer. Infection rates started to climb from October, resulting in a new lockdown in December. In what is now twelve months of the crisis, we have only been able to facilitate a holiday for some 2.5 million customers and as such just around 10 percent of a normal year.

The impact and extent of the crisis created an enormous need for short-term liquidity. Despite drastic cost savings – 70 percent within a few weeks – in the months since March 2020 we have needed around €4.4 billion of liquidity, with some €2 billion for working capital, primarily for refunds to customers, and the rest for financing the net costs, which albeit are drastically reduced.

Conditions to deposit around €400 million in cash were imposed on us by banks, insurers and regulatory authorities.

Chart 9: Crisis management: Extensive measures implemented

By the end of March 2020, we had succeeded in protecting our liquidity in the short term though negotiations entered into with the German government and the banks. Overall, with a further financing round in August, we had available to us €1.5 billion in liquid funds from a credit line of the banks and a further approximately €3 billion mainly from loans from the German government.

Similarly, the contributions that we made off our own bat were significant. For instance, all investments in hotels and cruises were stopped. The sale of Hapag-Lloyd Cruises was completed as planned. Supplier and hotel contracts were renegotiated. A few weeks after the start of the crisis, we implemented a cost reduction programme with the aim of saving at least €400 million annually from financial year 2023 onwards. Rapid mobilisation was possible because the digital

transformation was at an advanced stage. Today we have already implemented over half of the planned savings – without loss of quality in the customer experience and without compromising our company's future growth prospects.

Given the continuing travel restrictions, we embarked on a further financing round in December of last year that was successfully concluded in January. This concerns hybrid contributions from the state totalling around €1.1 billion, including a silent participation that can be converted into TUI shares up to a level of 25 percent plus one share at a value of €1. Additionally, at our extraordinary Annual General Meeting in January you agreed to a capital increase of some €500 million at a subscription price of €1.07 per share.

The capital increase showed the high level of trust that our investors – i.e. your trust, dear shareholders – have in our company. The acceptance rate was 98 percent, and the remaining 2 percent were oversubscribed several times. In this context I'd also like to particularly highlight the commitment of Alexey Mordashov and his family, who increased their shareholding from 24.9 percent to 30.1 percent.

Let me explain a final, no less significant component for overcoming the crisis. In 2019 we had to cope with the grounding of the Boeing 737 Max. The agreement with Boeing reached in 2020 has enabled us to reposition our airlines within the Group. The agreed compensation payments were collected in full, the deliveries of the aircraft were postponed until subsequent years, the options for further aircraft reduced by 35. The flight platforms have been fully integrated, the aircraft fleet has been adapted to strategic requirements, so for example in Germany from 39 to 22 aircraft. Because we are also anticipating substantial oversupply in the European flight market after the crisis, the corresponding effects on earnings will be over €100 million per year.

As a result, the Group's cash and available facilities are currently around €1.6 billion as at 22 March 2021. This value confirms our assumptions as already communicated and demonstrates our strict discipline on expenditure.

Chart 10: FY 2020 in numbers

Ladies and gentlemen, dear shareholders, overall financial year 2020 was a year that, after an initial brilliant start, became decidedly difficult for our industry due to COVID-19 and above all the restrictions that were imposed. This is also expressed in the numbers.

We started off with an increase in revenue of 8 percent in the first quarter, but then the Group's revenues under IAS 17 at a constant currency basis fell by a total of 58 percent to €7.9 billion in financial year 2020 as a consequence of the pandemic. Guest figures were down 62 percent year-on-year.

The TUI Group's underlying EBIT under IAS 17 fell by €3.9 billion to an operative loss of €3.0 billion in financial year 2020 on a constant currency basis. The year-on-year fall in revenues affected all segments and also includes impairments in value of assets as well as losses from the valuation of hedging transactions that are no longer required.

In the reporting year, we have €70 million of adjusted net earnings in the reported result. This value includes the disposal gains from the sale of the German specialist tour operators totalling €91 million as well as from the sale of Hapag-Lloyd Cruises to our joint venture TUI Cruises for a total of €476 million. In comparison, expenditure for restructuring and value adjustments was made against the backdrop of business performance that was negatively affected by COVID-19.

The increase of the net interest under IAS 17 by €100 million to €177 million in the reporting year is a particular consequence of higher interest expenses as a result of utilising credit lines.

The earnings before interest under IAS 17 fell by €3.8 billion during the reporting year to a loss of €3.1 billion. This also corresponded to the proportion of Group losses apportioned to the shareholders of TUI AG in financial year 2020.

The TUI AG shareholders' proportion of Group earnings produced adjusted earnings per share under IAS 17 of minus €5.45 for the financial year 2020, as compared to the previous year of plus €0.89 per share.

We'll leave the explanation of the income statement there. Let's now turn to our financial stability indicators.

In terms of the application of IFRS 16, the liabilities from operative leases, previously reported off the balance sheet, were shown as a debt on our balance sheet for the first time in financial year 2020. The previous year's figures were not adjusted, meaning that this change in the reporting method alone produces an increase in our reported net debt of some €2 billion.

At the end of financial year 2020, the Group's net debt was €6.4 billion, taking account of this change in the reporting method. The €3.5 billion increase in net debt without this effect reflects the almost full utilisation of our revolving credit facility of €1.5 billion and the utilisation of the first financing package totalling €1.8 billion as a result of COVID-19.

Chart 11: Continued uncertainty for the 2021 financial year

The negative financial effects of the pandemic will also have a negative impact on financial year 2021. We continue to anticipate a significant, positive inflow of working capital and for net costs to move in the direction of cash break-even as soon as business and bookings normalise. The further course of the pandemic is however difficult to forecast in financial terms. The Executive Board of TUI AG continues to refrain from issuing a specific forecast for financial year 2021.

Chart 12: Special thanks to our employees for their extraordinary commitment in a difficult environment

Ladies and gentlemen, dear shareholders, at this point I would like to extend my extra special thanks to our employees. It's hard to imagine the stress, the fear of losing one's job and the company as a whole, that everyone has felt and continues to feel in this crisis which is still ongoing today. While continued short-time work with pay cuts secure jobs, at the same time it represents a loss of affluence. Working from home without team cohesion is technically possible, but at the same time can produce feelings of isolation and powerlessness. Nevertheless, the team has stood and today still stands behind the company with a very high level of commitment. We always say, TUI and the TUI team can handle crisis. While that's true, we can't take it for granted.

Each and every one of the TUI family deserves our thanks for the commitment and the will to succeed that to this day have seen our company through the crisis.

I hope that our politicians manage to bring infection rates under control with vaccinations and tests to such an extent that travel is possible again. The market is there, the customers want to travel – we've seen that repeatedly throughout the crisis when we have opened certain corridors – however, the conditions for tourism need to be created at the political level.

Chart 13: Customers appreciate TUI's flexible, safe and unique products

Ladies and gentlemen, dear shareholders, that brings me to the consideration of the market and customers. Even during the crisis, it was the case that the customers both value the holiday experience – with a satisfaction feedback of 8.6 on a scale from 1-10, and they want to travel safely. With our safety and hygiene measures, we have to date been able to achieve a seven-day Corona incidence of under 1/100k for our 2.5 million customers. Further, in the short term we have developed products that were important to our customers especially in the crises in the form of innovative products such as a COVID Protect insurance policy for all and the flexible tariffs.

The bookings for summer 2021, including rebookings and voucher redemptions, remain at an encouraging level of 2.8 million guests, even though this is down on the comparable level for summer 2019 at minus 60 percent. In view of the changes to the programme for April/May, we have currently adjusted the anticipated summer 2021 capacity to 75 percent from July 2021 onwards. It remains important in this context that we retain sufficient flexibility to adapt this if our customers' demand recovers more quickly when the travel restrictions are lifted. It is encouraging that we have been able to record around 180,000 new customer bookings in comparison to the February booking update. Additionally, many customers in the UK who are affected by changes to the programme have rebooked for later departure dates, so that the bookings there for October are up 12 percent, for example. The average prices for summer 2021 rose by 22 percent due to the pricing and the product mix.

Dear shareholders, we continue to see a strong pent-up demand and desire to travel among our customers. And we look to the coming seasons with optimism: we're seeing strong demand for next summer in the UK with bookings up some 120 percent and May 2022 in particular is already up by more than 150 percent.

Chart 14: Demand intact – travel remains strong megatrend

Ladies and gentlemen, dear shareholders, I also see enormous prospects for the tourism sector in the long term. People stay young for longer and get older, they have time and money. These were the drivers that have powered the growth of tourism at double the rate of gross domestic

product (GDP) over the last 15 years. The crisis changes nothing about this megatrend. The crisis has, if you so will, merely pressed the pause button.

A new global trend is also apparent today: "Experience is the new luxury". Customers increasingly value experience more than the possession of an asset, e.g. owning a car. This trend will again bolster the tourism and the travel sector in the long term.

After all, the tourism industry gives many countries in the world the most effective opportunity to participate in global value creation and achieve affluence and political stability at a suitable level. In southern Europe alone, tourism is the key building block that allows their economies to function. With its integrated business model, TUI not only deals in tourism products, it is also the largest private investor in most tourism destinations and as such the backbone of the tourism industry in those places. For me there is no doubt that tourism per se and also we as a company are needed more than ever before in order to overcome the effects of the crisis in these regions of the world.

Chart 15: TUI debt relief outlook

If relaxations are already partly in place in April and – perhaps even more importantly – plausibly for the summer, we will see strong summer business in tourism this year. The prospects of this are at least good in the United Kingdom. In particular we should receive up to approx. €2 billion in liquidity through the return of the working capital that has flowed out in the course of the pandemic, the cause of so much concern at the start of the crisis.

As at today, this would mean additional debt of around €2 to 2.5 billion with an average interest burden of around €150 to 200 million per year. Given the savings effects of our cost-efficiency programme of over €400 million per year, I think that that is possible.

In terms of the debt itself, the next maturity date for debt repayment is July 2022. That gives us the time to make the requisite provision. Our reduced costs basis as well as a combination of capital measures and M&A gives us sufficient capability to overcome this challenge. Our long-term goal is to return to a moderate gearing ratio of 3.0x.

We would therefore ask you to approve the authorised capital proposed by us. Our proposed resolutions reflect our belief that it is in our TUI's interest to be able to act should the capital markets offer us an attractive refinancing opportunity.

Agenda items 5 to 7 concern the authorisation of the Executive Board to perform various capital measures. The expired authorisations for capital increases as well as to issue convertible bonds and bonds with warrants should be hereby renewed.

The proposal is for authorised capital of around €110 million as well as additional authorised capital of around €417 million. We further request approval for the issue of convertible bonds, bonds with warrants, profit-sharing rights or income bonds with a total nominal amount of up to €2 billion and conditional capital of around €110 million.

The shareholders shall in all cases be granted a subscription right on the issue of new shares or the issue of convertible bonds or bonds with warrants. However, this may be waived where the shares or bonds are issued at market price. This avoids dilution of shareholdings. Similarly, the subscription right may only be waived for the issue of shares up to a total of 10 percent of the share capital.

For further details, I refer to the invitation to today's Annual General Meeting, which you can find online on the company's homepage.

Chart 16: TUI can handle crisis – it can also handle transformation

[Words of personal thanks to Peter Long]

Ladies and gentlemen, dear shareholders, the COVID crisis and the collateral damage in combatting it have led the tourism industry and many companies along with it to the edge of a precipice. State and private support have prevented the worst for us. However, that aid did not come in the form of a gift, but rather as loans that need to be repaid.

We have stabilised our company in the short term through consistent cost and liquidity management. We will be in a position to bear this debt burden and to reduce it over time thanks

to the digital transformation I have described and the consistent optimisation of our business model.

The period of the crisis has been nerve-wracking and marked by great uncertainty for a whole year for everyone – for you as shareholders and especially for our employees. The fact that we have all stood together and continue to do so, that all of our stakeholders are so committed despite everything, shows that “TUI can handle crisis!”

We have even managed to look beyond the crisis as a company and to drive forward the digital transformation more uncompromisingly than ever before. The TUI of today, indeed the TUI of tomorrow, is stronger, leaner, more effective and more digital than ever before. We have shown that: “TUI can handle crisis – it can also handle transformation!” For this impressive achievement I’d again like to thank the whole TUI team. You, our shareholders, deserve my recognition and gratitude for your loyalty. You all stuck with us through the crisis. The end of travel restrictions now seems within touching distance – and then there is nothing to stop us carrying our previous successes forward.

Thank you!