TUI GROUP

10 December 2020

TUI GROUP

Full year results to 30 September 2020

2020 IN REVIEW

- First half of FY20 opened with record bookings in January 2020, strong outlook and increased capacity planned for Summer 2020
- C-19 global pandemic led to a suspension of operations in March 2020 impacting most of our financial second half
- Significant self-help actions taken to address the impact of the C-19 pandemic, with cash fixed costs reduced by more than 70% during the immediate lockdown period and substantial reduction in cash capex
- Swift and disciplined liquidity management during the crisis including three support packages agreed
- Liquidity further enhanced with completion of compensation agreement with Boeing as well as Hapag-Lloyd Cruises disposal to TUI Cruises in a challenging market environment
- Global Realignment Programme launched to permanently reduce costs - target increased from €300m to €400m p.a.
- TUI was the first tour operator to successfully restart across multiple markets and destinations as travel restrictions eased worldwide from mid-June, demonstrating the advantage of our integrated and diversified business model

FY20 RESULTS

- As a result of C-19 travel restrictions during Summer 2020, FY20 revenue declined by 58% with a full-year Group underlying EBIT loss of €3.0bn[1]
- Full-year customer volume of 8.1m, down 62% on prior year, as direct result of imposed travel restrictions (FY19: 21.1m). Since restart of operations in mid-June, more than 2m customers have enjoyed their holidays with us
- Dividend suspended as required by terms of German Support Packages

1 At constant currency

LATEST DEVELOPMENTS

- As a result of the increasing travel restrictions caused by the rising number of infections and the associated later booking behaviour of some customers, we currently expect to operate an adjusted capacity[2] of 20% for Winter 2020/21 which will be weighted towards our financial Q2. We continue to expect to operate an adjusted capacity[2] of 80% for Summer 2021, which will be flexed as we gain more visibility on future imposed travel restrictions
- Agreed additional support package for €1.8bn with Unifirm Ltd, a syndicate of underwriting banks, KfW and the German Economic Support Fund (Wirtschaftsstabilisierungsfonds – WSF), strengthening our position and providing sufficient liquidity reserves in this volatile market environment
- As at 30 November 2020, cash and available facilities on a pro forma basis including additional support package would amount to €2.5bn, post €300m anticipated senior notes redemption
- On 15 March 2020, the Executive Board of TUI AG withdrew its guidance for financial year 2020 in view of the significant uncertainties relating to future developments and still feels unable to announce specific guidance in light of the ongoing situation.

2 Adjusted capacity refers to capacity % planned to be operated versus 2019 programme

EXECUTIVE SUMMARY

- Transformed TUI will be leaner, less cost, less capital intensive and more digital, driving return to profitable growth
- Strongly positioned to benefit from market recovery, resuming growth trajectory
- Optimised investments and accelerated digitalisation will increase agility and strengthen TUI's competitive position

ANNUAL REPORT AND FY20 RESULTS INVESTOR & ANALYST AUDIO WEBCAST

Our year-end announcement and a full copy of our Annual Report can be found on our corporate website: http://www.tuigroup.com/en-en/investors. An audio webcast for investors and analysts will take place today at 08.00 GMT / 09.00 CET. Our year-end presentation alongside details of the webcast, will be made available via our website beforehand.

FY20 KEY FINANCIALS (IAS 17 basis)

Year ended 30 September €m	2020	2019 Adjusted[7]	Change
Revenue	**7,953**	18,928	-58.0%
Underlying EBIT[3]	**-3,033**	894	n.a
Reported EBIT[4]	**-2,963**	769	n.a
(Loss)/Earnings before tax[5]	**-3,129**	691	n.a
Group (loss)/profit attributable to shareholders of TUI AG	**-3,077**	532	n.a
Underlying (loss)/earnings per share[6]	**-€5.45**	€0.89	n.a
Dividend per share	**€0.00**	€0.54	n.a
Net (debt)/cash	**-4,557**	-910	-3,647

3 Underlying EBIT has been adjusted for gains on disposal of investments, major gains and losses from the disposal of assets, major restructuring and integration expenses. The indicator is also adjusted for all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments.
4 Reported EBIT comprises earnings before net interest result, income tax and result from the measurement of interest hedges
5 For reconciliation of loss/earnings before tax to underlying EBIT, please refer to page 58 of the Annual Report
6 For calculation of underlying loss/earnings per share please refer to page 32 of the Annual Report
7 FY19 figures adjusted as a result of revised classification of certain expense items to cost of sales and revisions to PPAs, please refer to page 155 of the Annual Report for further details

FY20 RESULTS

- In line with our achieved cost reductions, underlying EBIT for the year was a loss of -€3.0bn at constant currency, down €3.9bn on prior year. The year-on-year movement reflects the significant impact of C-19, as shown below.

In €m (IAS 17 basis)	
FY19 Underlying EBIT	**893**
5M (Oct 19 to Feb 20) Underlying performance incl. one-offs	+97
FY20 Pre-C-19 Underlying EBIT at constant currency	**990**
C-19 Impact	
H2 MAX costs impact YoY (non-repeat of FY19 Q4 impact of €144m)	+144
C-19 Impact all other	-3,416
C-19 Impairments	-505
C-19 Hedging Ineffectiveness	-248
FY20 Underlying EBIT at constant currency	**-3,035**
Foreign exchange translation	2
FY20 Underlying EBIT at actual rates	**-3,033**

Underlying EBIT in €m (IAS 17 basis)	FY20 at constant currency rates[1]	FY19	Variance at constant currency rates	FY20 at actual rates	Variance at actual rates
Hotels & Resorts	-379.7	451.8	-831.5	-399.6	-851.4
Cruises	-327.0	366.0	-693.0	-322.8	-688.8
TUI Musement	-116.6	55.7	-172.3	-114.6	-170.3
Holiday Experiences	**-823.3**	**873.5**	**-1,696.8**	**-837.0**	**-1,710.5**
Northern Region	-984.4	58.5	-1,042.9	-975.1	-1,033.6
Central Region	-620.8	101.9	-722.7	-619.8	-721.7
Western Region	-445.7	-28.6	-417.1	-440.8	-412.2
Markets & Airlines	**-2,050.8**	**131.8**	**-2,182.6**	**-2,035.7**	**-2,167.5**
All other segments	-160.8	-111.8	-49.0	-160.2	-48.4
Total TUI Group	**-3,035.0**	**893.5**	**-3,928.3**	**-3,032.8**	**-3,926.3**

- **Hotels & Resorts saw the majority of the portfolio closed during the height of the pandemic, with around 40% of our 355 group hotels operating by the end of the financial year.**
    - Our model of diversified locations has been an advantage during the pandemic, with differing regional restrictions enabling an earlier reopening of some of our destinations, such as in Germany, Mexico and Egypt which were able to host domestic customers.
    - Underlying EBIT loss of €380m at constant currency reflects lost contribution attributable to forced closures across our business in the third quarter, limited capacity operated during the final quarter and impairment charges amounting to €205m, triggered by C-19 related WACC increases, under IAS 36.
    - FY occupancy rate declined by 16% pts to 66% with average rate per bed improving by 8% to €71 as a result of mix.
    - For further commentary and brand split for Hotels & Resorts, please see page 61 of the Annual Report.
- **Cruise has been heavily impacted as travel restrictions triggered worldwide port closures resulting in cancelled itineraries across all three brands during the third quarter.**
    - We have been one of the few cruise operators who have been able to restart partial operations during the fourth quarter, with Germany permitting sailings within European waters for TUI Cruises and Hapag-Lloyd Cruises.
    - Marella Cruises operations remained suspended as at the end of the financial year in line with UK government advice.
    - Underlying EBIT loss of €327m at constant currency, reflects limited restart of operations during our key second half, and impairment charges of €150m for Marella Cruises, triggered by C-19 related WACC increases, under IAS 36.
    - For further commentary and brand split for Cruise, please see page 62 of the Annual Report.
- **TUI Musement (renamed from Destination Experiences as of 1 October 2020) saw tours and activities suspended from March, with partial restart from mid-June, in line with Markets & Airlines.**
    - Underlying EBIT loss of €117m, reflects the pause in operation during Q3 and partial restart from mid-June.
    - 2.6m excursions & activities sold, down 73% versus prior year.
    - During the second half, we accelerated our digital transformation plans – including the prioritisation of our 'Digital First' service model and developing additional app functionalities as we incorporate C-19 safety protocols.
    - For further commentary on TUI Musement, please see page 63 of the Annual Report.
- **Markets & Airlines opened the year with a record booking position and a strong outlook prior to C-19 pandemic.**
    - In line with worldwide government advice from mid-March, our operations were suspended as we contributed to the global efforts to mitigate the spread of C-19.
    - With the advantage of our diversified model, we were the first tour operator to successfully restart operations from Germany in mid-June, followed by the rest of our European markets including the UK in July.
    - Since travel bans were lifted, 2.3m customers enjoyed their holidays with us between June and October.
    - Overall full-year volume of 8.1m customers is down by 62% as a result of our business suspension throughout most of the third quarter and a partial programme operated in the peak fourth quarter.
    - Underlying EBIT loss of €2,051m at constant currency is driven by factors above, compounded by fuel and FX hedging ineffectiveness of €252m and partly offset by non-repeat of MAX costs in the prior year.
    - For further commentary on Markets & Airlines, please refer to pages 63 to 65 of the Annual Report.
- **All other segments**
    - The result of All other segments declined by €49m at constant currency versus prior year, reflecting Corsair-related impairments, partially offset by immediate cost saving measures.

- Reported EBIT loss of €2,963m at constant currency firstly reflects the acute impact of C-19 business suspension as described above. Adjustments improved by €195m versus prior year, predominantly driven by a €476m gain on disposal from the divestment of Hapag-Lloyd Cruises and a €90m gain on disposal from the divestment of our German specialist businesses Berge & Meer and Boomerang, partially offset by restructuring charges in line with our announced Global Realignment Programme and WACC-driven goodwill and property impairments totalling €496m. For further detail on Adjustments, please refer to page 58 & 171 of the Annual Report. In FY21, we expect total Adjustments in the range of €180m to €200m to be incurred.

- Underlying loss per share for the year was -€5.45 (FY19: EPS of €0.89) reflecting the impact of the C-19 pandemic as described above. For the calculation of underlying loss per share, please refer to page 32 of the Annual Report.

GLOBAL REALIGNMENT PROGRAMME – TARGET INCREASED TO €400M P.A

In response to the C-19 pandemic we initiated a Global Realignment Programme as one of our self-help measures to address group-wide costs with a target of permanently saving more than €300m, with the first benefits to be delivered from FY20 and full benefits to be achieved by FY23. Projects announced and underway across core functions, Markets & Airlines and TUI Musement (formerly Destination Experiences) are already expected to deliver close to the €300m target savings and we have therefore increased our target to €400m per annum. In addition to restructuring charges of €303m realised in FY20, we expect restructuring costs of ~€120m in FY21 and ~€40m in FY22.

As a result of these measures, we are confident TUI Group will emerge stronger, leaner, more digitalised and more agile, in what is likely to be a much more consolidated market.

NET DEBT

Closing financial position deteriorated from €3,850m (IAS 17 basis) as at 30 June 2020 to €4,557m net debt as at 30 September 2020. The increase in net debt in the final quarter of €707m is in line with our cash outflow expectations.

The year-end net debt position of €4,557m (IAS 17 basis) versus the prior year (FY19: net debt €910m) reflects the full draw down of our original Revolving Credit Facility of €1,535m and the first tranche of state aid amounting to €1.8bn as part of our support package agreed (second and third support package of €1.2bn and €1.8bn both finalised post balance sheet date).

In the financial year 2020 we transitioned to IFRS16. All leases are recognised as right-of-use assets and lease liabilities in our statement of financial position. According to IFRS16 our year-end net debt position amounts to €6,421m.

CASH OUTFLOW/ LIQUIDITY POSITION

Pro forma cash and available facilities as at 30 November 2020, including third support package, would amount to €2.5bn (post €300m senior notes redemption).

For FY21 Q1, we expect lower working capital from settlement of supplier payments and as a result of more extensive local restrictions across our key markets since November, which has forced us to cancel departures and affected booking momentum. Overall, we now expect monthly cash outflow to be in the range of €400m to €450m per month.

ADDITIONAL SUPPORT PACKAGE

On 2 December 2020, we announced an agreement with Unifirm Ltd, a syndicate of underwriting banks, KfW and the German Economic Support Fund (Wirtschaftsstabilisierungsfonds – WSF) on a further financing package of €1.8bn.

The package includes in summary -

- a capital increase with subscription rights of approx. €500m;
- a silent participation, convertible into shares by the WSF of €420m;
- a non-convertible silent participation by the WSF of €280m;
- a state guarantee of €400m, or, alternatively, a respective increase of the non-convertible silent participation by the WSF; and
- an additional credit facility by KfW of €200m, and a prolongation of an existing credit facility by KfW until July 2022.

The package is, *inter alia,* subject to the approval of the European Commission under state aid rules, the granting of the necessary merger control approvals (where there is a prohibition on implementation) and the respective resolutions at our Extraordinary General Meeting envisaged for January.

The financing package strengthens our position and provides us with sufficient liquidity reserves in this volatile market environment. It also balances out the presumed travel restrictions until the beginning of the 2021 summer season. The package became necessary due to the increasing travel restrictions caused by the rising number of infections and the associated later booking behaviour of some customers. Further details of the support package can be found in our Ad-hoc release of 2 December 2020 as well as on pages 152 to 154 of our Annual Report.

BREXIT

With regard to the UK's exit from the EU as of 31 January 2020, a main concern remains whether our airlines will continue to have full access to EU airspace after the transition period. We are continuing to address the importance of there being a special and comprehensive agreement for aviation between the EU and the UK post Brexit to protect consumer choice with the relevant UK and EU decision makers. We follow the political negotiations closely and continue to develop scenarios and mitigating strategies for various outcomes, including the potential exit of the UK from the EU on

31 December 2020 without a comprehensive free trade agreement, with a focus on alleviating potential Brexit impacts on the Group. As at 30th November 2020 our EU level of ownership, excluding the UK, was >50%.

BUSINESS ASSUMPTIONS

There is still considerable uncertainty regarding the likelihood and nature of further lockdowns and travel restrictions over the next few months, the distribution of an effective vaccine and the shape of the economic recovery. As a result the TUI Executive Board refrains from issuing new guidance for the Financial Year 2021 under the current circumstances.

WINTER 2020/21 - we currently expect to operate an adjusted capacity[8] of 20% for Winter 2020/21, a reduction of 20% since our Pre-Close trading update which reflects the more extensive local restrictions across our key markets during the first quarter. We expect our adjusted capacity[8] plans to be weighted towards our financial Q2 as travel restrictions are eased, with a notable pick up in recent bookings in those markets with softening local restrictions.

Anecdotally we have observed an immediate uplift in demand when destinations reopen with long-haul destinations such as Jamaica and St Lucia reporting load factors of over 90% on reopening. Whilst many of the popular winter destinations as well as long-haul options may at present not be permitted, our integrated model means we are well positioned to resume both medium and long-haul programmes as soon as destinations are reopened again. Our Winter bookings[9] are currently down 82%, in line with adjusted capacity, compared to normal levels of prior year as well as reflecting an overall later customer booking pattern in recent months as a result of the short notice changes in travel advice. ASP for Winter 20/21 is up 4%.

SUMMER 2021 - we currently plan to operate an adjusted capacity[8] of 80%, in line with our last trading update. Bookings are down 10% versus this same point last year for Summer 2020 and ASP is up 14%[9], made up of both new bookings and re-bookings. Compared to the same stage of the Summer 2019 programme, our current level of bookings would be 3% ahead. UK bookings[9] are up 19% reflecting the typical earlier booking behaviour for the region. The absolute and relative change in overall bookings position since our Pre-Close trading update reflects a slowdown in booking momentum during November as a result of local restrictions across our key markets and particularly strong comparables in the wake of the Thomas Cook insolvency. We expect the later booking behaviour to be less pronounced as local travel restrictions ease, vaccine programmes become available and we return to a more normalised environment for leisure travel (supported by a pickup in recent bookings following positive vaccine news). The integrated nature of our business model means we have a high level of flexibility to adapt our programme as we gain more visibility. People's continuing passion for holidays is evident in external research[10] which identifies holidays as being one of the most missed activities during the C-19 pandemic.

8 Adjusted capacity refers to capacity % planned to be operated versus 2019 programme
9 These statistics are up to 29 November 2020, shown on a constant currency basis and relate to all customers whether risk or non-risk
10 BCG COVID-19 consumer sentiment survey UK, US, Italy and France https://www.bcg.com/en-gb/publications/2020/covid-consumer-sentiment-survey-snapshot-5-18-20

BOEING 737 MAX

With regards to the Boeing 737 MAX, the US FAA issued an Airworthiness Directive on 18 November 2020 which allows for the resumption of commercial operations of the B-737MAX after the implementation of the specified means of compliance. EASA issued a draft Airworthiness Directive relating to the B-737MAX on the 24 November for consultation. EASA have publicly indicated its intention to issue final certification within a matter of weeks, subject to the 28-day consultation process and various other required steps. It is our view that airlines in the EASA region are likely to be permitted to return the Boeing 737 MAX to commercial service during the first quarter of 2021. We anticipate further updates as EASA completes their final steps for recertification.

RETURN TO PROFITABLE GROWTH

We expect FY21 to be a year of transition and for the Group to return to profitable growth from FY22 onwards. The additional financing package agreed strengthens our position and provides us with sufficient liquidity reserves in this volatile market environment, balancing out the presumed travel restrictions until the beginning of the 2021 Summer season. We are actively streamlining the business through targeted cost cutting, whilst prioritising growth spend on digitalisation initiatives. We will be selective in our investment strategy which will be supported by disposals and we will be focussed on asset light structures. Our trusted, leading brand with differentiated products is strongly positioned to benefit from the expected market consolidation. Our digitalisation transformation, underpinned by cost control, and balance sheet discipline will drive our return to healthy financial metrics and profitable growth.

EXTRAORDINARY GENERAL MEETING

TUI Group plans to hold an EGM and seek approval for its new support package in January 2021.

ANALYST & INVESTOR ENQUIRIES

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