22 September 2020

TUI GROUP

Pre-Close Trading & C-19 Update

Prior to entering its close period ahead of reporting its full year results for the twelve months ending 30 September 2020 in December, TUI Group announces the following update.

C-19 Highlights

- Prior to the C-19 pandemic, January 2020 saw the best booking month in the company's history
- TUI was on track to deliver a strong result for financial year 2020
- Since the worldwide travel suspension in March, significant self-help actions have been taken to address the impact of the C-19 pandemic across the business
- Liquidity swiftly managed by securing state aid from the German Federal government
- Cash fixed costs reduced by more than 70% during the immediate lockdown period
- Comprehensive compensation agreement finalised with Boeing
- Completed the Hapag-Lloyd Cruises disposal to TUI Cruises joint venture in a challenging environment
- First tour operator to successfully restart operations across multiple markets and destinations, helped by the advantage of our integrated and diversified business model
- Global Realignment Programme launched to permanently reduce overhead cost base by 30% across the Group
- Summer 2020 and Winter 2020/21 capacity reduced as a result of recent volatile changes in travel restrictions
- Overall FY20 Q4 cash outflow remains as expected
- As at 20 September 2020, cash and available facilities on a pro forma basis including additional stabilisation package, would amount to €2.0bn

Chief Executive of TUI Group, Friedrich Joussen, commented:

"We have successfully restarted our operations; customers are enjoying their holidays with newly adapted hygiene protocols and we have taken 1.4m customers on their holidays since restart[1]. Destination availability at present is highly influenced by government policy and development of the pandemic, meaning the environment remains volatile, and is likely to remain so for the next few quarters.

"Leisure holidays remain important to customers and have been one of the most missed activities[2] during the pandemic, with leisure travel expected to recover faster than business travel. Our integrated model, underpinned by our trusted and leading brand, offering differentiated products and attractive value propositions, combined with proven flexibility in a volatile environment, means we are strategically well placed to benefit as leisure travel volume recovers over the coming seasons.

"We are on track to complete the additional stabilisation package provided by the German Federal government as announced on 12 August with waiver approval secured from our Senior Notes bond holders. Our Global Realignment Programme is firmly underway with digitalisation initiatives accelerated throughout the Group. TUI will emerge a stronger, leaner, more digitalised business and is well positioned to benefit from the expected recovery."

[1] *Since restart of operations in mid-June to end of August 2020*
[2] *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

Current Trading

In Markets & Airlines, we successfully restarted operations from mid-June, with newly introduced comprehensive hygiene protocols in place. Since restart[1], we carried 1.4m customers on holiday, achieving an average load factor of 84% based on adjusted capacity. Over the last month, we have been impacted by continuous changes in travel advice by various governments across our markets. We have adapted by remixing and trimming our Q4 capacity from 30% to 25%, to alternative low-risk destinations, enabling many customers to continue their holidays as planned. We expect travel advice by each regional government to remain highly fluid, and we subsequently expect short term bookings to continue until customers are able to plan with more certainty. Where possible, we would prefer to see a regional risk assessment policy being applied by each government rather than a blanket travel policy. In addition, if testing were to be made more available on arrival in destination and on departure then this would also help to avoid compulsory quarantine and movement restrictions.

Bookings for Summer 20[3] are currently 83% down versus prior year and ASP down 19%. This equates to 15% sold of our original programme reflecting the impact of cancellations from mid-March, versus 97% sold at the same point last year. Rebased on our adjusted capacity plans, we are 82% sold to date, which has been influenced by the current later booking trend.

Winter 20/21 programme[3] has been further reduced by ~20% since our Q3 update, to ~40% adjusted capacity reflecting the current uncertainty relating to travel restrictions. We are currently 30% sold for the adjusted winter capacity, broadly in line with this time last year. Compared to the normal levels of prior year, bookings are currently down 59%, in line with adjusted capacity and ASP is up 3%. We will monitor and flexibly adapt our capacity, in line with demand as well as travel restrictions, to ensure we continue to responsibly offer our customers a range of safe winter holiday options.

For Summer 21, we expect to operate 80% adjusted capacity in line with view shared at our Q3 results. Although we remain early in the booking cycle, we see a favourable development, with bookings up 84% and ASP up 10% versus prior year[3], made up of both new bookings and rebookings and helped by the early launch of the Summer 21 programme. On an underlying basis we see strong customer intention to travel, with many customers wanting to secure their summer holidays well ahead of time.

[3]These statistics are up to 13 September 2020, shown on a constant currency basis and relate to all customers whether risk or non-risk

Resumption of the 737 MAX remains subject to the clearance decision of the civil aviation authorities. Over the last few weeks, recertification flights have been completed by both the FAA and EASA in Canada and in the UK respectively, indicating progress to return the Boeing 737 MAX to commercial service by late this calendar year. We anticipate further announcements in the upcoming weeks.

In Hotels & Resorts, we reopened 157 hotels, (~44% of total group owned portfolio) by the end of August across our worldwide destinations.

In Cruises, both TUI Cruises and Hapag-Lloyd Cruises successfully restarted itineraries offering short, European cruises from the end of July. Three out of its seven-ship fleet were operated by TUI Cruises during the final quarter of our financial year. Hapag-Lloyd Cruises operated three out of its five-ship fleet during the last quarter, offering similar short, European cruises, such as to the Danish Sea and to the Scandia archipelagos. In addition to the comprehensive hygiene measures already on board across our fleets, extensive preventative protocols have been introduced. All guests going forward will be provided with C-19 testing 48 hours / 72 hours prior to departure as part of their cruise package, with a mandatory negative PCR test result a prerequisite for travel. Marella Cruises remained suspended throughout the Summer, in adherence with UK FCO guidelines and we eagerly await a positive change in advice.

In Destination Experiences, excursions, tours and activities recommenced from mid-June, in line with the restart of operations and capacity operated by our Markets & Airlines segment.

Global Realignment Programme

We have initiated the main projects of our global realignment programme to address group-wide costs. The programme targets to permanently reduce our annual overhead cost base by 30% across the entire Group and potentially impacts 8,000 roles. We are targeting permanent annual saving of more than €300m, with the first benefits expected to be delivered from FY20 and full benefits to be delivered by FY23. Projects announced and underway across corporate head office, Markets & Airlines and Destination Services are already expected to deliver close to the €300m target savings.

Restart monthly cash out

In general, with the partial restart during the summer months, customer refund obligations are reducing, and we are generating immediate working capital inflow from new bookings. The recent volatile changes in travel advice have led to higher customer refund obligations over the last few weeks and subsequently softer working capital inflow from new bookings. On an operational level, we therefore now expect to see a cash outflow for late August and September. On balance, including net special items, we continue to anticipate low single-digit hundreds million outflow per month for the final quarter of the financial year. The implications of the recent update from the UK Competition & Markets Authority are already incorporated in our cash outflow indication above.

For FY21 Q1, we now expect lower working capital from new bookings as a result of the recent volatile changes in travel advice. We however continue to expect to see lower outflow of hotelier payments for holidays operated in the fourth quarter from both utilising capacity where we have prepayments in place as well as from operating a much smaller programme versus a normal year. Overall, we expect monthly cash outflow now to be slightly higher, between low to mid-single digit hundreds million per month.

Liquidity position

As announced on 12 August, we have strengthened our liquidity position by successfully reaching an agreement for a further stabilisation package with the German Federal Government for €1.2bn, consisting of a further KfW tranche for the amount of €1.05bn and a €150m convertible bond (alternatively a bond with warrant) subscribed by the German Economic Stabilisation Fund (WSF). This additional stabilisation package is subject to two preconditions. The first, relating to a waiver of a potential future limitation of TUI's financial indebtedness from the bondholders of the Senior Notes (due in October 2021), was approved on 9 September, with the amendment of the Senior Notes terms and conditions expected to become effective during the course of October 2020. The second precondition relating to the issuance of a convertible bond (alternatively a bond with warrant) to the Economic Stabilisation Fund (WSF) for the amount of €150m is on track. Upon fulfilment of all further customary conditions for disbursements, all funds would then be readily available to TUI. The package would provide sufficient liquidity to cover the seasonal swing through Winter 20/21 and better position TUI in this volatile market environment, should there be further periods of travel restrictions or disruptions relating to C-19.

On a pro forma basis as of 20 September 2020, including the additional stabilisation package of €1.2bn, the Group's total cash and available facilities would amount to €2.0bn, compared to €2.4bn as of 12 August 2020.

The reduction reflects higher customer refund obligations during late August and September as a result of the recent changes in travel restrictions. FY20 Q4 overall monthly cash out flow remains in line with our indications shared at our Q3 results (noting the reported cash position as of 12 August 2020 benefitted from the remaining Hapag-Lloyd Cruises disposal proceeds).

After having agreed additional liquidity support by the German Federal Government, we continue to evaluate options to achieve the optimal balance sheet structure to support the business over the longer term.

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Cautionary statement regarding forward-looking statements

The present announcement contains various statements relating to TUI Group's and TUI AG's future development. These statements are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, they are not guarantees of future performance since our assumptions involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Such factors include market fluctuations, the development of world market prices for commodities and exchange rates or fundamental changes in the economic or political environment. TUI does not intend to and does not undertake any obligation to update any forward-looking statements in order to reflect events or developments after the date of this announcement.