TUI GROUP

Half-Year Financial Report 1 Oct. 2023 – 31 March 2024

Summary

Record Q2 2024 performance, delivering highest ever revenues of €3.6bn and strong improvement in Q2 underlying EBIT by €53.6m to €-188.7m[1]. Following our strong performance in H1 and as we see the positive trends in our business continuing in H2, we reconfirm our FY24 guidance to increase our underlying EBIT by at least 25%.

- Q2 Group revenue of €3.6bn was a record for the period[1] with strong growth of +16% versus prior year (Q2 2023: €3.2bn). It underlined the strength of demand for our product portfolio at improved prices across our businesses.
- As a result, the Group's underlying EBIT for Q2 improved strongly by +€53.6m to €-188.7m. This emphasises the progress we have made as a business in executing and advancing our strategy for the Group.
    - Hotels & Resorts achieved a record performance in the quarter[1], reflecting significant operational growth driven by higher bed nights at improved rates.
    - Similarly, our Cruises segment also delivered a record result for Q2[1], buoyed by significant growth. This achievement was marked by higher occupancies and improved rates within a strong trading environment.
    - TUI Musement continues to drive forward digitalisation and differentiated product innovation, reporting higher customer volumes.
    - In Markets & Airlines demand remained resilient with customer volumes ahead for all Regions and prices continuing to track higher. Results were however influenced by the absence of the prior year's positive contribution from Canada, following the sale of the tour operator business.
- A total of 2.8m customers travelled with TUI during the quarter, +14% more than in the prior year. Average load factor of 93% for Q2 2024 again achieved the high levels of the prior year.
- Our net debt position further improved year-on-year by +€1.1bn to €3.1bn at 31 March 2024 (31 March 2023: €4.2bn). This improvement reflects foremost net proceeds (following repayment of the final WSF obligations) from our capital increase in April 2023 and a positive operational cash flow in the last twelve months since 31 March 2023.
- We remain committed to improving our cash flow position and maintaining strict cost and investment discipline, with the target to restore our balance sheet strength and improve our credit metrics.
- During the quarter, we successfully issued €500 million sustainability-linked senior notes, as part of our target to fully return and debt-finance the remaining KfW Revolving Credit Facility (RCF).
- In February 2024, we saw a further improvement in our credit rating, which was upgraded to B+ by S&P and B1 by Moody's, with both noting a positive outlook. These upgrades reflect the operational and financial progress made by the business to date.
- Bookings in Markets & Airlines[2] continue to be well ahead year-on-year, highlighting the resilience of demand for our product offering. The Winter 2023/24 season closed with a strong lates market. Bookings were at +9% with average selling price (ASP) holding up well at +3%. Bookings for the Summer 2024 season continue to be promising, with 60% of the season sold. Bookings taken to date are +5% higher, supported by increased prices, up +4%.
- Holiday Experiences trading[3] remains well on track to deliver in line with expectations. Both our Hotels & Resorts and Cruises segments in particular, continue to benefit from strong demand.
- Our hedging levels for the coming Summer and Winter seasons remain in line with our normal hedging policy.

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1 Since the merger of TUI AG and TUI Travel PLC in 2014

2 Bookings up to 5 May 2024, relate to all customers whether risk or non-risk and includes amendments and voucher re-bookings

3 FY 2024 trading data (excluding Blue Diamond in Hotels & Resorts) as of 5 May 2024 compared to 2023 trading data

FY 2024 guidance[4]

Our focus is on operational excellence and execution as well as the continued transformation. Our strategic roadmap, the strong operational recovery and the measures taken to strengthen our balance sheet, lay the foundations for future profitable growth. Our guidance for FY 2024 is based on the strong performance in H1 with underlying EBIT up +€232m[5] supported by a significant improvement in Hotels and Cruises and by the return to our normal hedging policy in our Markets & Airlines. We see the positive trends in our business continuing in H2, but also recognise the current macroeconomic as well as geopolitical uncertainties especially in the Middle East, with 40% of the Summer 2024 left to sell. We therefore reconfirm our guidance for FY 2024 as published in our Annual Report 2023:

- We expect revenue to increase by at least +10% year-on-year
- We expect underlying EBIT to increase by at least +25% year-on-year

Mid-Term Ambitions

We have a clear strategy to accelerate profitable growth by increasing the customer lifetime value, creating a business which is more agile, more cost-efficient and achieving a higher speed to market with the aim to create additional shareholder value. Our mid-term ambitions are as follows:

- Generate underlying EBIT growth of c. +7-10% CAGR
- Target net leverage[6] strongly below 1.0x
- Return to a credit rating territory in line with our pre-pandemic rating BB/Ba (S&P/Moody's)

Sustainability (ESG) as an opportunity[7]

- As an industry leader, we want to set the standard for sustainability in the market. We believe that sustainable transformation should not be viewed solely as a cost factor, but that sustainability pays off – for society, for the environment, and for economic development. We continue to make progress to reduce relative emissions and to achieve our targets. These include:
  - The launch of a new Group Policy on Diverse, Sustainable and Ethical Sourcing. This policy sets targets and gives guidance for all procurement regarding emission reduction, energy usage, circular economy, plastic use, water conservation and design for re-use. It encompasses a broader ESG agenda, where diversity, equality, inclusion and ethical conduct are paramount. The policy will support our goal to be a catalyst for positive change.
  - TUI Blue is working with tech company KITRO to reduce food waste through technology. Leftover food is weighed and analysed with the help of artificial intelligence. This year, the new process will be rolled out to 12 hotels in Germany, Austria, Turkey, Tunisia, Morocco and Croatia. The aim is to reduce food waste in hotels by 25 percent by 2030.
  - TUI fosters socially responsible tourism, addressing concerns about scarce living space and environmental impact. We operate organised packaged tourism that impacts local living space less, whilst we feel the current critism is directed at the unregulated individual tourism on the Canaries. TUI is also committed to minimising hotel emissions, reduce water consumption significantly, and investing in solar systems, within the next decade. Despite protests highlighting issues such as rising housing prices and resource consumption, the general sentiment towards tourists remains positive. We continue our efforts to balance tourism benefits with community well-being.

[4] Based on constant currency and within the framework of the macroeconomic and geopolitical uncertainties currently known, including developments in the Middle East

[5] at constant currency

[6] Net leverage ratio defined as net debt (Financial liabilities plus lease liabilities less cash & cash equivalents less other current financial assets) divided by underlying EBITDA

[7] Further details on our Sustainability Agenda are published in our Annual Report 2023 and also on our website under [Responsibility (tuigroup.com) (not subject of an auditor's review)]

TUI GROUP

TUI Group - financial highlights

€ million		Q2 2024	Q2 2023 adjusted	Var. %	H1 2024	H1 2023 adjusted	Var. %	Var. % at constant currency
Revenue		**3,650.0**	**3,152.9**	**+ 15.8**	**7,952.5**	**6,903.4**	**+ 15.2**	**+ 14.5**
Underlying EBIT[1]								
Hotels & Resorts		117.4	78.0	+ 50.4	208.1	149.7	+ 39.0	+ 45.2
Cruises		70.1	14.8	+ 373.5	104.5	15.0	+ 598.6	+ 592.5
TUI Musement		- 16.5	- 12.7	- 29.4	- 27.1	- 26.2	- 3.5	+ 5.9
Holiday Experiences		171.0	80.1	+ 113.5	285.5	138.4	+ 106.2	+ 114.1
Northern Region		- 164.9	- 147.5	- 11.8	- 215.3	- 269.5	+ 20.1	+ 22.7
Central Region		- 89.1	- 102.1	+ 12.7	- 87.8	- 131.1	+ 33.0	+ 33.6
Western Region		- 72.1	- 59.2	- 21.7	- 118.4	- 102.1	- 15.9	- 15.2
Markets & Airlines		- 326.1	- 308.5	- 5.7	- 421.5	- 502.4	+ 16.1	+ 17.8
All other segments		- 33.6	- 13.9	- 141.3	- 46.7	- 31.3	- 48.9	- 49.2
Underlying EBIT[1] TUI Group		**- 188.7**	**- 242.4**	**+ 22.1**	**- 182.7**	**- 395.3**	**+ 53.8**	**+ 58.7**
TUI Group (at constant currency)		**- 177.3**	**- 242.4**	**+ 26.8**	**- 163.3**	**- 395.3**	**+ 58.7**	
EBIT[1]		**- 194.9**	**- 247.6**	**+ 21.3**	**- 194.7**	**- 406.3**	**+ 52.1**	
Underlying EBITDA		**15.6**	**- 42.9**	**n. a.**	**224.2**	**15.3**	**n. a.**	
EBITDA[2]		**14.7**	**- 42.7**	**n. a.**	**222.7**	**15.3**	**n. a.**	
Group loss		- 247.0	- 326.2	+ 24.3	- 330.5	- 558.0	+ 40.8	
Earnings per share	€	- 0.58	- 1.26	+ 54.0	- 0.82	- 2.15	+ 61.9	
Net capex and investment		276.2	68.9	+ 301.1	320.1	217.8	+ 46.9	
Equity ratio (31 Mar)[3]	%	-	-		7.7	- 6.1	+ 13.8	
Net debt (31 Mar)					3,090.7	4,196.4	- 26.3	
Employee (31 Mar)					56,370	53,961	+ 4.5	

Due to rounding, some of the figures may not add up precisely to the stated totals, and percentages may not precisely reflect the absolute figures. All change figures refer to the previous year, unless otherwise stated.

[1] We define the EBIT in underlying EBIT as earnings before interest, income taxes and result of the measurement of the Group's interest hedges. For further details please see page 43.

[2] EBITDA is defined as earnings before interest, income taxes and result of the measurement of the Group's interest hedges, goodwill impairment and amortisation and write-ups of other intangible assets, depreciation and write-ups of property, plant and equipment, investments and current assets.

[3] Equity divided by balance sheet total in %, variance is given in percentage points.

The present Half Year Financial Report 2024 is based on TUI Group's reporting structure set out in the Consolidated Financial Statements of TUI AG as at 30 September 2023. See TUI Group Annual Report 2023 from page 28.

Due to the re-segmentation of an IT company from Western Region to All other segments in the current year the previous periods have been adjusted by €0.8m.

- H1 2024 Group revenue was €8.0bn, up +15.2% (H1 2023: €6.9bn). The Group's H1 2024 seasonal operating loss (underlying EBIT) declined by 53.8% to €-182.7m (H1 2023: €-395.3m).

Trading update Markets & Airlines[8] – Customer demand is proving to be resilient. Strong lates market for Winter season, with both bookings and ASP well ahead year-on-year, Summer season continues to be promising reflected by increased bookings and ASP

- The Winter 2023/24 season closed with bookings up +9%. Notably, ASP also held up well at +3% in a strong lates market.
- A total of 5.1m bookings were taken across our source markets for the season, with +0.7m added since our Q1 2024 update in February 2024.
- Short- and medium destinations proved to be most popular with our customers, with the Canaries and Egypt once again key destinations and demand for Cape Verde continuing to grow.
- Bookings across all our source markets were higher and notably both our key markets in UK and Germany reported increased bookings levels compared to our last update as the season ended with ASP ahead of Winter 2022/23. In UK bookings closed up +11%, whilst bookings in Germany finished +10% higher.

Summer 2024 vs. Summer 2023

Variation in %	
Bookings	+ 5
ASP	+ 4

- We are pleased to report, that current indications for Summer 2024[9] continue to be promising, with 60% of the programme sold, which is in line with Summer 2023.
- With +3.9m bookings added since our last update in February, we have now taken a total of 9.0m bookings for the season to date. This is an increase of +5%, with our key markets ahead of prior year.
- ASP of +4% continues to be ahead and holding the level reported in February 2024.
- Demand for medium- and short-haul destinations continues to drive bookings, with all destinations reporting higher sales against Summer 2023. Greece, Turkey and the Balearics are once again proving to be the most sought-after destinations for the summer break.
- UK sales are +3% ahead with 65% of the season sold to date. In our other key market Germany sales are well ahead at +7% with 60% of the season sold.
- We continue to closely monitor geopolitical events as they unfold, especially concerning the Middle East and around the Arabian Peninsula. Our flexible business model allows us the option to adjust capacity from the eastern to western Mediterranean should there be a further escalation of the conflict in this region which has a significant and prolonged effect on customer demand.

[8] Bookings up to 5 May 2024 relate to all customers whether risk or non-risk and include amendments and voucher re-bookings.

[9] Depending on the source market, Summer season starts in April or May and ends in September, October, or November.

Trading update Holiday Experiences[10] – Trading remains well on track to deliver in line with expectations

Trading	H2 2024
Variation in % versus previous year	
Hotels & Resorts	
Available bed nights	+ 1
Occupancy	+ 1
Average daily rate	+ 9
Cruises	
Available passenger cruise days	+ 6
Occupancy	+ 7
Average daily rate	+ 2
TUI Musement	
Experiences sold	+ high single-digit
Transfers	in line with Markets & Airlines

- Hotels & Resorts – Number of available bed nights[11] for H2 is up +1%, supported by an earlier start to the season. Booked occupancy[12] to date is +1%pt ahead as the strong demand for our hotel portfolio witnessed in the prior year continues. Average daily rates[13] are well ahead across our key brands, with overall rates up +9% for H2. Key destinations for the half-year are expected to be Turkey, Greece and the Balearics.
- Cruises – Our three brands will continue to operate a full fleet of initially sixteen ships over the summer period, with Mein Schiff 7 joining the TUI Cruises fleet in June. Available passenger cruise days[14] on offer in H2 are +6% supported by the additional ship for TUI Cruises and despite the cancellation of some itineraries around the Arabian Peninsula impacting our operational improvement in the second half of the financial year. Booked occupancy[15] rates are up +7%pts across both businesses, supported by stronger demand for the itineraries on sale. As a result, average daily rates[16] for H2 are ahead by between +3% and +5% across the individual cruise lines and at +2% overall, due to a change in the brand mix with the additional new ship for Mein Schiff and transfer of Marella Voyager within the segment. For the summer season Cruises offers a broad range of routes. Mein Schiff, with its fleet of seven ships, will sail to the Mediterranean, Northern Europe, Baltic Sea and North America, with the Hapag-Lloyd Cruises programme focusing on Europe, North America, Asia as well as voyages to the Arctic, based on a fleet of five vessels. Marella, with its fleet of five ships will operate itineraries across the Mediterranean.
- TUI Musement – We are continuing the expansion of our Tours and Activities business, increasing our range of B2C experiences as well as growing our B2B business with partners and anticipate a higher volume of transfers and experiences sales supported by our Markets & Airlines business. Bookings for our experiences business, providing excursions, activities and tickets are expected to increase by a high single digit percentage for H2. The transfer business providing support and services to our guests in their destination, is expected to develop in line with our Markets & Airlines capacity assumptions.

[10] FY 2024 trading data (excluding Blue Diamond in Hotels & Resorts) as of 5 May 2024 compared to 2023 trading data
[11] Number of hotel days open multiplied by beds available in the hotel (Group owned and leased hotels)
[12] Occupied beds divided by available beds (Group owned and lease hotels)
[13] Board and lodging revenue divided by occupied bed nights (Group owned and leased hotels)
[14] Number of operating days multiplied by berths available on the operated ships
[15] Achieved passenger cruise days divided by available passenger cruise days
[16] TUI Cruises: Ticket revenue divided by achieved passenger cruise days. Marella Cruises: Revenue (stay on ship inclusive of transfers, flights and hotels due to the integrated nature of Marella Cruises) divided by achieved passenger cruise days

Strategic priorities
We continue to drive forward our TUI Group strategy as outlined in the Annual Report 2023[17]. Our aim is to grow a scalable and global tourism business and we have ambitious profitability targets.

Within this framework we are transforming the business and have recently achieved further milestones. These include the following:

- The growth of our hotel portfolio is driven by a strong pipeline of hotels. Our target is to sign around ten new hotels per quarter. By the end of the financial year, we aim to add around 20 new hotels to the business in line with our asset right growth strategy. As part of this strategy, we recently announced the opening of our first Robinson Club in the trend destination Vietnam. In addition, we are strengthening our presence across Sub-Saharan Africa. After launching our new luxury brand "The Mora" on Zanzibar, a further project is planned in East Africa where we have signed for our first TUI Blue hotel in Kenya.
- In Cruises our product growth is driven by investment into new build ships by our TUI Cruises joint venture. In June the first of three new ships sets sail. The Mein Schiff 7 adds almost three thousand berths to the fleet. It will be powered by marine diesel and in the future is planned to run on green methanol. Itineraries during the first summer season will focus on Northern Europe and Baltic Sea voyages, whilst in the upcoming winter season routes will be around the Canaries.
- Through TUI Musement, the Group has a scalable platform in the tours and activities market. Recently, we announced that the business will be the new partner for online travel agent loveholidays. TUI Musement will power a digital platform with a curated portfolio of thousands of excursions, activities and attraction tickets, which customers of the OTA can now directly access. The offering to loveholidays customers includes options from the TUI Collection range developed by the TUI team. Furthermore, loveholidays customers can book National Geographic Day Tours, which have been created by TUI in collaboration with National Geographic Expeditions.
- In Markets & Airlines we have delivered further progress in increasing the volume and proportion of dynamic packaging and supply, to deliver choice, flexibility and hence growth, without increasing operational leverage. A key example of this is our co-operation with Ryanair, announced in February 2024, which means TUI customers will be able to choose from an even wider range of flights when booking their trip. We have also further expanded the dynamic supply of accommodation and flights with multiple other suppliers. In addition, we have made further progress on quality, delivering a net promoter score of 52 in April year to date.

We also aim to further improve our net leverage, focusing on optimising working capital and cash from operations and maintaining disciplined capital expenditure through asset right and joint venture growth. This will support improving the structure of our balance sheet with the aim to bring our net leverage[18] down well below 1.0x in the mid-term. In this context, we successfully issued €500 million sustainability-linked senior notes during the quarter with a coupon of 5.875%. This issuance is part of our target to fully return and debt-finance the remaining KfW Revolving Credit Facility (RCF). The issue proceeds have been used to repay existing liabilities, reduce the KfW credit line and cover expenses associated with the bond. The coupon of the notes is linked to the achievement of a specific sustainability target, which is to reduce TUI Group's Airlines CO_2e-emissions per Revenue Passenger Kilometer[19] by at least 11% by the end of the financial year ending on 30 September 2026 (compared to the financial year that ended 30 September 2019). In February 2024, we saw a further improvement in our credit rating, which was upgraded to B+ by S&P and B1 by Moody's, with both noting a positive outlook. These upgrades reflect the operational and financial progress made by the business to date.

Report on changes in expected development

We re-confirm all our expectations for financial year 2024 set out in the Annual Report 2023. See TUI Group Annual Report 2023 from page 56 onwards.

[17] Details on our strategy see TUI Group Annual Report 2023 from page 24
[18] Net leverage ratio defined as net debt (Financial liabilities plus lease liabilities less cash & cash equivalents less other current financial assets) divided by underlying EBITDA
[19] Revenue Passenger Kilometers (RPK) or Revenue Passenger Miles (RPM) is an aviation industry metric that indicates the number of kilometers traveled by paying passengers

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This Half-Year Financial Report, the presentation slides and the video webcast for H1 2024 (published on 15 May 2024) are available at the following link: www.tuigroup.com/en-en/investors