14 December 2022

TUI GROUP

Full-year results to 30 September 2022

FY22 Q4 FINANCIAL HIGHLIGHTS & TRADING UPDATE

- Strong Q4 performance in a more normalised trading environment
  - All segments reporting a positive underlying EBIT for the first time post pandemic
  - Following a restart of operations in Q3 and limited Winter 2021/22 trading due to Covid-19 restrictions
- Summer 22 closed out strongly with 13.7m customers enjoying holidays, Q4 customers at 93% of FY19 LFL levels, with high airline load factors of 92%
- Q4 Group revenue of €7.6bn, improved by €4.2bn year-on-year, reflecting the strength in demand and return to a more normalised travel environment
- Q4 underlying EBIT above €1bn, excluding the impact from additional flight disruptions costs (€58m) underlying EBIT at €1.1bn
  - Hotels & Resorts delivering a fifth consecutive quarter of positive underlying EBIT and 2nd consecutive quarter above FY19 levels
  - Cruises saw a significant improvement and 2nd consecutive positive quarter, which includes TUI Cruises being positive for a second time on an earnings after tax (EAT) basis
  - TUI Musement performing in line with the recovery in Markets & Airlines as well as significant growth in its Experiences sold
  - Markets & Airlines saw all regions contributed to a first positive underlying EBIT since the start of the pandemic. As expected, additional flight disruption costs remained at elevated levels but continued to reduce through Q4
- Positive Group Result (EAT after minority interests) of €799m underlining strong Summer performance
- Solid Q4 operating cash flow supports strong FY22 operating cash flow of €1.7bn
- Year-end net debt of €3.4bn
  - Significant improvement of €1.5bn from €5.0bn in the previous year
  - Net leverage improved to 3.2x well below headroom covenant of 4.5x
- Strong liquidity position of €3.7bn[1] to cover typical seasonal Winter swing
- In Markets & Airlines we plan to operate a programme for Winter 2022/23 close to pre-pandemic levels. Bookings for the Winter season are at 134%[2] against the prior Winter season and 84% of Winter 2018/19 levels, up 6%pts against the Pre-Close Statement. ASP holding up strongly at +28% against Winter 2018/19 and are up +7% against Winter 2021/22 which will help to soften the impact from FX volatility & the current higher inflationary environment
- Positive trading momentum has continued into FY23 for Holiday Experiences with volumes and booked occupancy in all segments well ahead of prior year

Government support update[3]

- Agreement has been reached with WSF for repayment of Silent Participation I as well as the warrant bond, alongside substantial redemption of KfW RCF

FY23 Assumptions[4]

- Against the backdrop of the continuing short-term booking environment and the considerable market uncertainty underlying EBIT to increase significantly

FY22 Q4 KEY FINANCIALS (IFRS 16 basis)

Year ended 30 September €m	**Q4 2022**	Q4 2021	**Change**
Revenue	**7,614**	3,366	+4,248
Underlying EBIT[5]	**1,039**	-97	+1,136
Reported EBIT[6]	**977**	34	+943
Earnings/(loss) before tax	**887**	-71	+958
Group result attributable to shareholders of TUI AG	**799**	-58	+857
Underlying earnings/loss per share	**€0.42**	-€0.20	+€0.62
Net debt	**-3,436**	-4,954	+1,518

FY22 Q4 RESULTS

- Summer closed out strongly with 13.7m customers enjoying holidays with TUI and Q4 customer levels at 93% of FY19 LFL with high airline load factors of 92%
- All segments delivered a positive underlying EBIT in a quarter for the first time post pandemic supported by the return to a more normalised travel environment and demonstrating the strength of our integrated business model and distribution power
- Q4 underlying EBIT was above €1bn, excluding the impact from additional flight disruptions costs (€58m) underlying EBIT at €1.1bn

Q4 underlying EBIT in €m	FY22 Q4	FY21 Q4	Variance
Hotels & Resorts	291	116	+175
Cruises	103	-43	+146
TUI Musement	39	-9	+47
Holiday Experiences	**433**	**64**	**+368**
Northern Region	344	-258	+602
Central Region	140	49	+91
Western Region	128	71	+57
Markets & Airlines	**612**	**-138**	**+750**
All other segments	-5	-23	+18
Total TUI Group	**1,039**	**-97**	**+1,136**

- **Hotels & Resorts with strong operational recovery on easing of Covid-19 restrictions achieving five consecutive positive quarters and 2nd consecutive quarter above FY19 levels**

    - Our hotel portfolio is well-diversified in terms of product offer, destination mix and ownership models, and has benefits from multi-channel and multi-source market distribution via Markets & Airlines, direct to customer, and third parties such as Online Travel Agents (OTAs). This has shown to be a clear advantage in the current environment. Turkey, the Canaries, the Balearics as well as Mexico have proven to be popular destinations during the key Summer quarter achieving high occupancy rates
    - As of 30 September 2022, 344 hotels were in operation (~97% of the 353 Group hotel portfolio) increasing from the 331 hotels at previous year-end, allowing us to offer our guests an almost full portfolio in Summer
    - As a result Q4 underlying EBIT was up +€175m to €291m year-on-year thus achieving the fifth consecutive positive quarters since the start of the pandemic and the 2nd consecutive quarter above FY19 levels
    - Q4 occupancy rates increased by 27% pts to 92% year-on-year achieving pre-pandemic levels. Average rate per bed increased by 10% to €80 due to mix and improved prices as volumes recovered

- **Cruises – Continued recovery in Q4 with a strong profit improvement and a full fleet of sixteen ships in operation**

    - The Cruises segment reported a Q4 underlying EBIT of €103m (FY21 Q4: €43m loss). The improvement of €146m year-on-year is supported by the fleet returning to full operations for all three cruise brands. TUI Cruises achieved the second positive quarter on an EAT basis of €66m. Mein Schiff and Hapag-Lloyd Cruises offered itineraries in the Mediterranean, Northern Europe and around the world with a fleet of twelve ships. Marella, with its fleet of four ships operated itineraries across the Mediterranean
    - Available passenger cruise days of 2.4m were up 30% year-on-year. Occupancies continued their recovery during the year ranging in Q4 between 80% and 93% across our cruise brands compared to 39% to 53% in the same period last year with rates improving significantly year-on-year

- **TUI Musement saw a higher number of customers booking this Summer versus prior year as travel restrictions eased, with the volume driven in particular by our Markets & Airlines business**

    - TUI Musement, our tours and activity business, achieved an underlying EBIT in Q4 of €39m, a €47m improvement on prior year, in line with the recovery to a more normalised pre-pandemic environment across our global destinations. The increase reflects the advantage of our integrated model and growth of third-party sales through the TUI Musement platform

- TUI Musement provided 11m transfers to guests in their destinations against 5m in the same quarter last year. In addition, 3.2m Experiences were sold in the quarter more than triple the previous year (Q4 prior year 1.0m), highlighting the significant expansion of our business in this segment to date
- We continue to accelerate and enhance our digital transformation at TUI Musement, adapting our "Digital First" service model to ensure we remain guest centric throughout all channels, providing support and expertise in resort both in person and through our dedicated TUI App

- **Markets & Airlines – All regions contributing to a first positive quarter of underlying EBIT since the start of the pandemic**

  - Our Markets & Airlines business delivered a €750m improvement in Q4 underlying EBIT of €612m versus prior year (FY21 Q4: -€138m loss), with all regions contributing to a first positive underlying EBIT since the start of the pandemic supported by clear pent-up demand for holiday travel as a more normalised pre-pandemic travel environment returned in the Summer. The result includes a -€58m impact from additional operational flight disruptions encountered in particular in Northern Region during the quarter, as well as savings achieved through our Global Realignment Programme across all markets
  - A total of 7.6m customers departed for their holidays during Q4 doubling the number in the prior year with demand higher in all markets and in particular in UK, with Q4 customers at 93% of 2019 LFL levels and high airline load factors of 92%
  - Short- and medium-haul destinations such as Greece, Turkey, the Balearics and the Canaries continued to be popular Summer destinations for our customers, with long-haul destinations such as Mexico and the Dominican Republic also seeing higher demand
  - Direct and online distribution mix increased year-on-year to 77% (from 72%) and 53% (from 49%) respectively

GLOBAL REALIGNMENT PROGRAMME FULLY IMPLEMENTED – TARGETED SAVINGS OF ~€400M P.A. BY FY23, 80% DELIVERED BY FY22

In May 2020, we announced our Global Realignment Programme to address group-wide costs, with a target of permanently saving ~€400m per annum by FY23. The Programme has been successfully implemented and 7k FTE roles have been reduced. Savings delivery has been accelerated with 80% crystallising in the financial year ending September 2022 and the remaining 20% in FY23. The majority of savings (~85% of savings to date) relate to the Markets & Airlines division and have been achieved through reductions of our distribution cost base and airline rightsizing. Further savings have been delivered across TUI Musement, Hotels & Resorts and AOS. Remaining restructuring costs of €15m have been booked in FY22.

The execution of our Global Realignment Programme combined with accelerated digitalisation, expansion of our Experiences business and growth through asset-right financing structures, enables TUI to emerge stronger, leaner, more digitalised, more agile, and ready to exploit growth opportunities.

NET DEBT & LIQUIDITY

Net debt per 30th September, 2022, of €3.4bn significantly improved by €1.5bn against €5.0bn in the previous year.

Net leverage has improved to 3.2x well below the headroom covenant of 4.5x.

We have a strong liquidity position of €3.7bn[1] which ensures we are well prepared for the remainder of the Winter season and the typical seasonal Winter swing.

CURRENT TRADING

Hotels & Resorts – Number of available bed nights in our hotels year-on-year is -2% for H1[7] due to a number of hotel renovations, with booked occupancies currently up +9%pts. to 57% for the same period. Average daily rates are also well ahead of prior year, with RIU hotels continuing to drive the strong performance. 266 hotels were in operation (75% of total Group owned portfolio) as of end of October as due to the seasonal pattern of our business some of our short-haul Mediterranean destinations close for the Winter months. This level of openings at this stage of the season is comparable to those pre-pandemic. We expect year-round destinations such as the Canaries, the Caribbean and Cape Verde to remain key

Winter destinations for both our Markets & Airlines and third-party customers, with our diversified and integrated model delivering clear advantages in the current environment.

Cruises – We continue to see high demand for our unique cruise brands which offer a strong value proposition for customers in the current inflationary environment. Short-term bookings continue to represent a large share of overall bookings, encouragingly, the proportion of mid-term bookings is increasing as customer confidence returns. As a result available passenger cruise days are +21%[7] higher and occupancy is up +37%pts. year-on-year for H1 2023 to date, developing for many cruises towards the peaks last seen in 2019. 2023 booked ticket rates for all brands are above pre-pandemic levels. Mein Schiff and Hapag-Lloyd Cruises are operating a full fleet of twelve ships offering itineraries to the Canaries, the Caribbean and around the world, with Asian itineraries resuming for the first Winter since the pandemic. Marella, our UK based cruise business has a full fleet of four ships in operation, offering Winter 2022/23 itineraries to the Caribbean (three ships) and the Canaries (one ship).

TUI Musement – We continue to benefit from the advantage of our integrated business model and growth of third-party sales through the TUI Musement platform and is one of the largest digital providers in the online intermediary market for experiences. The transfers business providing a service to our guests in their destinations, is expected to develop in line with operations and capacity operated by Markets & Airlines. In addition, sales of Experiences are up 75%[7] year-on-year driven by a more normalised travel environment, enlarged product offering and our diversified distribution (TUI, B2C and B2B).

Markets & Airlines – We plan to operate a programme for Winter 2022/23 close to pre-pandemic levels. The effects of the war in Ukraine and the lingering effect of the Covid-19 pandemic continue to drive market uncertainties resulting in inflationary pressures especially on energy as well as exchange rate volatility. We are closely tracking the impact of the current macro-economic environment on our Winter programme retaining the option to flexibly adjust capacity in line with customer demand. Current trading support our expectations with 2.8m[2] bookings taken at this stage of the Winter season with 54% of the programme sold. As a result, bookings are at 134% of prior Winter 2021/22 and 84% of Winter 2018/19 levels which is ahead of the 78% we announced in our Pre-Close Statement on 20th September. We have added 1.5m bookings since our September statement. The UK remains the most advanced booked market at +5% and ASP +23% versus Winter 2018/19. The trend towards a higher share of short-term bookings is continuing into the Winter with volumes overall close to Winter 18/19 in the last four weeks at -4%. ASP is up +28% against Winter 2018/19 (compared to +26% we published in September) and up +7% against Winter 2021/22 which will help to soften the impact of FX volatility and the current higher inflationary environment.

SUSTAINABLITY (ESG)

Chief Executive Officer, Sebastian Ebel, commented: "We already operate some of the most efficient aircraft, cruise ships and hotels. Our ambition is to be industry-leading in achieving net-zero emissions and we aim to achieve this target across our operations well before 2050".

TUI has the knowledge, capabilities and a proven track record of delivering change. We continue to lead the industry and actively shape a more sustainable future for tourism in all three dimensions of sustainability (social, environmental, economic). Our sustainability agenda has three building blocks to drive the sustainability transformation

- People – Boost positive impact in destinations and empower a generation of changemakers
- Planet – Commitment to science-based emission reduction targets for airline, cruise and hotels
- Progress – Partnering with others to drive change - Industry leading standards and creating the sustainable destination of the future

STRATEGIC PRIORITIES, FY23 ASSUMPTIONS & MID-TERM 2025/26 AMBITIONS

- TUI's strategy aims to deliver growth in both Holiday Experiences and Markets & Airlines, embedded in one central customer ecosystem, underpinned by our sustainability agenda and our people. Our Holiday Experiences business strategy focuses on asset-right growth in differentiated content and expanding the customer base with multi-channel distribution. Having accelerated our strategic transformation of Markets & Airlines during the pandemic, and delivering the targets of our Global Realignment Programme, our business strategy is now focused on profitable growth. This will be achieved by offering more product choice, growing our customer ecosystem into untapped segments, and increasing customer value. This includes increasing the volume and proportion of dynamically sourced packages, as well as significantly increasing our component offer in accommodation only and flight only.
- Further improve our cash position focusing on optimising working capital and cash from operations and maintaining disciplined capital expenditure supported by asset right growth. Besides this, we will continue reducing our debt and German government exposure with the aim to return to a solid and healthy balance sheet and improve our credit rating

- FY23 Assumptions[4] – Against the backdrop of the continuing short-term booking environment and the considerable market uncertainty, underlying EBIT is expected to increase significantly
- Mid-term 2025/26 ambitions – We have a clear strategy to accelerate profitable market growth. We expect underlying EBIT to significantly build on €1.2bn[8] and also have a target to return to gross leverage ratio[9] of well below 3.0x

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FY22 FY KEY FINANCIALS (IFRS 16 basis)

Year ended 30 September €m	**2022**	2021	**Change**
Revenue	**16,545**	4,732	+11,813
Underlying EBIT[5]	**409**	-2,075	+2,484
Reported EBIT[6]	**320**	-2,013	+2,333
Loss before tax[10]	**-146**	-2,462	+2,316
Group loss attributable to shareholders of TUI AG	**-277**	-2,467	+2,190
Underlying loss per share[11]	**-€0.07**	-€2.28	+2.22
Net debt	**-3,436**	-4,954	+1,467

FY22 FY RESULTS

FY underlying EBIT in €m	**FY22**	**FY21**	**Variance**
Hotels & Resorts	481	-153	+633
Cruises	1	-278	+278
TUI Musement	23	-105	+128
Holiday Experiences	**505**	**-535**	**+1,040**
Northern Region	-102	-966	+864
Central Region	88	-329	+416
Western Region	-32	-177	+145
Markets & Airlines	**-45**	**-1,471**	**+1,426**
All other segments	-51	-69	+19
Total TUI Group	**409**	**-2,075**	**+2,484**

[1] *Available liquidity position defined as available cash plus committed lines including financing packages as of 30 September 2022*
[2] *Bookings up to 4 December 2022 compared to Winter 2018/2019 programme (undistorted by C-19), relate to all customers whether risk or non-risk and includes amendments and voucher re-bookings*
[3] *See details provided in the ad-hoc release of 13 December 2022*
[4] *Based on constant currency and post IFRS 16*
[5] *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 payment*
[6] *Reported EBIT comprises earnings before net interest result, income tax and result from the measurement of interest hedges*
[7] 2023 H1 trading data compared to 2022 H1 trading data as of 4 December 2022
[8] FY19A *underlying EBIT of €893m including €293m Boeing MAX cost impact*
[9] Defined *as gross debt (Financial liabilities incl. lease liabilities & net pension obligation) divided by underlying EBITDA/R*
[10] *For reconciliation of loss/earnings before tax to underlying EBIT, please refer to page 62 of the Annual Report*
[11] *For calculation of underlying loss/earnings per share please refer to page 33 of the Annual Report*

ANNUAL REPORT AND FY22 RESULTS INVESTOR & ANALYST VIDEO WEBCAST

Our Annual Report for the financial year 2022 and the accompanying results presentation slides can be found on our corporate website: https://www.tuigroup.com/en-en/investors/reports-and-presentations. A video webcast for investors and analysts will take place today at 09:30 GMT / 10.30 CET. The details of the webcast are available on our website via the same link.

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