

Half-Year Financial Report 1 Oct. 2021 – 31 March 2022

Summary

Q2 2022 delivering further operational and financial progress

- Q2 Group revenue of €2.1bn, an improvement of €1.9bn year-on-year (Q2 2021: €0.2bn), reflecting the more normalised pre-pandemic travel environment versus the prior year, with March achieving the highest monthly revenue within the quarter as operations ramped up after a more subdued January and February post Omicron restrictions.
- 71% of financial year 2019 capacity¹ operated in Q2, just ahead of our mid-point of initial Winter 2021/22 programme expectations. Reflecting the increasing consumer confidence in departure, pent-up demand and the ramp up of operations accordingly, we exited the second quarter with an operated capacity of 75% in March 2022.
- 1.9m customers departed in the second quarter, an increase of 1.7m customers versus the prior year, with the highest departure volume achieved again in March. Our average load factor continued to be strong, with 84% load factor achieved for the period (Q2 2019: Load factor 85%).
- Q2 Group underlying EBIT loss almost halved to €-329.9m loss versus prior year, (Q2 2021: €-633.0m loss), driven by a strong operational recovery in the second half of the quarter on easing of Omicron restrictions, with Hotels & Resorts delivering a third sequential positive quarter since the start of the pandemic.
- Continued delivery of our Global Realignment Programme – we expect to deliver a further 20% of our ~€400m p.a. target cost savings in financial year 2022 (~€240m already delivered in financial year 2021, with the remainder on track to be delivered by financial year 2023).
- In Q2, TUI generated a significantly positive operating cash flow, driven by substantial working capital inflow as the business returned to a more normalised pre-pandemic environment for travel and bookings and operations recovered, helped by the easing of Omicron-related restrictions in the second half of the quarter.
- Strong liquidity position² of €3.8bn as of 6 May 2022, post hand-back of €0.7bn state support on 1 April 2022, reflecting our continued cost discipline, and higher working capital inflow from positive booking momentum since our Interim Report Q1 2022.
- After two years of turbulence, we expect to return to significantly positive underlying EBIT for financial year 2022³ and we remain committed to reducing our German government exposure further.
- In H1 2022, Group revenue was €4.5bn, an increase of €3.8bn compared to the previous year (H1 2021: €0.7bn). The Group's operating loss (adjusted EBIT) amounted to €-603.5m in H1. It decreased by €705.3m and thus by more than half compared to the previous year's value (H1 2021: €-1,308.8m).

¹ Available seat (risk) capacities

² Available liquidity defined as available cash plus committed lines including financing packages

³ For details see Report on changes in expected development on page 6

TUI Group - financial highlights

	Q2 2022	Q2 2021	Var. %	H1 2022	H1 2021	Var. %	Var. % at constant currency
€ million							
Revenue	2,128.4	248.1	+ 757.7	4,497.6	716.3	+ 527.9	+ 517.6
Underlying EBIT¹							
Hotels & Resorts	23.7	- 102.6	n. a.	84.8	- 198.3	n. a.	n. a.
Cruises	- 73.5	- 55.0	- 33.8	- 105.3	- 153.3	+ 31.4	+ 33.6
TUI Musement	- 16.8	- 29.3	+ 42.8	- 29.5	- 62.0	+ 52.4	+ 52.4
Holiday Experiences	- 66.6	- 186.9	+ 64.4	- 49.9	- 413.6	+ 87.9	+ 87.8
Northern Region	- 180.9	- 221.0	+ 18.1	- 352.6	- 418.3	+ 15.7	+ 19.5
Central Region	- 20.7	- 122.7	+ 83.1	- 75.7	- 272.0	+ 72.2	+ 72.0
Western Region	- 57.0	- 83.3	+ 31.5	- 89.4	- 159.8	+ 44.1	+ 43.4
Markets & Airlines	- 258.7	- 427.0	+ 39.4	- 517.7	- 850.1	+ 39.1	+ 40.8
All other segments	- 4.6	- 19.1	+ 76.1	- 35.8	- 45.1	+ 20.6	+ 22.6
TUI Group	- 329.9	- 633.0	+ 47.9	- 603.5	- 1,308.8	+ 53.9	+ 55.0
EBIT¹	- 343.1	- 600.5	+ 42.9	- 614.5	- 1,298.5	+ 52.7	
Underlying EBITDA	- 123.1	- 398.5	+ 69.1	- 188.4	- 856.1	+ 78.0	
EBITDA²	- 130.0	- 356.7	+ 63.6	- 185.5	- 831.5	+ 77.7	
Group loss	- 321.4	- 707.9	+ 54.6	- 707.9	- 1,498.1	+ 52.7	
Earnings per share	€ - 0.21	- 0.67	+ 68.7	- 0.47	- 1.82	+ 74.2	
Net capex and investment	83.3	- 61.3	n. a.	136.7	- 108.4	n. a.	
Equity ratio (31 March) ³	%			1.5	1.3	+ 0.1	
Net debt (31 March)				- 3,936.0	- 6,813.1	- 42.2	
Employees (31 March)				46,123	36,029	+ 28.0	

Differences may occur due to rounding.

This Quarterly Report of the TUI Group was prepared for the reporting period Q1 2022 from 1 October 2021 to 31 March 2022.

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 15.

² EBITDA is defined as earnings before interest, income taxes, 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.

All change figures refer to the same period of the previous year, unless otherwise stated.

Trading update

Strong recovery building through Q2, confident Summer 2022 will be close to Summer 2019 levels

- 11m bookings across Winter 2021/22 and Summer 2022, with ~5m bookings added since our Q1 2022 Interim Report, as the demand for holidays and confidence in international travel returns.
- Bookings across our key markets UK, Germany and Benelux have been largely unaffected by the war in Ukraine, with only the Nordics and Poland subdued.
- Winter 2021/22 programme closed with bookings¹ down 34% and ASP strongly up 13%.
- Summer 2022 booking² are 85% of Summer 2019 levels. Total bookings have been trending strongly with the last six weeks' bookings firmly surpassing Summer 2019 levels, boosted by the return to a more pre-pandemic environment of restriction-free travel. ASP continues to be strong at up 20%, reflecting a higher mix of package products, and the popularity of our summer holidays.
- The UK market in particular remains the most advanced booked, with bookings up 11% versus Summer 2019.
- The latest positive booking trends, combined with clear pent-up demand as Omicron-related travel restrictions eased, increasing intention to holiday abroad for a beach holiday³ and a later booking profile, we are confident in our Summer 2022 capacity assumption of close to normalised 2019 Summer levels.
- Hotels & Resorts – The segment delivered a third consecutive quarter of positive underlying EBIT since the start of the pandemic. We expect occupancies and average rates to develop strongly through the second half and the short-term booking environment to contribute significantly to a strong Summer.
- Cruises – Since the beginning of April, all 16 ships across our three brands are back in operation. Compared to our other segments, Cruises recovery is expected to be slower with short-term bookings continue to represent a large share of overall bookings. We see H2 2022 calendar year building steadily. Bookings are currently trending at higher rates for all three cruise brands, in comparison to prior years.
- TUI Musement – 681k excursions, activities and tours (EATs) were sold in the second quarter, reflecting firstly the more open travel environment and secondly the successful integration of Musement. Benefitting from our integrated business model and complemented by our increased inventory of products offered in popular cities and sun and beach locations, we expect EATs to develop beyond the capacity assumptions of our Markets & Airlines for Summer 2022, as third-party sales return, in line with a return to a more normalised pre-pandemic travel environment across our global destinations.
- After two years of turbulence and against the backdrop of current bookings and the business performance to date, we expect to return to significantly positive underlying EBIT for financial year 2022.

¹ Bookings up to 30 April 2022 compared to Winter 2018/19 programme (undistorted by COVID-19 effects and thus provide an appropriate benchmark) and relate to all customers whether risk or non-risk

² Bookings up to 8 May 2022 compared to Summer 2019 programme (undistorted by COVID-19 effects and thus provide an appropriate benchmark) and relate to all customers whether risk or non-risk

³ The Netherlands Bureau of Tourism and Congress, Holiday Sentiment Monitor, April 2022

Global Realignment Programme – Targeted savings ~€400m p.a. by financial year 2023

In May 2020, we announced our Global Realignment Programme to address group-wide costs, with a target of permanently saving more than €400m per annum by financial year 2023.

In the financial year ending September 2021, ~60% (€240m) of our announced targeted savings were delivered. Savings have been most significantly delivered across the Markets & Airlines division (~85% of savings to date).

We expect to deliver a further 20% (€80m) of our targeted savings in financial year 2022 and we remain on track to deliver the full programme benefits by end of financial year 2023.

Net debt

H1 2022 net debt position of €3,936m is an improvement of €1,134m versus Q1 2022 net position of €5,070m and an improvement of €2,877m year-on-year (H1 2021: €6,813m). The quarterly improvement is predominantly driven by positive cash flow, as the business returns to a more normalised pre-pandemic environment for travel and bookings and operations recover. The year-on-year improvement is driven by positive cash flow as operations recover, and proceeds from our capital increase completed in the first quarter of 2022.

Strategic priorities

Ongoing priorities – we will continue with our disciplined cash management, drive operating effectiveness, whilst maximising opportunities to de-lever, continue the reduction of debt and German government exposure in order to return to a solid balance sheet. Mid-term ambitions – we expect underlying EBIT to significantly build on financial year 2019, driven by both top-line growth and benefits from our Global Realignment Programme, with a target to return to gross leverage ratio of less than 3.0x.

Our growth opportunities will be driven by the expansion of our TUI Musement tours & activities segment, which will benefit from both our integration as well as growth through third party sales, accelerated digitalisation, our increased offer of dynamic packaging, growth through asset-right financing structures and execution of our Global Realignment Programme. The combination of these drivers will enable us to emerge stronger, leaner, more digitalised and more agile, and ready to exploit market recovery and growth opportunities.

TUI is strategically well positioned and will continue to benefit from the strong rebound in the leisure industry.

Report on changes in expected development

The impact of the pandemic and the war in Ukraine on customer behaviour remains difficult to predict. The greatest area of uncertainty will be the impact on consumer confidence, should travel restrictions be reintroduced, should there be further cost inflation volatility and/or an escalation of the war in Ukraine. In view of these considerable uncertainties, the Executive Board continues to believe that it is not in a position to issue a specific, quantified forecast for the financial year 2022.

Against the backdrop of current bookings and the business performance to date, we confirm our expectation in the 2021 Annual Report of a significant improvement in TUI Group's underlying EBIT compared with 2021 and now expect to return to a significantly positive underlying EBIT in the current financial year.

We continue to consider the remaining assumptions for the financial year 2022 made in the Annual Report 2021 to be valid.

⇒ See also TUI Group Annual Report 2021 page 50 ff

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This Half-Year Financial Report, the presentation slides and the video webcast for Q2 2022 (published on 11 May 2022) are available at the following link:

www.tuigroup.com/en-en/investors