

**Report of the Executive Board
to the Annual General Meeting of TUI AG on 8 February 2022
concerning the partial exercise of the
authorisation to issue convertible bonds and/or bonds with warrants,
including the authorisation to disapply shareholders' pre-emption rights,
granted by the Annual General Meeting of 25 March 2021**

I.

By resolution passed by the Annual General Meeting of TUI AG, Hanover and Berlin, (the *Company*) on 25 March 2021, the Executive Board of the Company was authorised, subject to the consent of the Supervisory Board of the Company, to issue registered or bearer convertible bonds, bonds with warrants, profit-sharing rights or income bonds (or combinations thereof) (hereinafter collectively referred to as *Bonds*) with a total nominal amount of up to EUR 2,000,000,000.00 (in words: Euro two billion) once or several times until and including 24 March 2026 and to grant holders and creditors of the Bonds conversion or warrant rights to Company shares representing a pro rata amount of the share capital of up to EUR 109,939,363.00 (in words: Euro one hundred and nine million nine hundred and thirty-nine thousand three hundred and sixty-three), in accordance with the terms and conditions of the Bonds or to attach conversion or warrant obligations to these Bonds (the *Authorisation 2021*).

The Bonds and the conversion or warrant rights and obligations may be issued with or without a fixed maturity. The Bonds may also be issued in return for contributions in kind.

According to the Authorisation 2021, the conversion or warrant price must either (if pre-emption rights are disappplied) be equal to at least 60 % of the average closing price of the Company's shares on the Frankfurt Stock Exchange (Xetra trading) or the depositary interests representing the shares at the London Stock Exchange during the ten trading days prior to the day on which the resolution on issuing Bonds is passed by the Executive Board or (if pre-emption rights are granted) at least 60 % of the average closing price of the Company's shares on the Frankfurt Stock Exchange (Xetra trading) or the depositary interests representing the shares at the London Stock Exchange during the subscription period, with the exception of any days in the subscription period that are required in order that the conversion or warrant price can be published on time in accordance with section 186 (2) sentence 2 of the German Stock Corporation Act (*Aktiengesetz – AktG*).

Under the Authorisation 2021, the Executive Board is also authorised to disapply shareholders' pre-emption rights to the Bonds, subject to the consent of the Supervisory Board, in particular if Bonds are issued against cash payment and the issue price is not substantially lower than the market value of the Bonds, although this only applies insofar as the shares to be issued in order to service the conversion or warrant rights or obligations under the Bonds do not exceed 10 % of the share capital in total either at the time the authorisation is resolved or at the time it is exercised, if this value is lower (the *Upper Limit*). The above authorised volume of 10 % of the share capital is to be reduced by the proportion of the share capital represented by shares, or to which conversion or warrant rights or obligations under any Bonds relate, which were issued or sold on or after 25 March 2021 subject to the disapplication of pre-emption rights by applying section 186 (3) sentence 4 AktG directly, analogously or mutatis mutandis. The conditional capital that was also resolved by the Annual General Meeting of the Company on 25 March 2021 (*Conditional Capital 2021*) is available to the Company for servicing the Bonds. As a result of the Conditional Capital 2021, the share capital of the Company is conditionally increased by up to EUR 109,939,363.00 by issuing up to 109,939,363 new shares.

II.

The COVID-19 pandemic and the subsequent suspension of business operations had placed an unprecedented burden on the Company's liquidity and financial position. Against this background, the Company had agreed a credit line with KfW as early as in March/April 2020 for an amount of EUR 1,800,000,000 under KfW's special programme "Direct Participation for Syndicated Financing" (855). This KfW credit line had been

granted as an additional facility (**Facility C**) under the Company's existing Revolving Credit Facilities Agreement.

Owing to the ongoing financial challenges in the wake of the coronavirus pandemic and the associated recurring restrictions affecting its already seasonal business, the Company had additional financing needs. Therefore, the Company agreed with the Federal Ministry of Finance, the Federal Ministry for Economic Affairs and Energy, KfW and the Economic Stabilisation Fund, represented by the Federal Republic of Germany – Finanzagentur GmbH (**ESF**) a stabilisation package for a total amount of EUR 1,200,000,000.00 including a potential recapitalisation measure under the Economic Stabilisation Fund Act (*Stabilisierungsfondsgesetz*). In this context, the recapitalisation measure under the Economic Stabilisation Fund Act provided for an equity-linked instrument structured as the issuance of a convertible bond or bond with warrants to the ESF in an amount of EUR 150,000,000.00 on specific terms (the **Recapitalisation Measure**). The stabilisation package among other things comprises an increase in Facility C by EUR 1,050,000,000.00 to a total of EUR 2,850,000,000.00.

In order to implement the Recapitalisation Measure, and thus also to activate the increased amount under Facility C, the Company's Executive Board resolved on 29 September 2020, with the consent of the Company's Supervisory Board of the same date and making use of the authorisation still existing at that time by virtue of the resolution of the Annual General Meeting of 9 February 2016, to issue a bond with warrants to the ESF subject to the disapplication of shareholders' pre-emption rights. The ESF subscribed the bond with warrants for a volume of EUR 150,000,000.00. With the proceeds from the bond with warrants and the increase in Facility C by EUR 1,050,000,000.00, the Company was able to secure sufficient liquidity for the seasonal fluctuations in winter 2020/21.

In order to implement a further financing package, the Company issued silent participations (*stille Beteiligungen*) with a total amount of EUR 1,091,000,000.00 to the ESF on 4 January 2021. Also on 4 January 2021, the Company agreed an additional revolving syndicated credit facilities agreement with KfW and six other commercial banks for an amount of EUR 200,000,000.00 (the **New Credit Facility**); subsequently, an amount of EUR 30,000,000.00 of this New Credit Facility was cancelled as of 30 September 2021.

Moreover, the General Meeting, at the Extraordinary General Meeting on 5 January 2021, had initially reduced the Company's share capital from EUR 2.56 per TUI share to EUR 1.00 per TUI share. By a subsequent further resolution of the General Meeting, the Company's share capital was resolved to be increased from currently EUR 590,415,100.00 by EUR 508,978,534.00 to EUR 1,099,393,634.00 by issuing 508,978,534 new shares, each representing a pro rata amount of the Company's share capital of EUR 1.00. In connection with the capital increase, the shareholders' pre-emption rights were disappplied in respect of fractional amounts. The funds accruing to the Company in connection with the January 2021 capital increase in particular served to fully redeem a bond issued by the Company with a nominal amount of EUR 300,000,000.00 which fell due in October 2021.

III.

As announced in the German Federal Gazette (*Bundesanzeiger*) on 14 April 2021, the Transaction Committee of the Executive Board, authorised by resolution of the Executive Board of 6 April 2021, with the consent granted on 9 April 2021 by the Transaction Committee of the Supervisory Board, authorised by resolution of the Supervisory Board of 6 April 2021, resolved on 9 April 2021, making use of the Authorisation 2021, to issue 4,000 convertible bonds with a term of seven years ending on 16 April 2028, each with a nominal amount of EUR 100,000.00, and thus with a total nominal amount of EUR 400,000,000.00, which grant conversion rights for up to 74,583,729 shares, each representing a pro rata amount of the share capital of EUR 1.00 (the **Convertible Bond 2021**), and to disapply shareholders' statutory pre-emption rights in compliance with the relevant provisions of the authorisation to issue convertible bonds resolved by the Annual General Meeting of the Company on 25 March 2021 under agenda item 7 as well as in compliance with statutory requirements in accordance with section 186 (3) sentence 4 AktG.

Making further use of the Authorisation 2021, the Transaction Committee of the Executive Board, authorised by resolution of the Executive Board of 25 June 2021, with the consent granted by the Supervisory Board on 25 June 2021, resolved on 28 June 2021 to carry out a tap issuance of the Convertible Bond 2021 and to issue an additional 1,896 convertible bonds, each with a nominal amount of EUR 100,000.00, and thus with a total nominal amount of EUR 189,600,000.00, which grant conversion rights for up to 35,352,687 shares, each representing a pro rata amount of the share capital of EUR 1.00 (the ***Tap Issuance of the Convertible Bond 2021***), and to disapply shareholders' statutory pre-emption rights in compliance with the relevant provisions of the authorisation as well as in compliance with statutory requirements in accordance with section 186 (3) sentence 4 AktG.

The record of the Annual General Meeting of 25 March 2021, including the wording of the authorisation, the resolutions adopted by the Executive Board and the Supervisory Board regarding the issuance of the Convertible Bond 2021 and the declaration regarding the issuance of the Convertible Bond 2021 have been deposited with the commercial registers of the Local Court (*Amtsgericht*) of Berlin, HRB 321, and the Local Court of Hanover, HRB 6580.

IV.

Before issuing the Convertible Bond 2021, the Executive Board discussed the prerequisites as well as the appropriateness and expediency of its issuance. In the course of these deliberations and following a detailed discussion of the market environment at the time as well as a comprehensive consideration of alternative financing options, the Executive Board and the Supervisory Board came to the conclusion that the issue of the Convertible Bond 2021 on the specified terms and subject to the disapplication of shareholders' pre-emption rights is in the Company's interests. In the assessment of the Executive Board, the Company did not have access to any more favourable alternative sources of financing under equally secure transactions. In the market environment at the time and in view of the previous utilisation of the KfW facilities, the convertible bond was a favourable financing option for the Company at the time which, in the interests of both the Company and its shareholders and other stakeholders, secured the Company's liquidity in the wake of the ongoing COVID-19 crisis, as the proceeds from the issue of the new convertible bonds could be used for refinancing and in particular to further reduce drawings under the KfW facilities and towards a subsequent repayment of such facilities.

The Executive Board also discussed in detail the prerequisites as well as the appropriateness and expediency of the Tap Issuance of the Convertible Bond 2021 before its issuance. When deliberating the Tap Issuance of the Convertible Bond 2021, the Executive Board and the Supervisory Board also arrived at the decision that the issuance of the Tap Issuance of the Convertible Bond 2021 on the relevant specified terms and subject to the disapplication of shareholders' pre-emption rights is in the interests of the Company. At the time of the adoption of the resolution, there was an open window of opportunity for marketing the Tap Issuance of the Convertible Bond 2021, which in the opinion of the Executive Board had to be utilised in light of the lack of equally favourable financing alternatives.

The initial conversion price in an amount equal to the lowest issue amount of EUR 5.3631 for the Convertible Bond 2021 and for the Tap Issuance of the Convertible Bond 2021 was in line with the specifications of the Authorisation 2021 and was also appropriate from the perspective of the Company and its shareholders. The reference share price was determined by reference to the volume-weighted average price (VWAP) on XETRA between the start of marketing and the pricing of the offer on 9 April 2021. The initial conversion price was in this context set at a conversion premium of 25 % above the reference share price. The reference share price was EUR 4.2905.

The Transaction Committee of the Executive Board had set the conversion price for the issue of the Convertible Bond 2021 by resolution dated 9 April 2021 and for the issue of the Tap Issuance of the Convertible Bond 2021 by resolution dated 28 June 2021. In this regard, it was explained that the Transaction Committee of the Executive Board, following due examination, also considered the conversion price of EUR 5.3631 for the Convertible Bond 2021 and for the Tap Issuance of the Convertible Bond 2021 to be appropriate in each case.

The relevant determination of the conversion price in the specified amount is in each case based on the Authorisation 2021. In this regard, agreeing on a conversion price of around EUR 5.3631 for the Convertible Bond 2021 and for the Tap Issuance of the Convertible Bond 2021, in each case subject to the disapplication of shareholders' pre-emption rights, involved a dilution risk for existing shareholders. In both cases, however, this conversion price also had the effect of reducing drawings under the KfW facilities and offered options for repayment under these facilities. This also has the effect of securing liquidity and further financial stabilisation of the Company and thus serves to safeguard the shareholders' investment (as opposed to the otherwise inherent risk of total loss). The relevant conversion price, in the Executive Board's entrepreneurial assessment, was thus also appropriate in the interests of the shareholders considering the specific situation of the Company. The issue of the Convertible Bond 2021 at the set initial conversion price and the set conversion premium as well as the Tap Issuance of the Convertible Bond 2021 was therefore ultimately in the interests of the Company and its shareholders in order to secure the Company's refinancing.

The Executive Board, in its entrepreneurial assessment and following due examination of the Company's then situation and market environment, also considered the interest rate on the convertible bonds of 5.00 % p.a. to be risk-adequate and thus appropriate.

The statutory requirements as well as the requirements stipulated in the Authorisation 2021 for the disapplication of pre-emption rights were fulfilled with regard to the issue of the Convertible Bond 2021 and the Tap Issuance of the Convertible Bond 2021. Following due examination, the Executive Board came to the conclusion that the issue price for the Convertible Bond 2021 of EUR 400,000,000.00 and the issue price for the Tap Issuance of the Convertible Bond 2021 of EUR 189,600,000.00 in each case fulfilled the requirements stipulated in the Authorisation 2021.

Therefore, the Executive Board was and continues to be of the opinion that the issue price consequently did not fall below the minimum issue price of the Convertible Bond 2021 and the Tap Issuance of the Convertible Bond 2021 subject to the disapplication of pre-emption rights and was thus appropriate within the meaning of the Authorisation 2021 as well as the statutory requirements (cf. section 221 (4) sentence 2 in conjunction with section 186 (3) sentence 4 AktG).

Finally, the issue of the Convertible Bond 2021 and the Tap Issuance of the Convertible Bond 2021 were also within the Upper Limit for the disapplication of pre-emption rights stipulated in the Authorisation 2021. This is because the Convertible Bond 2021 and the Tap Issuance of the Convertible Bond 2021, on the basis of 5,896 convertible bonds with a nominal amount of EUR 100,000.00 each, grant conversion rights for a total of up to 109,936,416 TUI shares and, accordingly, subscription rights for as many TUI shares. With a pro rata amount of the share capital of around EUR 1.00 per TUI share, this corresponds to a share of around 9.99 % in the Company's share capital at the time the Authorisation 2021 was granted and exercised, which is below the Upper Limit of 10%. Also, the Upper Limit was in this case not reduced because of offsetting requirements for previous capital measures.

The issue of the Convertible Bond 2021 subject to the disapplication of pre-emption rights and the Tap Issuance of the Convertible Bond 2021 subject to the disapplication of pre-emption rights enabled the Company to realise funds in the short term and with secure transactions on – from the Company's point of view – particularly favourable terms. For the stated reasons, the disapplication of pre-emption rights was thus, overall, in the Company's interests.