TUI GROUP

2020

ANNUAL REPORT OF THE TUI GROUP

»The holiday sector remains on its long-term growth pathway. People want to travel – COVID-19 won't change that. Nobody caters for the entire travel chain the way TUI does. No other company offers comparable safety and quality standards. This will be more important than ever when the crisis is over.«

Friedrich Joussen, CEO of TUI AG

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Here you will find a page reference to further information within the annual report. This reference, as a cross-reference not provided for by law or by the German Accounting Standards (DRS) No. 20, is not subject of an auditor's review.

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Unless stated otherwise, all change figures refer to the corresponding period from the previous year.

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FINANCIAL YEAR 2020

FINANCIAL HIGHLIGHTS

TUI Group – financial highlights

€ million		2020	2019 adjusted	Var. in %
Revenue		**7,943.7**	**18,928.1**	**– 58.0**
Underlying EBIT (IAS 17)[1]				
Hotels & Resorts		– 399.6	451.8	n. a.
Cruises		– 322.8	366.0	n. a.
TUI Musement		– 114.6	55.7	n. a.
Holiday Experiences		– 837.0	873.5	n. a.
Northern Region		– 975.1	58.5	n. a.
Central Region		– 619.8	101.9	n. a.
Western Region		– 440.8	– 28.6	n. a.
Markets & Airlines		– 2,035.7	131.8	n. a.
All other segments		– 160.2	– 111.8	– 43.3
TUI Group		**– 3,032.8**	**893.5**	**n. a.**
Underlying EBITDA (IAS 17)[2]		**– 2,242.6**	**1,359.5**	**n. a.**
Underlying EBIT (IFRS 16)		**– 2,997.0**	**893.5**	**n. a.**
EBIT (IFRS 16)[1]		**– 2,927.4**	**768.7**	**n. a.**
Underlying EBITDA (IFRS 16)		**– 1,615.0**	**1,359.5**	**n. a.**
EBITDA (IFRS 16)[2]		**– 1,355.0**	**1,277.5**	**n. a.**
Group loss		– 3,139.1	532.1	n. a.
Earnings per share	€	– 5.34	0.71	n. a.
Net capex and investment		– 149.3	1,118.4	n. a.
Equity ratio (30 Sept)[3]	%	1.4	25.7	– 24.3
Net financial position (30 Sept)		– 6,420.9	– 909.7	– 605.8
Employees (30 Sept)		48,330	71,473	– 32.4

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.

This Annual Report 2020 of the TUI Group was prepared for the reporting period from 1 October 2019 to 30 September 2020.

TUI Group applied IFRS 16 from 1 October 2019. Prior year figures were not adjusted.

Please refer to page 154 for the Restatement of comparative periods.

In FY 2020, underlying EBIT is also adjusted for the earnings effect of IFRS 16 ('underlying EBIT (IAS 17)') as part of internal reporting in order to facili-tate year-on-year comparability. Accordingly, adjusted EBIT (IAS 17) represents the segment performance measure within the meaning of IFRS 8.

[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 29

[2] EBITDA is defined as earnings before interest, income taxes, goodwill impairment and amortisation and write-downs of other intangible assets, depreciation and write-downs of property, plant and equipment, investments and current assets.

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

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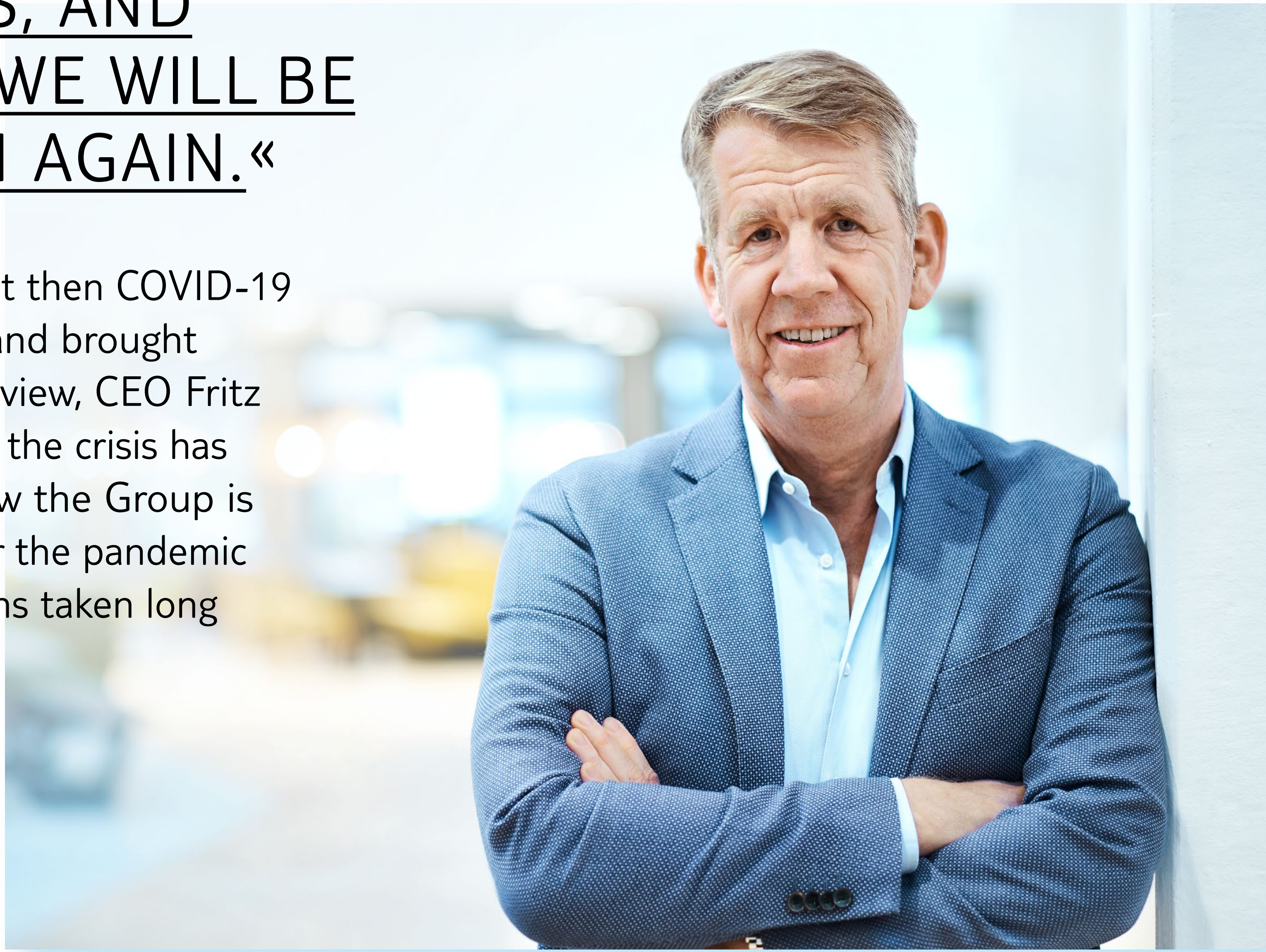
»TUI WAS IN ROBUST HEALTH BEFORE THE CRISIS, AND AFTER THE CRISIS WE WILL BE IN ROBUST HEALTH AGAIN.«

It was going to be a record year. But then COVID-19 rocked the world as we know it – and brought tourism to a standstill. In this interview, CEO Fritz Joussen doesn't just describe what the crisis has meant for TUI. He also reveals how the Group is preparing for a different world after the pandemic and reaping the benefits of decisions taken long before the crisis.



FRIEDRICH JOUSSEN
Chief Executive Officer

Mr Joussen, 2020 has tested TUI in ways nobody could have imagined. And it all began so well …

Yes, we really were on course for a record year. We went into financial year 2020 stronger than ever before. TUI had never taken so many bookings in January in the company's entire history, 14 per cent more than the previous year. And in February the trend was unbroken.

Then came the shutdown on 16 March …

… like slamming on the brake in the middle of a motorway. TUI's sales hit zero virtually overnight. Suddenly we had to tackle three crises at once. First, we had about 200,000 holiday-makers and 2,000 employees out in the destinations who had to be brought back when the shutdown caught them by surprise. From every corner of the globe, sometimes under difficult conditions. Parallel to that we had to suspend operations and cut costs as quickly as possible – within a few weeks we reduced our cash costs by more than 70 per cent, and at the same time we had to refund the deposits for cancelled holidays. And thirdly, our survival depended on applying to the German government immediately for bridging loans, which were promptly approved.

Could you sleep at all?

They were long days and short nights. It was crucial at that point to convince the government that they would be saving a fundamentally healthy company that would be able to repay the loans plus interest. Because TUI is exactly that: a picture of good health and the market leader in a growth sector that will stay intact over the long term.

The media and the public were asking whether TUI is relevant to the system. Is it?

We are a global market leader with German roots. Looking around Europe, we can say that TUI plays a stabilising role in Southern Europe, and in Northern Africa too, with investment, infrastructure and jobs. In some countries tourism contributes over 20 per cent to the gross domestic product. Where there is tourism, everything fares better, from education to health care. We need to preserve that stability and TUI is making a substantial contribution towards that.

Are holidays too risky in a pandemic?

No, people can travel safely even in a pandemic! The overwhelming majority of travellers returning with a COVID-19 infection weren't ordinary tourists, but people who had been visiting friends and family abroad. After the shutdown in March, we very quickly devised an all-round hygiene strategy to be equipped for the relaunch. Even today, we have only seen a few cases of COVID-19 in our "TUI ecosystem" – meaning flights, transfers, hotels, cruises, activities. The seven-day incidence among our customers was way below 1 in 100,000. Statistically, travelling with TUI is much safer than a family celebration or commuting to work every day. We showed that holidays in hotels and on cruise liners can be safe and yet relaxing. Holidays aren't decisive, but how people behave. That is as true on holiday as it is at home.

When will you restore last year's levels?

People want to travel. COVID-19 hasn't changed that. 2021 will be a transition year, but the summer bookings so far have been very encouraging. We are still taking things as they come, but as it stands now – and depending on how the travel restrictions pan out – I am assuming our business will return to normal in 2022. Besides, package holidays are very popular compared with individual travel. They offer maximum safety and reliability, and all from a one-stop shop.

TUI will be paying back loans for a long time …

We are getting ready for that. TUI will be leaner, faster and more efficient. In the long run that makes us more profitable. But we are also getting ready for a different world after the pandemic: COVID-19 has sped up so many changes, digitalisation is advancing apace. Customers increasingly purchase online, there is also a growing readiness to let a smart app take care of their needs. We are accelerating our digitalisation, revamping the firm for the future. We will come out more digital and at the same time better. On the cost side we have set a medium-term savings target of more than 300 million euros. We are also trimming investments in hotels and cruises.

Does that mean switching from asset right to asset light?

The differentiation and brand experience are delivered by our products, our ships and our hotels, but also our colleagues in sales and in the destinations. The quality of a hotel or a ship is key to our customers' holiday experience. That is what TUI is all about. It's reflected in

»We showed that holidays in 2020 can be safe and yet relaxing.«

brands like Riu, Robinson, TUI Blue and TUI Cruises. But to control the brand, the service and the distribution, we don't necessarily have to own the hotel building or the cruise liner. Of course we review our hotel portfolio constantly. There will be no hasty fire sales. But we do own attractive assets and there are some sound options that fit well with the strategy we announced in December 2019 for investing less in hotel properties and new vessels, and instead operating them ourselves or with partners. It's another story where hotel capacity is in short supply, like in the Cape Verde Islands or in new destinations. There we need our own hotels because there aren't any others to meet the quality we expect of our brand. That strategy hasn't changed at all.

At Hapag-Lloyd Cruises you have already gone down the partnership route.

Exactly. Selling Hapag-Lloyd Cruises to TUI Cruises, our joint venture with Royal Caribbean, is an extremely attractive move. We completed the sale, as planned, in early July 2020. In the medium term, the synergies from integration will more than compensate for the fact that we now only own half a stake and receive half the profits.

TUI Musement is another important pillar in the digital growth strategy. What plans do you have for that segment?

TUI Musement will speed up our digital transformation even more. The focus in future will be on the world's leading online platform for activities and excursions. This segment will form a strategic core of company operations. The activities market is worth 160 billion euros. That makes it the third largest market in tourism after hotels and airlines, even bigger than cruises. However, it is also extremely fragmented. There are hundreds of thousands of service providers. And practically no digitalisation. That is where our platform comes in. We bring TUI's 21 million customers and the providers together. As part of our strategic partnership with Booking.com, millions of customers all around the world have access to the Musement product portfolio. The same goes for people who use the market leader in China, Trip.com. By the way, digitalisation doesn't mean our customers get less attention locally, just more service. We have an advantage over other providers because we have people in the destinations who can evaluate the experience and optimise it for the customer.

So digital transformation is on course, never mind the COVID-19 crisis?

Yes, absolutely. We are speeding up digital change. Apart from the activities platform, we are expanding another platform – one for hotels. Each year we are investing many tens of millions of euros in each of those platforms. The hotel platform allows hotels to present a far more differentiated profile. Instead of sticking to rigid categories like sea view or garden view, they can market every room individually. Hotels can improve their revenues by catering better for what customers want. We originally built that platform to market our own hotels, and it's already up and running there. It has enabled us to increase our prices per room-night by 10–15 euros. The platform has already paid off for us, and we believe it will be a success story for third-party hotels, too.

»There are not many companies with employees who are so resilient and so experienced in handling crises as they are at TUI.«

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»The holiday sector will remain on its long-term pathway of growth. People have not lost their appetite for travel.«

Climate protection and sustainability seem to have been overshadowed by the pandemic. Does that apply to TUI?

Sustainability has been in our DNA for many years now. Our fleets of aircraft and ships are new and consume relatively little fuel. This has placed us amid the top rungs of the climate rankings. Our hotels and resorts have environment certification. Our sector depends on healthy landscapes and marine environments. To preserve those sustainably, we will rigorously champion reductions in the consumption of resources. The challenges deriving from climate change are huge. Doing without things is no solution. I believe that innovations will help us to uncouple growth from rising carbon emissions. Hydrogen, if produced much more cheaply, can play a big role in this. Another dimension to sustainability are the social aspects, and for us those are particularly important – they will be even more significant as a result of the coronavirus crisis. We must strengthen local participation in the destinations. Local people should benefit more from the visitors who come. That is something we work for as a company and through the TUI Care Foundation we created in 2016. As market leaders in our sector, we stand by our responsibility for people and the natural environment. The crisis won't change that. Quite the reverse.

Where do you draw hope amid the crisis?

First and foremost, the holiday sector will remain on its long-term pathway of growth. People have not lost their appetite for travel. 2021 will be a transition year. The following year we expect to return to pre-crisis levels in tourism. Besides, there is no other company like ours that uniquely caters for the entire travel chain in a highly fragmented sector: our own hotels, cruise ships, destination agencies with our own teams in every country in the world where people like to travel, our own aircraft, strong tour operators that customers trust, leading online platforms. Our Group strategy is future-proof. We have demonstrated in recent years that we can change successfully. Like no other company we offer reliable safety and quality standards for holiday-makers. This will be more important than ever when the crisis is over. Besides, there are not many companies with employees who are so resilient and so experienced in handling crises as they are at TUI. The crisis has placed huge demands on them, and we are grateful to have such a strong team behind us. To everyone who has helped to manoeuvre TUI through this crisis, I express my heartfelt thanks, also on behalf of all my colleagues on the Group Executive Committee. We can sum it all up in a single sentence: TUI was in robust health before the crisis, and after the crisis we will be in robust health again.

The interview took place in late November 2020.

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FINANCIAL YEAR 2020

GROUP EXECUTIVE COMMITTEE AS OF 1 JANUARY 2021

PETER KRUEGER
Executive Board Member;
Chief Strategy Officer

DR ELKE ELLER
Executive Board Member;
Chief HR Officer / Labour Director

FRIEDRICH JOUSSEN
Chief Executive Officer

SEBASTIAN EBEL
Executive Board Member;
Chief Financial Officer

FRANK ROSENBERGER
Executive Board Member;
Chief Information Officer & Future Markets

ERIK FRIEMUTH
Chief Marketing Officer & Managing Director TUI Hotels & Resorts

ELIE BRUYNINCKX
CEO Western Region

THOMAS ELLERBECK
Group Director Corporate and External Affairs & Chief Sustainability Officer

DR HILKA SCHNEIDER
Group Director Legal, Compliance & Board Office

DAVID BURLING
Executive Board Member;
CEO Markets

DAVID SCHELP
CEO TUI Musement

Please refer to our website for CVs www.tuigroup.com/en-en/about-us/about-tui-group/management

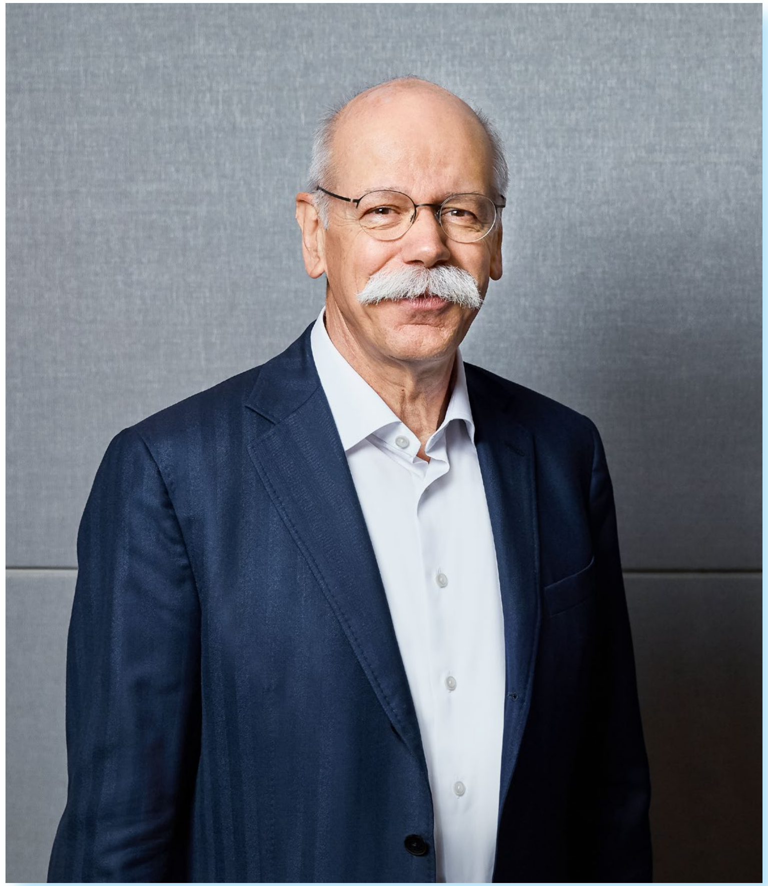
REPORT OF THE SUPERVISORY BOARD

Dear Sir or Madam,

This year we are again one of the first listed companies out of the blocks in the reporting season. That in itself is not unusual. However, this makes us one of the first companies to be reporting on a year that took a quite extraordinary course. It is now generally known that the tourism sector has been especially hard hit by the restrictions imposed due to the COVID-19-pandemic. This holds true for our company as well. Our business model is robust, which was demonstrated most recently by our ability to manage and minimise the negative impacts of the Boeing 737 Max grounding. However, the travel restrictions have meant that we have been in effect prevented from conducting large parts of our commercial operations since mid-March.

At our Annual General Meeting in February 2020, we were still in a very optimistic mood due to the record booking figures. The Corona-virus was not yet playing a major role and the company was on the way to enjoying the most successful year in its history – only to have the brakes slammed on in the weekend of 14/15 March. This weekend saw the closure of almost all destinations and we had to react to a staggering drop in revenue to almost zero at the drop of a hat. No one could predict how long this situation would last.

At the beginning, as we also looked to developments in China, where the first cases were reported, we still assumed we would be able to resume commercial operations in June. Indeed, travel restrictions were increasingly being lifted across Europe from June onwards, only for lockdown to be largely reimposed just weeks later. In operational terms, our employees had to keep adapting to changing situations in the various source and destination markets, which in some cases were announced with practically no notice. This situation placed extreme, previously unthinkable challenges on our company. Over this rollercoaster ride, however, the feedback from the trips carried out under COVID-19 conditions and the booking situation for the coming year demonstrated that our customers enjoyed their holiday with TUI and felt very safe. TUI is a brand that represents trust. We are certain that we will enjoy high levels of demand as soon as travel is possible again. We hope that the progress on the availability of vaccines in 2021 as recently announced will initiate the transition into this new normality. In parallel, we have used the time to press ahead with the restructuring process into a platform company, to hugely improve the cost position and to make TUI more sustainable. As the Supervisory Board, we have supported the work of the Executive Board at a string of extraordinary meetings since the start of the crisis and are convinced that TUI is well on track to quickly regain its former strength in a post-COVID-19 era.



DR DIETER ZETSCHE
Chairman of the Supervisory Board

The way we work has also changed in the long term – for us as the Supervisory Board, too. Even though the German Corporate Governance Code still says that attending Supervisory Board meetings by videoconference should be the exception rather than the rule, this has been pretty much unavoidable since March. And it has worked amazingly well. Yet, just like the company as a whole and our customers, we as the Supervisory Board long for the day in the future where we can again meet in person without any restrictions.

The COVID-19-pandemic has again taught us to exercise humility but at the same time not to give up on our dreams. After all, one day we will again be able to travel without restrictions.

To close this introduction, let me again look back on the changes of personnel within the Supervisory Board in financial year 2020: At the close of the Annual General Meeting in February 2020, Ms Valerie Gooding and Ms Janis Kong left the Supervisory Board of TUI AG after over five years. Both have been with the company since the merger with TUI Travel PLC in December 2014 and significantly enriched it with their international experience and expertise. They made an essential contribution to the highly successful cultural integration on the merger of the two companies. At this point, I would like to thank them for their outstanding work and commitment and wish them well for the future. In February 2020, the Annual General Meeting appointed Ms Ingrid-Helen Arnold and Ms Maria Garaña Corces to the Supervisory Board as their replacements, each for a term of four years. Ms Arnold brings experience from a long career at SAP and we are delighted to have her expertise in the field of transformation processes, both as an external service provider and in terms of internal restructuring for our Board. Ms Garaña Corces, currently Vice President of Professional Services Europe, Middle East and Africa for Adobe Inc., worked in positions of responsibility at the Microsoft Corporation for many years. Among her many projects, she was responsible for setting up an Innovation Center on Menorca in cooperation with the tourism sector. The experience of these two new Board members in developing digital solutions and restructuring a company are crucial as we, too, undergo the transformation into a company with digital platforms.

Further, Ortwin Strubelt stepped down from the Supervisory Board on 30 June 2020 following the successful sale of Hapag-Lloyd Cruises to the TUI Cruises joint venture. Mr Strubelt had been an employees' representative on the Supervisory Board since 2009 and also sat on the Audit Committee and the Presiding Committee. His longstanding experience in the company and his expertise in the cruises sector very much enriched our Board. I would like to thank him for his commitment in the name of the entire Supervisory Board and wish him every success for the future. At the request of the Executive Board of TUI AG, Mr Stefan Heinemann was appointed by the court as Mr Strubelt's successor as of 21 July 2020. Mr Heinemann has worked for the subsidiary TUI Infotec GmbH since 2002 and as product owner is responsible for the departments of Scheduling and Maintenance as well as IMSD (Infrastructure Management and Service Delivery) Aviation. With his knowledge of the internal company system landscape, he is a valuable partner on the Supervisory Board, especially when it comes to the transformation process.

Cooperation between the Supervisory Board and the Executive Board

The Executive Board and Supervisory Board cooperate in accordance with the principles set out in the Corporate Governance report (page 106) and in doing so are guided by the principles of good and responsible corporate governance. The focal areas of our monitoring activities were the lawfulness and orderliness, appropriateness and cost-effectiveness of the business administration and Group management, with a strong focus on dealing with the effects of the COVID-19-pandemic. This will be considered in further detail elsewhere in the report.

The Executive Board reported to us regularly, promptly and comprehensively by way of written and verbal reports within and outwith meetings. The reports contained all relevant information on strategy development, liquidity development, planning, business performance over the course of the year and the situation of the Group, on the risk situation and risk management, on compliance as well as on reports from the capital markets (e.g. from analysts) and the press. Aside from the effects of the Boeing grounding and Brexit, key topics in the reports and discussions since March of this year overall have been the handling and the consequences of the COVID-19-pandemic. In this context, we have been discussing the significant business transactions for the company as well as the company's further development with the Executive Board. The Supervisory Board was involved in all decisions that were of fundamental importance to the company in good time. We passed all resolutions required by law, the Articles of Association or the Terms of Reference subject to taking relevant advice. To that end, we regularly made the necessary preparations on the basis of documents that the Executive Board provided in advance to the Supervisory Board and its committees. The Executive Board also notified the Supervisory Board of any urgent matters between the scheduled meetings. As Chairman of the Supervisory Board, I was also regularly informed by the Executive Board about the current business situation and important business transactions in the company outside the Supervisory Board meetings.

Discussions within the Supervisory Board and its Committees

Prior to the Supervisory Board meetings, the representatives of the shareholders and the employees would convene their own separate preparatory meetings, in which members of the Executive Board regularly took part. Discussions of the Executive Board matters and Supervisory Board matters take place without the members of the Executive Board, unless the members of the Supervisory Board request otherwise. Additionally, each member of the Supervisory Board may request at any time that a meeting be held without the attendance of the members of the Executive Board.

Alongside the plenary meeting, a total of four committees were existent in the past financial year, namely the Presiding Committee, the Audit Committee, the Strategy Committee and the Nomination Committee. The Mediation Committee, which is required under section 27 (3) German Co-Determination Act (Mitbestimmungsgesetz), did not need to convene. The chairpersons of the committees report regularly and comprehensively on the work of the committees within the ordinary Supervisory Board meetings. In the context of applying for further stabilisation measures, the Supervisory Board set up a special committee via a resolution dated 15 September 2020 to guarantee that a final resolution on the approved stabilisation measure could be passed. Dr Zetsche, Mr Frank Jakobi and Prof. Edgar Ernst sit on the committee.

As in previous years, we enjoyed a constantly high attendance rate at our meetings, with a very high number of meetings taking place in financial year 2020. Attendance averaged 97.1 % (prior year: 93.5 %) at the plenary meetings and 98.8 % (prior year: 97.3 %) on the committees. In financial year 2020, all members of the Supervisory Board attended considerably more than half of the meetings of the Supervisory Board and any of its committees of which they are members. Members who were unable to attend meetings generally took part in resolutions by way of voting statements. The timely advance distribution of documents for meeting preparation by the Executive Board and the reduction of handouts to almost zero made it much easier for the Supervisory Board members to prepare for the meetings. Since mid-March 2020, the COVID-19-pandemic has meant that all Supervisory Board meetings have been held as telephone or videoconferences. If and to the extent that it is justified by travel recommendations and rules, and taking account of the risk to health, the Supervisory Board meetings will as a rule again be organised as physical face-to-face meetings.

Attendance at meetings of Supervisory Board financial year 2020

Attendance at meetings of Supervisory Board financial year 2020

Name	Supervisory Board meetings	Presiding committee	Audit committee	Nomination committee	Strategy committee
Dr Dieter Zetsche (Chairman)	14 (14)	8 (8)[1]	7 (7)	1 (1)	4 (4)
Frank Jakobi (deputy Chairman)	14 (14)	8 (8)	3 (3)		4 (4)
Peter Long (deputy Chairman)	14 (14)	8 (8)		1 (1)	4 (4)[1]
Ingrid-Helen Arnold	10 (10)				
Andreas Barczewski	14 (14)		7 (7)		
Peter Bremme	13 (14)	8 (8)			
Prof. Dr Edgar Ernst	14 (14)		7 (7)[1]		4 (4)
Wolfgang Flintermann	14 (14)				
Maria Garaña Corces	9 (10)				
Angelika Gifford	14 (14)	8 (8)			4 (4)
Valerie Frances Gooding	4 (4)				3 (3)
Stefan Heinemann	2 (2)				
Dr Dierk Hirschel	14 (14)		7 (7)		
Janis Carol Kong	4 (4)		3 (3)		
Vladimir Lukin	14 (14)		4 (4)		
Coline Lucille McConville	14 (14)		6 (7)		
Alexey A. Mordashov	8 (14)	6 (8)		1 (1)	4 (4)
Michael Pönipp	14 (14)	3 (3)	7 (7)		
Carola Schwirn	14 (14)				
Anette Strempel	14 (14)	8 (8)			
Ortwin Strubelt	11 (11)	5 (5)	4 (4)		
Joan Trían Riu	14 (14)				
Stefan Weinhofer	14 (14)				
Percentage of meetings attended	**97.1**	**96.9**	**98.2**	**100.0**	**100.0**
Percentage of meetings on committees attended	**98.8**				

(In brackets: number of meetings held)
[1] Chairperson of committee.

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Key topics of the Supervisory Board's work

Fourteen Supervisory Board meetings took place. Additionally, five resolutions were passed via the written circulating procedure. The following focal areas were the subject of the individual meetings:

1. At its meeting on 9 October 2019, the Supervisory Board started by looking back on the previous financial year and approved the budget for financial year 2020. A further focal area was the discussion of the Executive Board remuneration, centring first on modifications to the remuneration system and second on parameters of the variable Executive Board remuneration for the previous and current financial year. Additionally, the Supervisory Board reviewed the targets both for its own composition and that of the Executive Board. Finally, we were presented with reports on the progress of the markets and domain transformation.

2. The meeting on 11 December 2019 started with a discussion of the financial statements of the Group and of TUI AG, each issued with an unqualified audit certificate by the auditor, the combined management report for the Group and TUI AG, the report of the Supervisory Board, the corporate governance report and the remuneration report. The auditor also attended this meeting. The Audit Committee had already engaged extensively with these reports on the previous day. Following its own review, the Supervisory Board approved the auditor's audit result. We then approved the financial statements produced by the Executive Board and the combined management report for TUI AG and the Group. The annual financial statements for 2019 were thus approved. Further, the Supervisory Board approved the report of the Supervisory Board, the corporate governance report and the remuneration report. A resolution on the agenda for the ordinary Annual General Meeting 2020 was also passed. In this context, the proposals made to the Annual General Meeting to appoint Ms Ingrid-Helen Arnold and Ms Maria Garaña Corces to the seats on the Supervisory Board being vacated by Ms Valerie Gooding and Ms Janis Kong were discussed and approved. As part of the Executive Board matters, the Supervisory Board extended the service agreement of Mr Joussen by a further five years, discussed extensions for further Executive Board members and, following intensive discussions, approved an amendment of the remuneration system with retrospective effect for financial year 2020, among other things. We further approved a revised budget for financial year 2020, which takes more detailed account of the effects of the Thomas Cook insolvency as well as the impacts of the ongoing grounding of the Boeing 737 Max, and discussed a correspondingly amended plan for financial years 2021 and 2022. We further received a report of the current state of the integration of Hapag-Lloyd Cruises into the TUI Cruises joint venture.

3. The Supervisory Board approved the reference values for the JEV of the members of the Executive Board for financial year 2020 in a written circulating procedure on 19 December 2019.

4. At the extraordinary meeting on 5 February 2020, the Supervisory Board approved the sale of all shares and ships of Hapag-Lloyd Kreuzfahrten GmbH to TUI Cruises GmbH, after it had comprehensively and conclusively considered the aspects of financing, dividend payments and synergy potential.

5. At the meeting on 10 February 2020, we heard reports on the current financial year and the discussed the interim financial statements of the first quarter as of 31 December 2019. Additionally, the Supervisory Board considered the organisational preparations for the Annual General Meeting and the new appointments to the committees following the departure of Ms Gooding and Ms Kong. In accordance with the stipulations of the newly passed German Corporate Governance Code (GCGC), the Supervisory Board also resolved not to credit any board functions exercised by the Executive Board members outside the Group to their remuneration. Alongside the personnel and social report, we received a report on sustainability in the Group and an update on the current status of the grounding of the Boeing 737 Max. Additionally, the Supervisory Board approved the new issue of employee shares as part of the oneShare employee share programme for the financial year as well as the acquisition or lease of two Boeing 787-9-type aircraft for the long-haul business.

6. An extraordinary meeting on 3 March 2020 was the first occasion at which the Supervisory Board engaged more intensively with the initial impacts of the global spread of the COVID-19-pandemic and its potential consequences for the company and the tourism sector as a whole.

7. At a second extraordinary meeting on the emerging COVID-19-pandemic on 16 March 2020, the Supervisory Board considered the effect of the travel restrictions that came into effect at short notice over the weekend of 14/15 March 2020. The consequence of these restrictions was the almost complete shutdown of operative business and, on the evening of 15 March 2020, the Executive Board announced that it would be making an application for state assistance to the Kreditanstalt für Wiederaufbau (KfW). As well as the retraction of the forecast for financial year 2020, we discussed in detail potential measures for safeguarding liquidity and the necessary steps in the process for the grant of state assistance.

8. At a further extraordinary meeting on 26 March 2020, the Supervisory Board again considered the consequences of the COVID-19-pandemic. Alongside internal cost-reduction measures and strict liquidity management, we looked extensively at the current situation regarding the grant of state assistance and the associated conditions and approved a corresponding application.

9. The Supervisory Board approved the conclusion of the first process for the approval of German state assistance by way of a written circulating procedure on 1 April 2020.

10. At the extraordinary meeting on 28 April 2020, we received an update on the current situation of the company following the receipt of the state bridging loan. We had intensive discussions on measures for safeguarding and mobilising liquid funds based on different scenarios concerning the repayment claims for customer payments and potential reductions in capacity of the airlines. Additionally, the Executive Board reported on the progress of the execution of the Hapag-Lloyd transaction as well as the digitalisation of business operations.

11. On 12 May 2020, the Executive Board reported on the current financial year 2020, following which the Q2 quarterly financial statements and the half-yearly financial report 2020 were discussed. Issues within the Executive Board matters included the approval of Mr Ebel's appointment and service agreement until 30 November 2021. The Executive Board further notified the Supervisory Board that it would voluntarily waive 30 % of its fixed remuneration for the months of April and May. Additionally, the Supervisory Board considered the constitution of the Executive Board and the implementation of the reinsurance of pension claims, which is partly approved contractually, for affected members of the Executive Board. Alongside an update on the new version of the GCGC and an update on the liquidity status, the Supervisory Board was given an update on the effects of the COVID-19-pandemic and the development of a concept for the resumption of commercial operations. The Supervisory Board further approved the conferral of commercial powers of attorney.

12. At its extraordinary meeting on 20 May 2020, the Supervisory Board was given an extensive report on the successful conclusion of a compensation agreement with Boeing.

13. In the context of the announcement on the lifting of the Europe-wide travel restrictions, the Supervisory Board considered the measures for the resumption of business operations and the financial consequences for the company at its extraordinary meeting on 9 June 2020. The focus here was on the grant of further German state assistance and the indebtedness and reduction of the capacities at TUIfly GmbH.

14. After the Supervisory Board had again been notified of the current status regarding the effects of the COVID-19-pandemic at its extraordinary meeting on 7 July 2020, we looked at how to fill the vacancy on the Supervisory Board, the Presiding Committee and the Audit Committee created by the departure of Mr Strubelt. The Group Works Council suggested Mr Stefan Heinemann as a Supervisory Board member to be appointed by the court, and the Supervisory Board chose Mr Pönipp as a new member of the Presiding Committee and Mr Jakobi as a new member of the Audit Committee.

15. The framework conditions for the receipt of a further stabilisation package in the form of an increase of the existing KfW credit line and the issue of a convertible bond to the WSF were discussed and approved accordingly at the extraordinary meeting on 12 August 2020.

16. On 13 August 2020, the Supervisory Board approved by way of a written circulating procedure the increase of the share capital of TUI AG in order to issue employee shares in the scope of the "oneShare 2020" employee share programme and corresponding amendment of article 4 of the Articles of Association.

17. In a further written circulating procedure, the Supervisory Board approved corresponding supplementary agreements for the implementation of the reinsurance of the pension obligations for the Executive Board under insolvency law contractually guaranteed in the service agreements of the members of the Executive Board in question (Dr Eller, Mr Ebel and Mr Rosenberger) on 1 September 2020.

18. Over the course of the two-day meeting, the Supervisory Board started by discussing the Liquidity and Financial Profile and then the draft budget for financial year 2021 and the plan for financial years 2022 and 2023 on 15 September 2020. We then approved the conclusion of a framework agreement with the WSF on the grant of a stabilisation measure and a transfer agreement on the issue of convertible bonds. We also set up a committee and authorised it to decide on the final conditions for the stabilisation measure. In the course of the Executive Board matters, we approved the conclusion of supplementary contracts that implement the requirements concerning Executive Board remuneration from the framework agreement with the WSF. We also discussed the reference values and targets for the JEV for the coming financial year 2021 against the backdrop of the current challenges. Additionally, we decided to retain the target for the quota of women on the Executive Board at one woman. In terms of the Supervisory Board matters, we considered the implementation of the partial waiver of the fixed remuneration as well as the self-assessment of the effectiveness of our committee that was carried out on the basis of a questionnaire in September. On the following strategy day, the Supervisory Board heard and intensively discussed extensive reports on the progress of the transformation from the markets, in the field of IT, the airlines and from the sector of holiday experiences – Hotels, Cruises and Destination Experiences.

19. On 29 September 2020, the Supervisory Board approved the reference values and targets for the JEV of the Executive Board members as announced for the coming financial year 2021 via a written circulating procedure.

Presiding Committee

The Presiding Committee is responsible for Executive Board matters (including succession planning, appointment, terms of the employment contracts, remuneration, proposals for the remuneration system). Additionally, the Presiding Committee prepares the meetings of the Supervisory Board. Eight meetings were held in the reporting period.

The members of the Presiding Committee are / were:

- Dr Dieter Zetsche (Chairman)
- Peter Bremme
- Angelika Gifford
- Frank Jakobi
- Peter Long
- Alexey Mordashov
- Michael Pönipp (since 7 July 2020)
- Anette Strempel
- Ortwin Strubelt (until 30 June 2020)

1. At the meeting on 9 October 2019, the Presiding Committee considered Executive Board matters. These included discussions on various topics to do with Executive Board remuneration for the previous and current financial year.

2. As part of the Executive Board matters on 11 December 2019, the Presiding Committee recommended that the Supervisory Board extended the appointment and service agreement of Mr Joussen and prepared a proposed resolution on the adjustment of the remuneration system.

3. At its meeting of 10 February 2020, the Presiding Committee submitted a proposed resolution for the new appointment of Mr Lukin to the Audit Committee. Additionally, due to the newly published GCGC, it was recommended that the remuneration for existing positions on non-Group boards should not be credited to the Executive Board remuneration. Further, the Presiding Committee discussed the potential extension of Mr Ebel's appointment and service agreement.

4. At its extraordinary meeting on 3 April 2020, the Presiding Committee approved the recommendation of a one-year extension of Mr Ebel's service agreement and appointment and considered the composition of the Executive Board in general. Additionally, the Presiding Committee discussed the further handling of the COVID-19-pandemic and the corresponding effects by the Supervisory Board.

5. At its meeting on 12 May 2020, the Presiding Committee again discussed the composition and constitution of the Executive Board and considered a provisional calculation of the variable remuneration components of the members of the Executive Board for the current financial year 2020. The Presiding Committee also discussed a financial contribution of the Supervisory Board for the financial year 2020.

6. In terms of the Executive Board matters, the Presiding Committee started its extraordinary meeting on 20 July 2020 by discussing the Executive Board remuneration against the backdrop of the effects of the COVID-19-pandemic as well as a proposed resolution for the reinsurance of the pension obligations for the Executive Board under insolvency law contractually guaranteed in the service agreements of the Executive Board members in question. Additionally, the Presiding Committee considered the organisation of work of the Executive Board and the cooperation with the Supervisory Board. Alongside an assessment of Mr Rosenberger's target achievement and performance in the context of the drive for the markets and domain transformation, the Presiding Committee discussed any contractual extensions of the Executive Board pending in the foreseeable future.

7. At its meeting on 15 September 2020, the Presiding Committee again considered the durations of the current Executive Board contracts and then discussed proposed resolutions on the agreement of addenda to the service agreements that implement the provisions of the framework agreements with the WSF as regards Executive Board remuneration. Additionally, the parameters for the annual performance-based remuneration of the Executive Board for the coming financial year 2021 were discussed pursuant to the GCGC and the retention of the quota of women on the Executive Board until 2023 was recommended. The Presiding Committee then discussed the implementation of the voluntary partial waiver of Supervisory Board remuneration as well as the self-assessment of the effectiveness of the Supervisory Board.

8. At an extraordinary meeting on 25 September 2020, the Presiding Committee proposed Mr Ebel as the successor to Ms Conix as CFO and prepared a formal resolution recommendation for the reference values and targets for the JEV of the Executive Board for the financial year 2021 and approved the adequacy of the Executive Board remuneration for the financial year 2020.

AUDIT COMMITTEE

The members of the Audit Committee are / were:

- Prof. Dr Edgar Ernst (Chairman)
- Andreas Barczewski
- Dr Dierk Hirschel
- Frank Jakobi (since 7 July 2020)
- Janis Kong (until 11 February 2020)
- Vladimir Lukin (since 11 February 2020)
- Coline McConville
- Michael Pönipp
- Ortwin Strubelt (until 30 June 2020)
- Dr Dieter Zetsche

Seven ordinary Audit Committee meetings were convened over the financial year. For details of the Audit Committee's remit and the subject areas on which it consulted and passed resolutions, please refer to page 19.

NOMINATION COMMITTEE

The Nomination Committee proposes suitable candidates from the shareholders to the Supervisory Board, which in turn proposes election candidates to the Annual General Meeting or for appointment by the local court.

The members of the Nomination Committee, which met once, are / were:

- Dr Dieter Zetsche (Chairman)
- Peter Long
- Alexey Mordashov

At the meeting on 10 December 2019, the Nomination Committee discussed the resolution recommendation made to the Supervisory Board whereby Ms Ingrid-Helen Arnold and Ms Maria Garaña Corces would be recommended to the Annual General Meeting 2020 for election as successors on the Supervisory Board to Ms Valerie Gooding and Ms Janis Kong. Ms Valerie Gooding and Ms Janis Kong stood down from the Supervisory Board at the close of the Annual General Meeting on 11 February 2020.

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STRATEGY COMMITTEE

The task of the Strategy Committee is to advise the Executive Board on the development and implementation of the Group strategy. A total of four meetings of the committee were convened in the financial year.

The members of the Strategy Committee are / were:

- Peter Long (Chairman)
- Angelika Gifford
- Valerie Gooding (until 11 February 2020)
- Frank Jakobi
- Prof. Dr Edgar Ernst
- Alexey Mordashov
- Dr Dieter Zetsche

1. At its meeting on 8 October 2019, live presentations gave the committee an impression of the functioning and progress of the One Purchasing and Customer Experience platforms, which the committee subsequently discussed.

2. On 10 December 2019, the Strategy Committee was initially given an update in respect of the Thomas Cook insolvency. The progress of the markets and domain transformation as well as a comparison of the TUI websites in the German and English source market was then discussed. This concerned the optimisation of the digital customer experience and the generation of corresponding traffic on the pages.

3. The committee considered a further update on the implementation of the markets and domain transformation on 10 February 2020. Additionally, the extent to which customer requirements were analysed and correspondingly fulfilled was discussed.

4. At its meeting on 11 May 2020, the Strategy Committee discussed the work streams set up as a consequence of the COVID-19-pandemic and then engaged with the measures for resuming business operations.

CORPORATE GOVERNANCE

The TUI AG share has its first quotation on the London Stock Exchange in the United Kingdom. The constitution of TUI AG as a stock corporation under German law naturally means in this context that the Supervisory Board needs to address both German and British corporate governance regularly and extensively. As well as mandatory compliance with the stipulations of the German Stock Corporation Act (AktG), the German Codetermination Act (MitbestG), the Listing Rules and the Disclosure and Transparency Rules, in the course of the merger TUI AG declared that it would comply with both the German Corporate Governance Code as well as – as far as practicable – the UK Corporate Governance Code (UK CGC).

For the GCGC, the basic form of which derives among other things from the AktG, we were able to provide the Executive Board with the unlimited Declaration of Conformity 2020 in accordance with section 161 AktG. Conversely, there were derogations from the UK CGC, which are primarily to do with the conceptual difference between the monistic governance system of a public listed company in the United Kingdom (known as a one-tier board) and the dualistic governance system of Executive Board and Supervisory Board in the German Aktiengesellschaft (known as a two-tier board) under German law.

Further information on corporate governance, the Declaration of Conformity 2020 pursuant to section 161 AktG and the declaration on the UK CGC can be found in the report on corporate governance jointly produced by the Executive Board and the Supervisory Board in this management report (page 106) and on the TUI AG website.

Conflicts of interest arising

The Supervisory Board constantly monitored the occurrence of conflicts of interest in the current financial year and established that no conflict of interest arise in financial year 2020.

Annual and Group audit of TUI AG and the TUI Group

The Supervisory Board reviewed whether the annual and Group audit as well as the further financial reports complied with the applicable requirements. The annual audit of TUI AG prepared by the Executive Board in accordance with the rules of the German Commercial Code (HGB), the combined management report of TUI AG and the TUI Group as well as the Group audit prepared on the basis of the International Financial Reporting Standards (IFRS) for the financial year 2020 were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hanover, and an unqualified audit certificate issued for each. The specified documents, the proposal of the Executive Board to utilise the net profit available for distribution and the audit reports of the auditor were submitted to all members of the Supervisory Board in good time. We dealt with them in depth at the Audit Committee meeting on 1 December 2020 and at our accounts meeting on 2 December 2020 at which the Executive Board explained the financial statements to us in detail. At this meeting, the chairman of the Audit Committee and the auditor reported on the outcome of their audits, the focal areas of which had been specified in advance with the Audit Committee for the reporting year. Neither the auditor nor the Audit Committee identified any weaknesses of the early warning system and internal control system. After our own review of the annual financial statements, the Group accounts and the combined management report, we had no occasion to raise any objections and therefore agree with the Executive Board's assessment of the situation of TUI AG and the TUI Group. At the recommendation of the Audit Committee, we approve the financial statements for financial year 2020; the annual accounts of TUI AG are therefore approved.

Composition of Executive Board and Supervisory Board

The composition of the Executive Board and Supervisory Board as at 30 September 2020 can be found in the overviews on page 102 for the Supervisory Board or page 104 for the Executive Board.

SUPERVISORY BOARD

Ms Valerie Gooding and Janis Kong stood down from the Supervisory Board at the close of the Annual General Meeting 2020. At the same Annual General Meeting, Ms Ingrid-Helen Arnold and Ms Maria Garaña Corces were elected as members of the Supervisory Board of TUI AG for a term of four years. Further, Mr Ortwin Strubelt stood down from the Supervisory Board on 30 June 2020. Mr Stefan Heinemann was appointed to the Supervisory Board by the court as representative of the employees on 21 July 2020.

PRESIDING COMMITTEE

Mr Ortwin Strubelt stood down from the Supervisory Board and thus also from the Presiding Committee on 30 June 2020. The Supervisory Board elected Mr Michael Pönipp as the fourth employees' representative on the Presiding Committee.

AUDIT COMMITTEE

Ms Kong stood down from the Supervisory Board and thus also from the Audit Committee at the close of the Annual General Meeting 2020. The Supervisory Board elected Mr Vladimir Lukin to the Audit Committee to fill the vacancy. After the departure of Mr Strubelt on 30 June 2020, the Supervisory Board elected Mr Frank Jakobi to fill the vacancy that had arisen on the Audit Committee.

STRATEGY COMMITTEE

After Ms Gooding stood down from the Supervisory Board and thus also the Strategy Committee at the close of the Annual General Meeting 2020, the Supervisory Board decided to consider a potential successor at a future point in time.

EXECUTIVE BOARD

In financial year 2020, Ms Conix announced that she would not renew her service agreement, which expires on 14 July 2021. After intensive discussions, the Supervisory Board decided to appoint Mr Sebastian Ebel as CFO with effect from 1 January 2021 and Mr Peter Krueger as a new member of the Executive Board responsible for the areas of Strategy, M&A, Airlines and Joint Ventures with effect from 1 January 2021.

Dedication

The Supervisory Board would like to thank all employees of the TUI Group for their immense hard work that has carried TUI through a financial year with unprecedented challenges. Given the huge uncertainties in 2020, their commitment and trust in the management and in us is a remarkable achievement. Additionally, I would like to thank the German government in the name of the entire Supervisory Board for their financial support and the corresponding fundamental trust in our business model.

Hanover, 9 December 2020

On behalf of the Supervisory Board

Dr Dieter Zetsche
Chairman of the Supervisory Board

AUDIT COMMITTEE REPORT

Dear Shareholders,

as the Audit Committee, our task is to support the Supervisory Board in performing its monitoring function and we therefore dealt in the financial year with issues relating in particular to the TUI Group's accounting and financial reporting, as required by statutory provisions, the German Corporate Governance Code, the UK Corporate Governance Code and the rules of procedure of the Supervisory Board.

In addition to these core functions, we are responsible in particular for monitoring the effectiveness and proper functioning of internal controls, the risk management system, the internal audit department and the legal compliance system.

Furthermore, the Audit Committee is responsible for selecting the external auditors. The selected auditors are required to be proposed by the Supervisory Board to the Annual General Meeting for appointment. Following the appointment by the Annual General Meeting, the Supervisory Board formally commissions the external auditor to audit the annual financial statements and the consolidated financial statements, to review the half-year financial statements and any additional interim financial information that complies with the requirements for the half-year financial report.

The Audit Committee was elected immediately after the 2016 Annual General Meeting from among the members of the Supervisory Board. The election of the committee members is valid for the respective term of their Supervisory Board mandate. In the past financial year, Frank Jakobi and Vladimir Lukin were elected as new members of the Audit Committee after Janis Carol Kong and Ortwin Strubelt resigned from the Supervisory Board of TUI AG.

Thus, the Audit Committee currently consists of the following eight members of the Supervisory Board:

- Prof. Dr Edgar Ernst (Vorsitzender)
- Andreas Barczewski
- Dr Dierk Hirschel
- Frank Jakobi
- Vladimir Lukin
- Coline Lucille McConville
- Michael Pönipp
- Dr Dieter Zetsche

In the opinion of the Supervisory Board, both the Chairman of the Audit Committee and the other members of the Audit Committee meet the criterion of independence. In addition to the Chairman of the Audit Committee, at least one other member is required to have expertise in the field of accounting and experience in the use of accounting principles and internal control systems.

The Audit Committee meets regularly six times a year, and other meetings may be held on specific topics. These topic-related meetings include a meeting at which the Executive Board explains the key content of the Pre-Close Trading Update, which is published shortly before the balance sheet date, to the Audit Committee. The other meeting dates and agendas are based in particular on the Group's reporting cycle and the agendas of the Supervisory Board.

The Chairman of the Audit Committee reports on the work and proposals of the Audit Committee at the subsequent Supervisory Board meeting.

Apart from the Audit Committee members, the meetings were also attended by the Chairman of the Executive Board and the Chief Financial Officer as well as the heads of Group Financial Accounting & Reporting, Group Audit, Group Legal, Compliance & Board Office, Group Treasury, Group Controlling and Group Investor Relations & Corporate Finance.

The external auditors were invited to attend the meetings on relevant topics. Additional members of the TUI Group's senior management, operationally responsible TUI Group executives or external consultants were asked to attend as required.

In addition to the meetings of the Audit Committee, the Chairman of the Audit Committee also held individual discussions with the Executive Board, senior managers or the responsible partners of the auditor where it was deemed necessary for the in-depth understanding of individual topics and issues. The Chairman of the Audit Committee reported on the main results of these discussions at the following meeting.

The members attended the meetings of the Audit Committee as shown in the table on page 13.

Reliability of financial reporting and monitoring of the accounting process

The preparation of the annual financial statements and annual report of a German stock corporation is the sole responsibility of the Executive Board. Pursuant to Section 243 (2) HGB, the annual financial statements must be clear and concise and provide a realistic overview of the economic situation of the company. This is equivalent to the requirements of the UK Corporate Governance Codex (UK CGC), which requires annual accounts and annual reports to be accurate, balanced and understandable. Against this background, the Executive Board is convinced – although the assessment was not transferred to the Audit Committee – that the annual report submitted meets the requirements of both legal systems.

In order to also convince ourselves of the reliability of both the annual financial statements and the interim reporting, we requested detailed information from the Executive Board on the business development and financial situation of the Group at the four Audit Committee meetings held immediately prior to the publication of the respective financial statements. The relevant reports were discussed at these meetings and the auditors reported in detail on material aspects of the financial statements and on the findings of the audit and review.

In order to monitor accounting, we examined individual aspects intensively in great detail. Naturally, the economic development of TUI due to the COVID-19 crisis was also a central topic at our meetings. In particular, we received detailed reports from TUI AG's Executive Board on the measures taken to secure liquidity, especially with regard to government-backed financing, and on planned equity measures.

In addition, the accounting treatment of key balance sheet items, in particular goodwill, property, plant and equipment, advance payments for tourism and other provisions, was also discussed. In doing so, we satisfied ourselves in consultation with the auditor that the assumptions and estimates on which the accounting treatment was based were appropriate. In addition, the Audit Committee also considered significant legal disputes and significant aspects arising from the operating business, in particular the impairment test of the Group's assets against the background of the COVID-19 crisis.

In the period under review, we focused in particular on the following individual aspects:

Even before the outbreak of the COVID-19 crisis, TUI AG's Executive Board had initiated optimization processes with regard to the structure of working capital and the associated cash flows. These measures also included the centralisation of finance functions. We were regularly informed about these projects at our meetings. Due to the outbreak of the COVID-19 crisis, these processes were greatly expanded and accompanied by measures for strict cost control. We also received reports on the corresponding measures.

The grounding of Boeing 737 Max aircraft in March 2019 still had an impact on TUI's earnings situation in the past financial year. At our meetings, we were informed about the effects of the flight ban and the status of negotiations with Boeing on compensation for the damage incurred.

In addition, the consistency of the reconciliation from profit before tax to the key figure 'underlying earnings' and the material adjustments were discussed for all quarterly reports and for the annual financial statements.

We also gathered information about the corporate transactions of the financial year. This related in particular to the sale of Hapag-Lloyd Kreuzfahrten to TUI Cruises in the Cruises Sector. Furthermore, we examined TUI's investing activities in airlines, hotels & resorts, cruises and IT. We obtained information about the major investments within the Group divisions and the earnings contributions from these investments and divestments.

In addition to these topics, against the background of the COVID-19 crisis, the going concern report prepared by the Company was discussed in particular in order to verify the relevant going concern statements in the half-year report and the annual financial statements. The Viability Statement in the annual financial statements was also a subject of discussion.

Since the introduction of mandatory reporting on Corporate Social Responsibility (CSR) in the management report, the Supervisory Board has been responsible for reviewing the content of this information. The Supervisory Board decided to seek the support of TUI's Group Audit department in the review of the disclosures. Accordingly, we have been informed about the results of the audit by Group Audit in the financial year and are of the opinion that the information published in the CSR report is appropriate.

Our assessment of all aspects of accounting and financial reporting discussed is consistent with that of management and the auditors.

Effectiveness of internal controls and the risk management system

The Audit Committee recognises that a robust and effective system of internal control is critical to achieving reliable and consistent business performance. To fulfil its legal obligation to examine the effectiveness of internal controls and the risk management system, the Audit Committee is informed regularly about their current status and also about the further development of them.

The Group has continuously developed its internal control system on the basis of the COSO concept. In this context, the routine review of key financial controls is performed by local management and monitored by the Executive Board. In the largest source markets, UK and Germany, more widespread testing of additional internal controls is conducted.

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The compliance function within the Group is split into the areas of finance, legal affairs and IT. This split plays an essential role in identifying further control needs and in continuously improving existing controls. In addition, the auditors also report on any weaknesses in the Group's accounting-related control system which they have identified and whose prompt remedial action is monitored by management.

The Audit Committee regularly receives reports on the effectiveness of the risk management system, as described in the Risk Report starting on page 33. The Risk Oversight Committee that has been set up is of crucial importance within the Group. We are convinced that an appropriate risk management system is thus in place.

The Group Audit department ensures independent monitoring of the implemented processes and systems as well as the core projects and reports directly to the Audit Committee at each regular meeting. In the period under review, the Audit Committee was not informed of any audit findings that indicate significant weaknesses in the internal controls or the risk management system. In addition, regular discussions are held between the Chairman of the Audit Committee and the Head of Group Audit for closer coordination. The annual audit planning is agile. The Audit Committee received detailed reports on the methodology and took note of and approved them, together with the audits for the coming financial year already defined in this context. The Audit Committee believes that the effectiveness of the Group Audit department is ensured through this regular consultation.

In the course of our meetings, we were informed about the status of the implementation of the provisions of the European General Data Protection Regulation (EU GDPR) in the individual businesses during the financial year. On the basis of this report, we are convinced that the projects and measures initiated for this purpose throughout the Group are suitable for fulfilling the requirements of the EU GDPR.

In addition to the usual reporting on the legal compliance system, we were informed about the introduction of the so-called Integrity Passport in the TUI Group. In the financial year under review, TUI Group's legal compliance system was described in a newly issued Code of Conduct and made available to employees in the form of the Integrity Passport. We had the Integrity Passport presented to us and received a report on the status of the information provided by management to the employees.

Whistleblower systems for employees in the event of compliance violations

The TUI Group has set up a uniform whistleblower system through which employees can draw attention to possible violations of compliance guidelines.

As part of the reporting on the legal compliance system, the key findings of the current financial year from the whistleblower system were presented to us.

Examination of auditor independence and objectivity

For the 2020 financial year, the Audit Committee recommended to the Supervisory Board that it proposes Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte) to the Annual General Meeting as auditors. Following the commissioning of Deloitte as auditor by the Annual General Meeting in February 2020, the Supervisory Board appointed Deloitte to audit the 2020 annual financial statements.

The Audit Committee had Deloitte explain to it in advance the audit plan for the annual financial statements as of 30 September 2020. This plan covered the main focal points of the audit and the main companies to be audited from the Group's point of view. Based on this, the Audit Committee firmly believes that the audit has taken into account the main financial risks to an appropriate degree and is satisfied that the auditors are independent and objective in how they conduct their work.

On the basis of the regular reporting by the auditor, we have every confidence in the effectiveness of the external audit. Therefore, we decided to recommend to the Supervisory Board that it proposes to the Annual General Meeting to elect Deloitte as the auditor for the 2021 financial year as well. Deloitte was selected as auditors in a public tender process in financial year 2016 and has been appointed as auditor without interruption since the first election by the Annual General Meeting in 2017.

In order to ensure the independence of the auditor, any non-audit services to be provided by the auditors must be submitted to the Audit Committee for approval before awarding the mandate. Depending on the amount involved, the Audit Committee makes use of the option of delegating the approval to the company. The Audit Committee Chairman is only involved in the decision once a specified cost limit has been reached. Insofar as the auditor has performed services that do not fall under the Group audit, the nature and extent of these have been explained to the Audit Committee. This process complies with the company's existing guideline regarding the approval of non-audit services and it takes into account the requirements from the AReG regulations on prohibited non-audit services and on limitations of the scope of non-audit services. In financial year 2020, these non-audit services amounted to 18.6 % of the total auditor's fee, which amounted to € 8,326.0 million.

I would like to take this opportunity to thank the Audit Committee members, the auditors and the management for their hard work over the past financial year.

Hanover, 9 December 2020

Prof. Dr Edgar Ernst
Chairman of the Audit Committee

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COMBINED MANAGEMENT REPORT*

* The present combined Management Report has been drawn up for both the TUI Group and TUI AG. It was prepared in accordance with sections 289, 289 (a), 315, 315 (a), 315 (b), 315 (c) and 315 (d) of the German Commercial Code (HGB).

The combined Management Report also includes the Remuneration Report, the Corporate Governance Report and the Financial Highlights.

TUI GROUP STRATEGY

Overall strategy

TUI recorded a strong start to the financial year, breaking TUI's January booking records for the summer 2020 programme since the merger of TUI AG and TUI Travel PLC.[1] However, governmental measures taken in March to fight the spread of the COVID-19-pandemic forced an immediate stop of most of our business activities, leading to a sharp increase in booking cancellations and customer refunds, ultimately resulting in a liquidity squeeze for the business. Nevertheless, even during the COVID-19 crisis market fundamentals with underlying customer demand remain intact. This was evident due to the strong return of holiday bookings in June and July, after some travel restrictions were lifted.[2] Due to the emergence of a second COVID-19 wave heading into the Winter 2020 programme, the number of European destinations available for international travel are limited once again, including for example Greece and Portugal. Renewed governmental health measures with corresponding restrictions impede resumption of business activities in most parts of the international tourism sector, including hotels and cruises, resulting in low revenue potential.[3] At the same time, a recovery of travel is predicted for the financial year 2021.[4] TUIs brand advantage, recognised for safety and service quality[5], as well as its worldwide presence in our international destinations should enable TUI to satisfy the strong underlying consumer demand.[2] As soon as vaccinations, currently submitted for approval, are available for administration to the necessary extent, travel restrictions are expected to be lifted imminently. This would enable a substantial and fast recovery of our business. According to the German Federal Ministry of Health, it is expected that first vaccinations will be available to the public towards the end of 2020, beginning of 2021. This should result in a more relaxed state and resumption of normal everyday life in many parts of our society.

TUI's integrated business model continues to be considered a success factor for the long term and remains a core element of our strategy. Our focus on end-to-end delivery of safe holidays across the entire customer journey, has benefitted the partial recommencement of operations for Summer 2020. Destinations have recognised this strength of TUI's, as the governments of Greece and the Balearics have selected TUI to implement pilot programs in Summer 2020 aimed at restarting tourism in their regions.

[1] 14 % growth in booking performance as of January 2020 compared to January 2019 booking progress
[2] 3.3 m bookings recorded since global travel bans were partially lifted (data from 1st of June to 1st of November)
[3] 2.4 m Summer 2020 bookings, compared to 12.7 m bookings for the previous summer (data as at 2 August 2020)
[4] 72 % increase of world tourist arrivals expected for 2021 compared to 2020
[5] Awarded for accomplishment of highest health and safety standards amongst global hotel brands (10 November 2020) – https://www.intertek.com/news/2020/11-10-intertek-cristal-awards-tui-group-best-global-hotel-brand/

Markets & Airlines: Accelerate realignment programme to emerge leaner, stronger, more flexible and digital from the crisis

In the Markets & Airlines sector, we are focusing on improving our cost position while driving innovation speed and flexibility. This shall be delivered by establishing more centralised processes and technology, the core elements of our Markets Transformation & Domaining initiative. This should allow us to further expand our product offering beyond traditional packages into attractive growth segments like accommodation only, seat only as well as dynamic package. The expansion runs parallel to efforts geared towards remaining competitive and maintaining our leading positions in the traditional packaging market. Another focus point in the Airlines segment is the strengthening of our competitiveness and positioning via careful management of our airline capacity.

The initiative expands the ecosystem for TUI as well as our customers and partners. Building on the extended ecosystem, our CRM systems are set up to support digital up-[6] and cross-selling[7] and will focus on customer retention within the TUI world. Against the background the pandemic's impact, the Transformation & Domaining initiative has increased in terms of relevance and pace. Through our global realignment programme, we target to permanently reduce over € 300 m of fixed costs p. a., with a large proportion allocated to the Markets & Airlines business. To achieve this, we are now accelerating our transformation by merging tasks and functions across the group, as well as consolidating our global IT structures. In parallel, we are rightsizing[8] our airlines and aircraft order book. These measures have already commenced across all markets. For example, in TUI fly Germany, the target is to reduce the number of aircrafts by around 50 % from 39 in the next three years, as well as a consolidation of departure airports. For the Markets & Airlines segment, we are seeking to divest and / or restructure non-profitable activities.

[6] Up-selling: selling upgrades to a product (e. g. better flight class, room class, higher tier service, etc.)
[7] Cross-selling: selling complementary or additional products from the TUI range
[8] Adapting in-house capacity to fit needs of source market TOs and market environment

Hotels & Cruises: asset-right expansion and transformation, driving returns, benefitting from vertical integration

With 433 hotels[9] and 17 cruise vessels as at 30 September 2020, we have built a sizeable leisure hotel and cruise business. Our integrated model allows us to leverage the distribution power in the Markets & Airlines business to drive customers into our own Hotels and Cruises. In the future, our capital intensity will be reduced compared to our investment spending in recent years. We announced an asset-right strategy in December 2019 and are executing on this initiative consistently – as exemplified by the continual increase of the proportion of assets in our portfolio operated through management contracts or franchises. In our hotels business, combining the rebalancing of our portfolio in favor of management and franchise contracts and leveraging our joint venture structures, gives us optionality for asset-right growth. The customer relevant aspects – including sales, brand, hotel concepts and experience in the destination – will still be controlled by TUI, regardless of the type of contract in place. In our cruise segment, we are leveraging our joint ventures structures to grow while simultaneously reducing capital intensity. This is exemplified by the successful disposal of Hapag-Lloyd Kreuzfahrten to the joint venture TUI Cruises. In addition, we are in the process of future proofing our UK cruise business through repositioning and modernization of its fleet.[10]

[9] Including third-party hotelier operations
[10] Fleet modernisation via retirement of two oldest ships (Celebration and Dream) and leverage joint entity structure to drive synergies

TUI Musement platform: building scale in the "things to do" market and attracting customers to join the TUI eco-system

In the tours and activities market, TUI has built – on the back of the Musement acquisition – a scalable platform with approximately 168 thousand products as at 30 September 2020. Our business model is based on a two-sided – holidaymaker and provider – open platform. On the distribution side, TUI is focusing on growth in B2B distribution via strategic cooperations – as exemplified by the agreement with Booking.com – as well as growth of offering for our own customer base. On the product side, TUI aims to expand its offering through consolidation of products in the market in order to maintain its position as one of the largest product providers[11] in the sizeable and fast growing Tours & Activities market.

[11] List of number of activities by some of the biggest providers in the Tours & Activities market: Airbnb with 30k (https://news.airbnb.com/airbnb-experiences-update/), GetYourGuide with 60k (https://www.countervor9.de/vertrieb/paxconnect-macht-touren-von-get-your-guide-buchbar) and Viator with 200k (https://www.viator.com/de-DE/support/about)

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Our environment

For TUI Group, economic, environmental and social sustainability is a cornerstone of our strategy for continually enhancing the value of our Company. This is the way we want to create the conditions for longterm economic success and assume responsibility for sustainable business transformation in the tourism sector.

The goals we set ourselves in our sustainability strategy include 'Step lightly', where we aim to reduce the environmental impact of our business operations and to fix goals for improvements in all Group areas.

In financial year 2020, TUI Group's total emissions decreased year-on-year in absolute terms, primarily due to the COVID-19 crisis. Relative carbon emissions across our airlines increased by 4.0 % in the financial year 2020 to 67.8 g / rpk (previous year 65.2 g / rpk). This has been caused by the grounding of our fleet due to the COVID-19 crisis. TUI continues to operate one of Europe's most carbon-efficient airline fleet and continually seeks to deliver further improvements.

Our goal: We will operate the most carbon-efficient airlines in Europe and cut the carbon intensity of our operations by 10 % by 2020 (baseline year 2014, 67.56 g CO_2 / PKM). Unfortunately with the grounding of the Boeing 737 Max and the deliveries that were scheduled, this has significantly impacted progress against our aviation carbon target. Furthermore COVID-19 has had a negative impact on this relative key performance indicator. Since our baseline year 2014, we improved carbon efficiency by 3.6 % up to 2019. However, as a result of COVID-19 impacting flying operations in 2020 there was an increase of 0.4 % compared to 2014.

Details see page 77.

Our employees

COVID-19 poses exceptional challenges for TUI Group and above all our employees. Many of our employees, for instance, are on short-time work benefit schemes or other state-supported programmes aimed at saving jobs. The contact and travel restrictions associated with the pandemic have made new demands on our staff in their day-to-day local and cross-border cooperation. We have therefore had to enhance the global alignment and networking of our markets, systems and employees. In the financial year under review, the focus was on establishing appropriate central or international functions and teams. This will remain a key theme for our ongoing transformation. Communication, new cooperation formats and leadership behaviour have gained in importance in recent months. Due to the rapid, successful shift to mobile working in large parts of the Company, day-to-day cooperation has become more digital. The implementation of state-of-the-art, digital strategies offers our employees flexibility in their work and creates digital and individual freedom. By implementing these measures alongside other programmes, TUI Group is creating a work environment enabling our employees to remain fully and passionately committed to our Company even in these difficult times.

Details see page 83.

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CORPORATE PROFILE

Group structure

TUI GROUP

HOLIDAY EXPERIENCES	MARKETS & AIRLINES	ALL OTHER SEGMENTS
Hotels & Resorts Cruises TUI Musement	Northern Region Central Region Western Region	

TUI AG parent company

TUI AG is TUI Group's parent company headquartered in Hanover and Berlin. It holds direct or, via its affiliates, indirect interests in the principal Group companies conducting the Group's operating business in individual countries. Overall, TUI AG's group of consolidated companies comprised 277 direct and indirect subsidiaries at the balance sheet date. A further 19 affiliated companies and 30 joint ventures were included in TUI AG's consolidated financial statements on the basis of at equity measurement.

For details on principles and methods underlying the consolidated financial statements and TUI Group shareholdings see pages 154 and 244.

ORGANISATION AND MANAGEMENT

TUI AG is a stock corporation under German law, whose basic principle is two-tiered management by two boards, the Executive Board and the Supervisory Board. The Executive and Supervisory Boards cooperate closely in governing and monitoring the Company. The Executive Board is responsible for the overall management of the Company.

The appointment and removal of Board members are based on Sections 84 et seq. of the German Stock Corporation Act in combination with Section 31 of the German Co-Determination Act. Amendments to the Articles of Association are effected on the basis of the provisions of Sections 179 et seq. of the German Stock Corporation Act in combination with Section 24 of TUI AG's Articles of Association.

EXECUTIVE BOARD AND GROUP EXECUTIVE COMMITTEE

As at the balance sheet date, the Executive Board of TUI AG consisted of the CEO and five other Board members.

For details on Executive Board members see page 104.

A Group Executive Committee was set up in order to manage TUI Group strategically and operationally. As at 30 September 2020, the Committee consisted of twelve members, who meet under the chairmanship of CEO Friedrich Joussen.

After the balance sheet date, the Supervisory Board resolved to reshuffle the Group's management with effect from 1 January 2021.

For details see: www.tuigroup.com/en-en/investors/corporate-governance

TUI Group reporting structure

TUI Group is a global integrated tourism group. Its core businesses, Holiday Experiences and Markets & Airlines, are clustered into the segments Hotels & Resorts, Cruises and TUI Musement (previously Destination Experiences) as well as three regions: Northern, Central and Western Regions. TUI Group also comprises All other segments.

With the exception of the following reclassifications, the Group's management structure is thus comparable year-on-year.

In February 2020, we agreed to sell Hapag-Lloyd Kreuzfahrten to the joint venture TUI Cruises. In July 2020, all necessary approvals including merger clearance by the EU Commission had been fulfilled, and the transfer of title to the Hapag-Lloyd Kreuzfahrten vessels was completed during that month. We have already received the major part of the purchase price for Hapag-Lloyd Kreuzfahrten; the remainder will be paid within one year upon the completion of the ship transfers. Hapag-Lloyd Cruises is thus part of TUI Cruises, and will continue to be managed under the existing traditional brand.

In the period under review, TUI changed the allocation of the items on the profit and loss statements of the aircraft leasing companies who hold TUI Group's aircraft and lease them to the Group's airlines. Since the financial year under review, these items have been fully allocated to the airlines using the corresponding aircraft (Northern Region, Central Region and Western Region). In the 2019 Annual Report, only the result from intra-Group aircraft leasing had been allocated to the relevant airlines, while the other items were carried in All other segments. The prior year's comparatives have been restated accordingly.

HOLIDAY EXPERIENCES

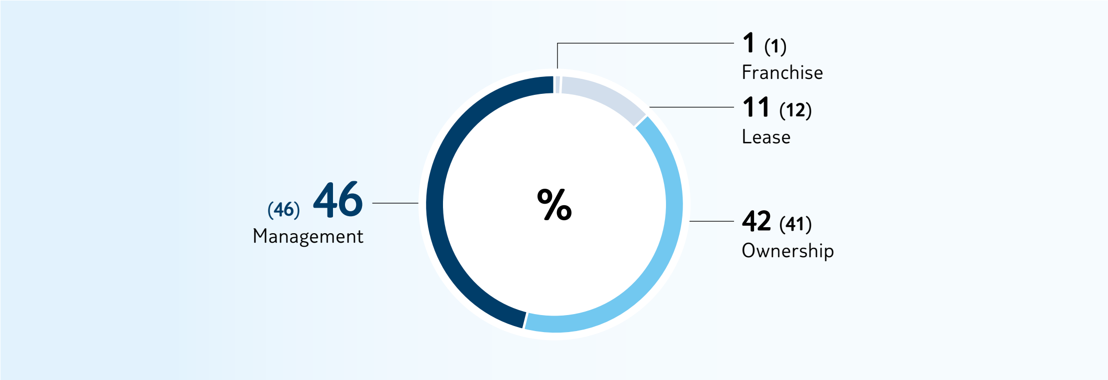
Holiday Experiences comprises our hotel, cruise and destination activities.

HOTELS & RESORTS

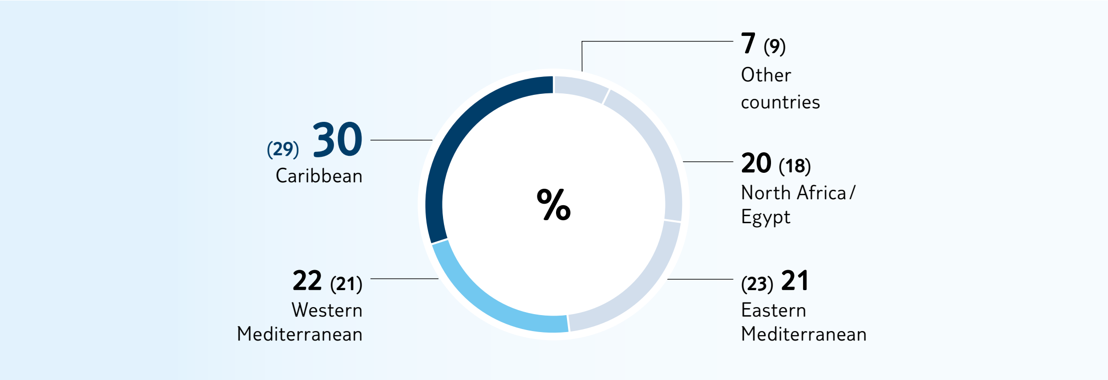
The Hotels & Resorts segment comprises TUI Group's diversified portfolio of Group hotel brands and hotel companies. The segment includes hotels majority-owned by TUI, joint ventures with local partners, stakes in companies giving TUI significant influence, and hotels operated under management contracts.

In financial year 2020, Hotels & Resorts comprised a total of 355 hotels with 266,002 beds. 329 hotels, i.e. the majority, are in the four- or five-star categories. 46 % were operated under management contracts, 42 % were owned by one of the hotel companies, 11 % were leased and 1 % of the hotels were managed under franchise agreements.

Hotels & Resorts financing structure



Hotels & Resorts beds per region



In brackets: previous year

Hotels & Resorts portfolio

Hotel brand	3 stars	4 stars	5 stars	Total hotels	Beds	Main sites
Riu	3	49	47	99	101,528	Spain, Mexico, Caribbean, Cape Verde, Portugal, Morocco
Robinson	1	17	7	25	15,321	Spain, Greece, Turkey, Austria
Blue Diamond	3	12	18	33	30,610	Cuba, Dom. Rep., Jamaica, Mexico, Saint Lucia
Other hotel companies	19	112	67	198	118,543	Spain, Greece, Turkey, Egypt
Total	**26**	**190**	**139**	**355**	**266,002**	

As at 30 September 2020

Riu is the largest hotel company in the portfolio of Hotels & Resorts in terms of the number of hotels. The Mallorca-based enterprise primarily operates four- and five-star hotels in Spain, Mexico and the Caribbean. Its three product lines Riu Clubhotels, Riu Plaza (city hotels) and Riu Palace (premium segment) target different customer groups.

Robinson operates mainly four- and five-star club hotels and is a leading German provider of club holidays. Most of its clubs are located in Spain, Greece, Turkey, the Maldives and Austria.

Blue Diamond is a hotel chain in the Caribbean. The Hotels & Resorts segment comprises 33 resorts in the Caribbean and Mexico.

Other hotel companies include in particular the flagship brand TUI Blue and TUI Magic Life. TUI Blue is TUI Group's youngest hotel brand, targeting an international audience. Its portfolio is being expanded by combining TUI Blue's existing offerings with those of the concept brands TUI Sensimar and TUI Family Life. Including the hotels rebranded as TUI Blue hotels, the brand has 93 hotels in 19 countries. TUI Magic Life is an all-inclusive brand, targeting an international audience seeking club holidays with different profiles in beachfront locations.

Our hotels operated by third-party hoteliers include a total of 78 hotels belonging to our international concept brands. This brings the total number of hotels belonging to TUI Group to 433.

CRUISES

The Cruises segment consists of the joint venture TUI Cruises, our former subsidiary Hapag-Lloyd Kreuzfahrten, transferred to the joint venture TUI Cruises in July 2020, and Marella Cruises. With their combined fleet of 17 vessels as at the reporting date, the three cruise lines offer different service concepts to serve different target groups.

Cruise fleet by ownership structure

	Owned	Leases	Total
TUI Cruises (Joint Venture)	7	–	7
Marella Cruises	4	1	5
Hapag-Lloyd Cruises (subsidiary of TUI Cruises)	5	–	5

As at 30 September 2020

TUI Cruises is a joint venture in which TUI AG and the US shipping company Royal Caribbean Cruises Ltd. each hold a 50 % stake. With its seven ships, TUI Cruises is top-ranked in the German-speaking premium volume market for cruises. The Berlitz Cruise Guide 2020, the most important international reference guide for cruise ship ratings, rated four ships operated by TUI Cruises among the Top 5 liners in the "Large ships" category.

The sale of Hapag-Lloyd Kreuzfahrten, previously a wholly owned TUI Group subsidiary, to the joint venture TUI Cruises was completed in July 2020. The traditional Hapag-Lloyd Cruises brand will remain a leading provider of luxury and expedition cruises in German-speaking markets under the new structure. At the reporting date, the fleet comprised two luxury liners in the 5-star-plus category, Europa and Europa 2, as well as three expedition cruise ships, including Hanseatic inspiration, which joined the fleet in October 2019. A further expedition cruise ship is under construction and is scheduled for delivery in 2021. She will replace the expedition vessel Bremen.

With a fleet of five ships, Marella Cruises offers voyages in different segments, including family and city cruises, in the British market.

TUI MUSEMENT (PREVIOUSLY DESTINATION EXPERIENCES)

The TUI Musement segment delivers local services at our holiday destinations around the world. TUI Musement's business model is based on an open online platform available to suppliers and customers alike. It gives our customers the option to book tours, activities and excursions in the destinations directly and enables our partners and third-party providers to sell offerings. TUI also employs its own staff in numerous holiday destinations.

MARKETS & AIRLINES

With our three regions – Northern, Central and Western – we have well-positioned sales and marketing structures offering our customers attractive holiday experiences. Our sales activities are based on online and offline channels. The travel agencies include Group-owned agencies as well as joint ventures and agencies operated by third parties. In order to offer our customers a wide choice of hotels, our source market organisations have access to a large portfolio of TUI hotels. They also have access to third-party hotel bed capacity, some of which has been contractually committed.

Our own flying capacity continues to play a key role in our business model. Thanks to a combination of Group-owned and third-party capacity, we offer tailored travel programmes for each individual source market region and can respond flexibly to changes in customer preferences. Balanced management of flight and hotel capacity enables us to develop destinations and optimise the margins of both service providers.

NORTHERN REGION

The Northern Region segment comprises tour operator activities and airlines in the UK, Ireland and the Nordics. This segment also includes the Canadian strategic venture Sunwing and the TUI Russia associate.

CENTRAL REGION

The Central Region segment comprises the tour operators and airlines in Germany and the tour operator activities in Austria, Poland, Switzerland and Italy.

WESTERN REGION

The Western Region segment comprises the tour operators and airlines in Belgium and the Netherlands and the tour operator activities in France.

ALL OTHER SEGMENTS

"All other segments" includes our business activities for the new markets, TUI AG's corporate centre functions, the interim holdings, the Group's real estate companies and the Group's key tourism functions.

Research and development

As a tourism service provider, the TUI Group does not engage in research and development activities comparable with manufacturing companies. This sub-report is therefore not prepared.

Value-oriented Group management

Management system and key performance indicators

A standardised management system has been created to implement value-driven management across the Group as a whole and in its individual business segments. The value-oriented management system is an integral part of consistent Group-wide controlling and planning processes.

Our key financial performance indicators for tracking our earnings position are revenue and, from 2020, underlying EBIT, an indicator which is more common in the international sphere. Underlying EBITA, the indicator reported until financial year 2019, is no longer used as a KPI.

In the current financial year, the adjusted EBIT is also adjusted for the earnings effect of IFRS 16 ("adjusted EBIT (IAS 17)") in the context of internal reporting in order to facilitate comparability with the previous year. Accordingly, the adjusted EBIT (IAS 17) represents the segment indicator as defined by IFRS 8.

We define the EBIT in underlying EBIT as earnings before interest, taxes and expenses for the measurement of the Group's interest hedges. Unlike the previous KPI EBITA, EBIT by definition includes amortisation of goodwill.

Underlying EBIT has been adjusted for income and expense items which, due to their level and frequency, impact or distort the assessment of operating profitability in the segments and the Group. These one-off items include gains on disposal of investments, major gains and losses from the disposal of assets, and major restructuring and integration expenses. The indicator is additionally adjusted for all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments. The reconciliation to underlying EBIT also adjusts for goodwill impairments.

To track the Group's financial position in financial year 2020, we identified net capital expenditure and financial investments as well as TUI Group's net financial position as key performance indicators. In addition, we monitor the Group's leverage ratio as a further indicator of financial stability.

Key management variables used for regular value analysis are Return On Invested Capital (ROIC) and Economic Value Added. ROIC is compared with the weighted average cost of capital (WACC).

We regard specific carbon emissions (in g CO_2 / pkm) from our aircraft fleet as a key non-financial performance indicator.

To track business performance in our segments in the course of the year, we also monitor other non-financial performance indicators, such as the customer numbers in tour operation, capacity or passenger days, occupancy and average prices in Hotels & Resorts and Cruises.

Information on operating performance indicators is provided in the sections on Segmental performance (page 61), the section on Environment (page 77) and and in the Report on Expected Developments (page 50).

Capital costs

The cost of capital is calculated as the weighted average cost of equity and debt capital (WACC). While the cost of equity reflects the return expected by investors from TUI shares, the cost of debt capital is based on the average borrowing costs for TUI Group. The cost of capital always shows pre-tax costs, i. e. costs before corporate and investor taxes. The expected return determined in this way corresponds to the same tax level as the underlying EBIT included in ROIC. For financial year 2020, we apply a cost of capital of 7.74 % for the Hotel & Resorts segment, 9.74 % for Marella Cruises, 8.39 % for TUI Musement and 11.75 % for the Markets & Airlines division.

ROIC and Economic Value Added

ROIC is calculated as the ratio of underlying earnings before interest and taxes (underlying EBIT) to average invested interest-bearing capital (invested capital). By contrast, we used underlying EBITA as the key performance indicator for calculating Return on Invested Capital (ROIC) until financial year 2019.

In the current financial year, the actual values in accordance with the provisions of IAS 17 are used to calculate ROIC in order to facilitate comparability with the previous year.

Given its definition, this performance indicator is not influenced by any tax or financial factors and has been adjusted for one-off effects. From a Group perspective, invested capital is derived from liabilities, comprising equity (including non-controlling interests) and the balance of interest-bearing liabilities and interest-bearing assets with an adjustment for the seasonality of the Group's net financial position. The cumulative amortisations of purchase price allocations are then added to the invested capital.

Apart from ROIC as a relative performance indicator, Economic Value Added is used as an absolute value-oriented performance indicator. Economic Value Added is calculated as the product of ROIC less associated pre-tax capital costs (WACC) multiplied by interest-bearing invested capital.

As a result of the business interruption caused by COVID-19 and the associated significant decline in earnings, the TUI Group's overall ROIC is negative at – 42.51 %. With a group weighted cost of capital of 10.32 %, this yielded negative Economic Value Added of € 3.8 bn (previous year positive EVA of € 520.0 m).

Invested Capital

€ million	Notes	2020	2019 adjusted
Equity		**218.1**	**4,165.6**
Subscribed capital	(24)	1,509.4	1,505.8
Capital reserves	(25)	4,211.0	4,207.5
Revenue reserves	(26)	– 6,168.8	– 2,259.2
Non-controlling interest	(28)	666.5	711.4
plus interest bearing financial liability items		**9,002.7**	**3,966.4**
Pension provisions and similar obligations	(29)	1,015.0	1,068.0
Non-current financial liabilities	(32), (41)	3,691.7	2,457.6
Current financial liabilities	(32), (41)	577.3	224.6
Derivative financial instruments	(41)	318.8	216.2
Lease liabilities (IFRS 16)		3,399.9	0.0
less financial assets		**1,157.6**	**1,762.9**
Derivative financial instruments	(41)	96.4	347.8
Cash and cash equivalents	(23)	1,233.1	1,741.5
Other financial assets[1]		328.2	173.6
Seasonal adjustment[2]		– 500.0	– 500.0
less overfunded pension plans		**363.3**	**310.0**
Invested Capital before addition of effects from purchase price allocation		**7,699.9**	**6,059.2**
Invested Capital excluding purchase price allocation prior year		6,059.2	4,901.7
Ø Invested capital before addition of effects from purchase price allocation[3]		**6,879.6**	**5,480.5**
Invested Capital before addition of effects from purchase price allocation		**7,699.9**	**6,059.2**
plus effects from purchase price allocation		259.8	250.8
Invested Capital		**7,959.7**	**6,310.0**
Invested Capital prior year		6,310.0	5,245.3
Ø Invested Capital[3]		**7,134.8**	**5,777.6**

[1] Includes mainly other financial assets, loan receivabels and other loans
[2] Adjustment to net debt to reflect a seasonal average cash balance
[3] Average value based at beginning and year-end

ROIC

€ million		2020	2019 adjusted
Underlying EBIT (IAS 17)		**–3,032.8**	**893.5**
Ø Invested Capital*		**7,134.8**	**5,777.6**
ROIC (IAS 17)	**%**	**–42.51**	**15.47**
Weighted average cost of capital (WACC)	%	10.32	6.46
Value added (IAS 17)		**–3,769.2**	**520.2**

* Average value based on balance at beginning and year-end

Group performance indicators used in the Executive Board remuneration system

The TUI Group applies IFRS 16 as of 1 October 2019. The figures for the comparative prior-year period have not been adjusted. The target values for the remuneration of the Executive Board were determined on the basis of the Group planning prepared in accordance with the provisions of IAS 17. Accordingly, the actual values pursuant to the provisions of IAS 17 are also used to measure the achievement of targets in the current financial year. Both target and actual values in the current year are therefore presented before the effect of the first-time application of IFRS 16. A reconciliation to the adjusted EBIT in accordance with IFRS 16 is shown in the section “Group Earnings”.

JEV-RELEVANT EBT AT CONSTANT CURRENCY

Group earnings before interest and taxes (EBIT) on a constant currency basis, weighted at 75 %, are used to determine annual variable remuneration (JEV) for the Executive Board. EBIT is quantified on a constant currency basis in order to avoid any distortion caused by currency-driven translation effects when measuring actual management performance.

Group earnings before interest and taxes (EBIT IAS 17) on a constant currency basis developed as follows in the financial year under review:

Reconciliation EBIT

€ million	2020
EBIT (IFRS 16)	**–2,927.4**
Adjustment IAS 17/IFRS 16 (IFRS 16-effect)	–35.3
EBIT (IAS 17)	**–2,962.7**
FX effects from translation to budget rates	–21.4
EBIT at budget rates (IAS 17)	**–2,984.1**

JEV-RELEVANT CASH FLOW BEFORE DIVIDEND

The second Group performance indicator reflected in JEV is the cash flow indicator cash flow before dividend, included in the calculation with a weighting of 25 %. For this purpose, cash flow before dividend is determined using a simplified approach, based on the management cash flow calculation. TUI Group EBIT, the indicator serving as the initial basis for calculations, is also shown on a constant currency basis for this purpose.

Cash flow before dividend for JEV purposes developed as follows in the financial year under review:

Cash Flow before dividend

€ million	2020
EBIT (IAS 17)	**–2,962.7**
FX effects from translation to budget rates	–21.4
EBIT at budget rates (IAS 17)	**–2,984.1**
plus amortisation / minus write-backs of other intangible assets and plus depreciation / minus write-backs of property, plant and equipment	963.3
plus Delta Working Capital	–1,260.5
plus other non-cash result items	–218.1
minus share of result of joint ventures and assoiciates	193.3
plus dividends received by TUI AG from joint ventures and assoiciates	7.1
minus paid net interest	–127.4
minus paid income taxes	56.1
minus pension contributions	–112.7
minus net capex and investments	149.3
Consolidation	0.3
Cash Flow before dividend	**–3,333.4**

Reconciliation cash flow before dividend to Cash Flow Statement

€ million	2020
Cash inflow from operating activities	– 2,771.9
plus cash inflow from investing activities	161.8
less interest paid	– 251.9
less payments made for acquisition of minority interest	–1.6
plus payments received for the issuance of employee shares	7.1
less payments made for the purchase of own shares	–1.0
less payments received from the sale of money markets fund shares	–16.6
Cash Flow before dividend at actual rates (IFRS 16)	**– 2,874.1**
Adjustment IAS 17 / IFRS 16 (IFRS 16-effect)	– 437.9
Effect from translation to budget rates	– 21.4
Cash Flow before dividend	**– 3,333.4**

PRO-FORMA UNDERLYING EARNINGS PER SHARE

From financial year 2020, measurement of the Long Term Incentive Plan (LTIP) for the Executive Board is exclusively based on the average development of pro forma underlying earnings per share from continuing operations (LTIP-relevant EPS).

The table below shows TUI Group's pro forma underlying earnings per share. The normalized Group tax rate for the year under review was reduced to 0 % against the background of the considerable decline in earnings caused by COVID-19; in the previous year, 18 % was assumed. In the prior year, the net interest expense used for the calculation was adjusted for interest portions received from the reversal of a provision of € 35.0 m. The calculation is based on subscribed capital as at the balance sheet date.

Pro forma underlying earnings per share from continuing operations (LTIP-relevant EPS) developed as follows in the financial year under review:

Pro forma underlying earnings per shares TUI Group

€ million	2020	2019 adjusted
Underlying EBIT (IAS 17)	**– 3,032.8**	**893.5**
less: Net interest expense (IAS 17, adjusted in prior year)	–176.5	–112.0
Underlying profit before tax (IAS 17)	**– 3,209.3**	**781.5**
Income taxes (0 % assumed tax rate, 18 % in prior year)	0.0	140.7
Underlying Group profit (IAS 17)	**– 3,209.3**	**640.8**
Minority interest	9.4	115.7
Underlying Group profit attributable to TUI shareholders of TUI AG (IAS 17)	**– 3,218.7**	**525.1**
Numbers of shares at FY end (in million)	590.4	589.0
Underlying earnings per share (IAS 17; €)	**– 5.45**	**0.89**

RISK REPORT

Successful management of existing and emerging risks is critical to the long-term success of our business and to the achievement of our strategic objectives. In order to seize market opportunities and leverage the potential for success, risk must be accepted to a reasonable degree. Risk management is therefore an integral component of the Group's Corporate Governance.

Risk Governance

TUI Group Risk Management Roles & Responsibilities

EXECUTIVE BOARD
Direct & Assure

- *Overall responsibility for risk management*
- *Determine strategic approach to risk*
- *Approve risk policy including risk appetite and set tone at the top*
- *Agree how principal risks are managed, mitigated and monitored*
- *Review the effectiveness of the risk management system*

RISK OVERSIGHT COMMITTEE (ROC)
Review & Communicate

- *Formulate risk strategy and policy*
- *Discuss and propose risk appetite*
- *Summarise principal risks*
- *Ensure effective monitoring*
- *Report back to Executive Board*

GROUP RISK TEAM
Support & Report

BUSINESS & FUNCTIONS
Identify & Asses

- *Understand key risks*
- *Review key risks and mitigation*
- *Manage and monitor risks*
- *Report on risk status*

RISK CHAMPION COMMUNITY

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EXECUTIVE BOARD – DIRECT & ASSURE

With oversight by the Supervisory Board, the Executive Board determines the strategic direction of the Group and agrees the nature and extent of the risks it is willing to take to achieve its strategic objectives.

To ensure that the strategic direction chosen by the business represents the best of the strategic options open to it, the Executive Board is supported by the Group Strategy function. This function exists to facilitate the Executive Board's assessment of the risk landscape and development of potential strategies by which it can drive long-term shareholder value. As a standard procedure, the Group Controlling function develops an in-depth fact base in a consistent format which outlines the market attractiveness, competitive position and financial performance by division and market. These are then used to facilitate debate as to the level and type of risk that the Executive Board finds appropriate in the pursuit of its strategic objectives. The strategy, once fully defined, considered and approved by the Executive Board, is then incorporated into the Group's three-year roadmap and helps to communicate the risk appetite and expectations of the organisation both internally and externally.

Ultimately, accountability for the Group's risk management rests with the Executive Board and therefore it has established and maintains a risk management system to identify, assess, manage and monitor risks which could threaten the existence of the company or have a significant impact on the achievement of its strategic objectives: these are referred to as the principal risks of the Group. This risk management system includes an internally-published risk management policy which helps to reinforce the tone set from the top on risk, by instilling an appropriate risk culture in the organization whereby employees are expected to be risk aware, control minded and 'do the right thing'. The policy provides a formal structure for risk management to embed it in the fabric of the business. Each principal risk has assigned to it a member of the Executive Committee as overall risk sponsor to ensure that there is clarity of responsibility and to ensure that each of the principal risks are understood fully and managed effectively.

The Executive Board regularly reports to the Audit Committee of the Supervisory Board on the adherence to both the UK and German listing requirements, the overall risk position of the Group, on the individual principal risks and their management, and on the performance and effectiveness of the risk management system as a whole.

RISK OVERSIGHT COMMITTEE – REVIEW & COMMUNICATE

On behalf of the Executive Board, the Risk Oversight Committee (the "ROC"), a subset of the Executive Committee, ensures that business risks are identified, assessed, managed and monitored across the businesses and functions of the Group. Meeting on at least a quarterly basis, the ROC's responsibilities include considering the principal risks to the Group's strategy and the risk appetite for each of those risks, assessing the operational effectiveness of the mitigation in place to manage those risks and any action plans to further mitigate them, as well as reviewing the bottom-up risk reporting from the businesses themselves to assess whether there are any heightened areas of concern.

Senior executives from the Group's major businesses are required to attend the ROC on a rotational basis and present on the risk and control framework in their business, so that the members of the ROC can ask questions on the processes in place, the risks present in each business and any new or evolving risks which may be on their horizon, and also to seek confirmation that an appropriate risk culture continues to be in place in each of the major businesses.

Chaired by the Chief Financial Officer, senior operational and finance management as well as all of the second lines of defense functions are represented on the committee.

The ROC reports bi-annually to the Executive Board to ensure that it is kept abreast of changes in the risk landscape and developments in the management of principal risks, and to facilitate regular quality discussions on risk management at the Executive Board meetings.

GROUP RISK DEPARTMENT – SUPPORT & REPORT

The Executive Board has also established a Group Risk department to ensure that the risk management system functions effectively and that the risk management policy is implemented appropriately across the Group. The department supports the risk management process by providing guidance, support and challenge to management whilst acting as the central point for coordinating, monitoring and reporting on risk across the Group. It also supports the ROC in fulfilling it's duties and the reporting to both the Executive and Supervisory Boards. Additionally, Group Risk is responsible for the operation of the risk and control software that underpins the Group's risk reporting and risk management process.

BUSINESSES & FUNCTIONS – IDENTIFY & ASSESS

Every business and function in the Group is required to adopt the Group Risk Management policy. In order to do this, each either has their own risk committee or includes risk as a regular agenda item at their Board meetings to ensure that it receives the appropriate senior management attention within their business. In addition, the businesses each appoint a Risk Champion, who promotes the risk management policy within their business and ensures its effective application. The Risk Champions are in close contact with Group Risk and are critical both in ensuring that the risk management system functions effectively, and in implementing a culture of continuous awareness and improvement in risk management and reporting.

Risk Appetite

The Executive Board and Audit Committee, in conjunction with the Risk Oversight Committee has reviewed the Group's risk appetite. The results of the review indicate the board's risk appetite across four risk types:

Strategic – a higher appetite, in order to to deliver superior returns to our shareholders. This is particular relevant due to the COVID-19-pandemic, whereby the restructuring strategy must be delivered promptly.

Compliance – a lower risk appetite to exposure of compliance related risks including adhering to regulatory requirements, protecting information in all forms as well as avoiding harm to customers, employees and all other stakeholders.

Financial – lower risk appetite with exposure to financial risks. The Group seeks to achieve financial stability and certainty in particular during the pandemic as the scrutiny of costs and cash management has been heightened.

Operational – moderate level to all other operational risks where the board seeks to manage them responsibly to create unique holidays for our customers but recognises as a matter of course we operate in a market environment characterised by macroeconomic and geopolitical challenges.

Our principal risks are aligned to these risk types.

Risk Reporting

The Group Risk department applies a consistent risk reporting methodology across the Group. This is underpinned by risk and control software which reinforces clarity of language, visibility of risks, mitigation and actions and accountability of ownership. Although the process of risk identification, assessment and response is continuous and embedded within the day-to-day operations of the businesses and functions, it is consolidated, reported and reviewed at varying levels throughout the Group on at least a quarterly basis.

Risk Identification: Management closest to the risks identify those that are relevant to the pursuit of the strategy within their business area in the context of four risk types:

- Longer-term strategic and emerging threats;
- Medium-term challenges associated with business change
- Short-term risks triggered by changes in the external and regulatory environment; and
- Short-term risks in relation to internal operations and control.

A risk owner is assigned to each risk, who has the accountability and authority for ensuring that the risk is appropriately managed.

Risk Descriptions: The nature of the risk is articulated in line with best practice, stating the underlying concern the risk gives arise to, identifying the possible causal factors that may result in the risk materializing and outlining the potential consequences should the risk crystalise. This allows the businesses, functions and the Group to assess the interaction of risks and potential triggering events and / or aggregated impacts before developing appropriate mitigation strategies for causes and / or consequences.

Risk Assessment: The methodology used is to initially assess the gross (or inherent) risk. This is essentially the downside, being the product of the impact together with the likelihood of the risk materializing if there is no mitigation in place to manage or monitor the risk. The key benefit of assessing the gross risk is that it highlights the potential risk exposure if mitigation were to fail completely or not be in place at all. Both impact and likelihood are scored on a rating of 1 to 5 using the criteria shown below:

Impact Assessment

MINOR	MODERATE	SIGNIFICANT	MAJOR	SERIOUS
Impact on	Impact on	Impact on	Impact on	Impact on
Financials (Sales and / or Costs) Reputation Technology reliability Compliance Health & Safety standards Programme Delivery	Financials (Sales and / or Costs) Reputation Technology reliability Compliance Health & Safety standards Programme Delivery	Financials (Sales and / or Costs) Reputation Technology reliability Compliance Health & Safety standards Programme Delivery	Financials (Sales and / or Costs) Reputation Technology reliability Compliance Health & Safety standards Programme Delivery	Financials (Sales and / or Costs) Reputation Technology reliability Compliance Health & Safety standards Programme Delivery

Likelihood Assessment

RARE	UNLIKELY	POSSIBLE	LIKELY	ALMOST CERTAIN
< 10 % Chance	10 – < 30 % Chance	30 – < 60 % Chance	60 – < 80 % Chance	≥ 80 %

The next step in the risk reporting process is to assess and document the mitigation currently in place to reduce the likelihood of the risk materializing and / or its impact if it does. Consideration of these then enables the current (or residual) risk score to be assessed, which is essentially the reasonably foreseeable scenario. This measures the impact and likelihood of the risk with the mitigation in place and effective. The key benefit of assessing the current risk score is that it provides an understanding of the current level of risk faced today and the reliance on the mitigation in place.

Risk Response: If management are comfortable with the current risk score, the risk is accepted and no further action is required to further reduce the risk. The mitigation continues to be operated and management monitor the risk, the mitigation and the risk landscape to ensure that it remains at an acceptable level.

If management assesses that the current risk score is too high, an action plan will be drawn up with the objective of introducing new or stronger mitigation that will further reduce the impact and / or likelihood of the risk to an acceptable level. This is known as the target risk score and is the parameter by which management can ensure the risk is being managed in line with their overall risk appetite. The risk owner will normally be the individual tasked with ensuring that this action plan is implemented within an agreed timetable.

Each business and function will continue to review their risk register on an ongoing basis through the mechanism appropriate for their business e. g. local Risk Committee.

CONTENTS

FINANCIAL YEAR 2020

This bottom-up risk reporting is considered by the ROC alongside the Group's principal risks. New risks are added to the Group's principal risk register if deemed to be of a significant nature so that the ongoing status and the progression of key action plans can be managed in line with the Group's targets and expectations.

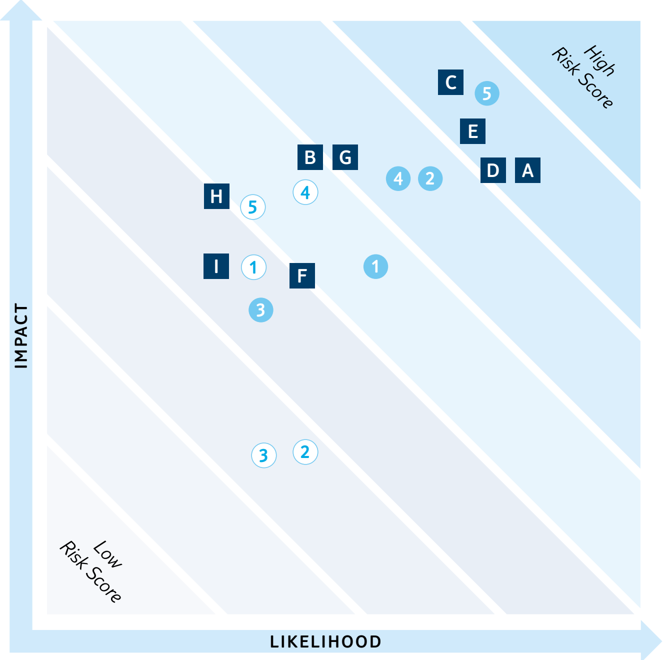
AD HOC RISK REPORTING

Whilst there is a formal process in place for reporting on risks on a quarterly basis, the process of risk identification, assessment and response is continuous and therefore if required, risks can be reported to the Executive Board outside of the quarterly process, should events dictate that this is necessary and appropriate. Ideally such ad hoc reporting is performed by the business or function which is closest to the risk, but it can be performed by the Group Risk department if necessary.

ENTITY SCOPING

A robust exercise is conducted each year to determine the specific entities in the Group which need to be included within the risk and control software and therefore be subject to the full rigour of the risk reporting process. The scoping exercise starts with the entities included within the Group's consolidation system, and applies materiality thresholds to a combination of revenue, profit and asset benchmarks. From the entities in the consolidation system, this identifies the levels at which these entities are operationally managed and therefore need to be included in the risk and control software itself to facilitate completeness of bottom-up risk reporting across the Group. This ensures that the risks are able to be captured appropriately at the level at which the risks are being managed.

Principal Risk Heat Map



ACTIVE RISKS

CURRENT RISK POSITION

TARGET RISK POSITION

1 *IT Development & Strategy*
2 *Integration & Restructuring Opportunities*
3 *Corporate & Social Responsibility*
4 *Information Security*
5 *Impact of Brexit*

MONITORED RISKS

CURRENT RISK POSITION

A *Destination Disruptions*
B *Talent & Leadership Development*
C *Customer Demand*
D *Input Cost Volatility*
E *Cash Flow Profile*
F *Legal & Regulatory Compliance*
G *Health & Safety*
H *Supplier Reliance*
I *Joint Venture Partnerships*

CURRENT RISK POSITION

This shows the current level of risk faced today after taking in to account the controls that are in place and which are operating as intended.

TARGET RISK POSITION

This shows the target level of risk deemed to be an acceptable, tolerable and justifiable risk position after further actions have been implemented to mitigate the risk.

EFFECTIVENESS OF THE RISK MANAGMENT SYSTEM

The Executive Board regularly reports to the Audit Committee of the Supervisory Board on the performance, effectiveness and adherence to listing requirements of the risk management system, supported by the ROC and the Group Risk department. Additionally, the Audit Committee receives assurance from Group Audit through its audit plan over a selection of principal risks, processes and business transformation initiatives most critical to the Group's continued success.

The conclusion from all of the above assurance work is that the risk management system has functioned effectively throughout the year and there have been no significant failings or weaknesses identified. Of course there is always room for improvement, and the Risk Champions and the Group Risk department continue to work together to enhance the risk management and reporting processes. Broadly this concerns ensuring consistency of approach in assessing risk scores, clearer identification of mitigation currently in place as well as any action plans to introduce further mitigation, and ensuring that risk identification has considered all four risk types.

Finally, in accordance with Section 317 (4) HGB (German Commercial Code), the auditor of TUI AG has reviewed the Group's early detection system for risks in place as required by Section 91 (2) AktG (German Stock Corporation Act) to conclude, if the system can fulfill its duties.

Principal Risks

The principal risks to the Group are either considered to be 'Active' or 'Monitored'.

Active principal risks are those that we have to actively manage in order to bring them into line with our overall risk appetite. We have action plans in place to increase or strengthen mitigation around each of these risks and reduce the current risk score to the target level indicated in the heat map diagram.

Monitored principal risks are those generally inherent to the tourism sector and faced by all businesses in the industry. For these, we have controls, processes and procedures in place as a matter of course that serve to mitigate each risk to either minimize the likelihood of the event occurring and / or minimize the impact if it does occur. These risks remain on our risk radar where we regularly monitor the risk, the mitigation and the risk landscape to ensure that the risk score stays stable and in line with our risk appetite in each case.

In the heat map diagram, the assessment criteria used are shown on page 36.

Financial year 2020 Principal Risks

Several principal risks materialised simultaneously as a result of the COVID-19-pandemic, which has led to travel restrictions across the world, both within the Markets as well as in destination countries. These include customer demand, input cost volatility, cashflow profile, destination disruption and health & safety. All of these principal risks continue to remain heightened throughout the pandemic.

Measures taken in order to react to this crisis have also heightened the principal risk profile. Therefore the integration & restructuring risk has increased, due to the volume and speed of the restructuring required; and the Talent & Leadership risk, due to the cost saving measures related to our employees. Furthermore Growth Strategy is no longer a principal risk due to the change required in the Group's strategy to focus on costs and consolidation rather than growth of our asset businesses such as Hotels and Cruises.

There is a material uncertainty as to when the TUI Group's travel activities can be fully resumed. If tourism operations cannot be fully resumed in the long term, this might jeopardise the continuation of the Group's business operations, since the companies of the TUI Group might then not be able to realise their assets and repay their liabilities in the ordinary course of business. This situation means that TUI is threatened with insolvency in the first calendar quarter 2021 unless further measures are taken and implemented. Measures such as the utilisation of government aid and the significant reduction of fixed costs, serve to minimise the impact of the COVID-19-pandemic on the Group's liquidity. In order to continue to have sufficient financial resources even in the absence of an increase in new travel bookings and the associated advance payments, TUI has agreed a further financing package of € 1.8 bn with Unifirm Ltd, a banking consortium, KfW and the Economic Stabilization Fund (WSF). A corresponding term sheet was signed on 2 December 2020.

For further information please refer to the Viability Statement on page 47.

The support and stabilization package is described in detail in the chapter Going Concern Reporting in accordance with the UK Corporate Governance Code in the Notes.

See chapter Going Concern Reporting in accordance with UK Corporate Governance Code, page 151.

During this period of travel suspension, the Executive Board continues to monitor the key risks, particularly those heightened risks such as customer demand and those that impact the financial profile (i. e. cost volatility and cash flow) of the Group.

If the risk detail in the subsequent tables does not suggest otherwise, the risks shown below relate to all segments of the Group. The risks listed are the principal risks to which we are exposed but are not exhaustive and will evolve over time due to the dynamic nature of our business.

Active Principal Risks

Nature of Risk	Mitigating Factors
1. IT DEVELOPMENT & STRATEGY	
Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable topline growth. Although the Group's strategy has ensured that we are more vertically integrated, which has reduced impact of disruption by pure digital players, an ineffective IT strategy or technology development could impact on our ability to provide leading technology solutions in our markets. This would therefore impact on our competitiveness, our ability to provide a superior customer experience as well as on quality and operational efficiency. This would ultimately impact on our customer numbers, revenue and profitability.	• Developed and communicated (in conjunction with Executives, Business & IT Leadership Teams) the Group's IT Strategy which is clearly aligned to our overall business objectives and considers external factors such as the pace of technological change and internal factors such as the underlying quality required throughout IT. • Continuing to implement our online platform, moving from retail to online to mobile in order to enhance customer experience and drive higher conversion rates. • Progressing with the implementation of TRIPS, our new IT platform, which will be introduced to all of our Markets businesses. • Implementing a SAP-based central customer platform to collate all information on our customers across their journey to provide a single view of the customer alongside an eCRM platform which will support strategic marketing. • Integration and development of Musement IT platform as technology driver for Customer Experience. • Placing increased focus on ensuring continuity plans for critical IT systems are in place and regularly tested. • Cascaded clear technology standards and associated delivery roadmaps which are linked to Group wide and individual market objectives. • Adopting API, Big Data, and Cloud & DevOps architecture to drive improved speed, productivity and efficiency.
2. INTEGRATION & RESTRUCTURING	
Our key principle for integration and restructuring is to consolidate where possible and to localize where needed, particularly throughout our Group Platforms and the Markets & Airline businesses. As a result, there are a number of harmonization projects underway across the Group to enable us to leverage synergies. Furthermore our continuous review of our own businesses and competitors means that we have an active programme of acquisitions (e. g. the destination management companies from Hotelbeds) and business disposals (e. g. Boomerang Reisen and Berge & Meer businesses) with associated integration projects. In the light of COVID-19 we have downsized our acquisition programme and focus more strongly on disposal options.	• The establishment of the Markets & Domain Transformation Board to oversee the standardization of processes across the Markets businesses. • Strong project management structures exist for all of the major restructuring, acquisition and disposal programs, which are underway to ensure that they are managed effectively. • Project reporting tool ensures enhanced visibility of the progress of major projects as a matter of routine. • Regular reporting by the major projects to the Executive Board to ensure swift resolution of any issues or to enhance coordination across the Group where required. • Execution of structural solutions in a time with low business volume is an additional mitigating factor, as it significantly reduces potential impact of disruptions related to the change.

Nature of Risk	Mitigating Factors
There is an inherent risk with any large restructuring or integration programme in managing the complexities associated with further integrating our business, and reducing overlapping activities in order to develop a leaner and more streamlined operating model. If we are not successful in leveraging and optimizing the identified opportunities this could have a significant impact on our ability to deliver the identified benefits in line with expectations and enhance shareholder value. This risk has heightened due to the pandemic, as the Group has had to undertake structural solutions that go beyond the regular standardization and harmonization processes.	

3. CORPORATE SOCIAL RESPONSIBILITY

Nature of Risk	Mitigating Factors
For the Group, economic, environmental and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our Company. This is the way we create the conditions for long-term economic success and assume responsibility for sustainable transformation in the tourism sector. Our focus is to reduce the environmental impact of our operations and promote responsible social policies and outcomes both directly through our own business and indirectly via our influence over our supply chain partners, thereby creating positive change. There is a risk that we are not successful in driving social and environmental improvements across our operations, that our suppliers do not uphold our corporate and social responsibility standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximize our positive impact on destinations and minimize the negative impact to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage and reduction in demand for our products and services.	• Developed and launched in 2015 the 'Better Holidays, Better World' 2020 sustainability strategy which includes specific targets for key sustainability indicators. • Established a dedicated sustainability department to work closely with the business and other stakeholders. • Operating one of the most carbon efficient airlines in Europe with continued investment in new, more efficient aircraft and cruise ships. • Implemented an environmental management system with all TUI airlines having achieved ISO 14001 certification. • Increased measures to influence accommodation suppliers to achieve third-party sustainability certification recognised by the Global Sustainable Tourism Council (GSTC). • TUI Care Foundation expanded to focus on the achievement of it's 2020 target for charitable donations and sustainability projects, with particular emphasis on maximizing the economic benefits of tourism in destinations.

Nature of Risk	Mitigating Factors
4. INFORMATION SECURITY	
Our responsibility is to protect the confidentiality, integrity and availability of the data we have to provide to our customers, employees, suppliers and service delivery teams. This is a dynamic risk due to increased global cyber-crime activity and regulations (e. g. EU GDPR). At the same time our consolidation under the TUI brand and our increasing dependence on online sales and customer care channels (web / mobile) increases our exposure and susceptibility to cyber-attacks and hacks. If we do not ensure we have the appropriate level of security controls in place across the Group, this could have a significant negative impact on our key stakeholders, associated reputational damage and potential for financial implications.	• Continued commitment from the Executive Board in support of key initiatives to ensure all existing and future IT systems are secure by design, that exposure to vulnerability is managed effectively, user access is sufficiently controlled and colleagues are made aware of information security risks through appropriate training. • Launch of a company-wide Information Security awareness campaign to promote secure behaviors amongst our colleagues. Overall goal is to make information security part of everyone's job. • Continuous review and testing of all external devices and ongoing monitoring of logs in order to identify any potential threats as and when they arise. • Continuous improvement through lessons learned from real or simulated cyber incidents.
5. BREXIT	
Our main concern is whether or not all of our airlines will continue to have access to EU airspace as now. If we were unable to continue to fly intra-EU routes, such as from Germany to Spain, this would have a significant operational and financial impact on the Group. Other areas of uncertainty include the status of our UK employees working in the EU and vice versa and the potential for customer visa requirements for holidays from the UK to the EU.	• The Executive Board has established a Brexit Steering Committee to monitor developments as the political negotiations take place, assess any impacts on the Group's business model and coordinate suitable mitigation strategies to be taken ahead of the exit from the European Union in 2020. • In addition we continue to lobby relevant UK and EU decision makers to stress the continued importance of a liberalised and deregulated aviation market across Europe to protect consumer choice in both regions.

Nature of Risk	Mitigating Factors

Monitored Principal Risks

A. DESTINATION DISRUPTION

Nature of Risk

Providers of holiday and travel services are exposed to the inherent risk of incidents affecting some countries or destinations within their operations. This can include natural catastrophes such as hurricanes or tsunamis; outbreaks of disease such as the ongoing COVID-19-pandemic; political volatility as has been seen in Egypt, Turkey and Greece in recent years; the implications of war in countries close to our markets and destinations; and terrorist events such as the tragic incident in Tunisia in 2015.

There is the risk that if such an event occurs, impacting one or more of our destinations that we could potentially suffer significant operational disruption and costs in our businesses. We may possibly be required to repatriate our customers and / or the event could lead to a significant decline in demand for holidays to the affected destinations over an extended period of time.

This risk has heightened due to COVID-19 whereby the Group is experiencing more destination disruption due to constant changes in travel advice and corridors.

Mitigating Factors

- Whilst we are unable to prevent such events from occurring, we have well defined crisis management procedures and emergency response plans, which are implemented when an event of this nature occurs, with the focus being on the welfare of our customers.
- Where the appropriate course of action is to bring customers home immediately, our significant fleet of aircraft allows us to do this smoothly and efficiently, as demonstrated this year in March 2020 when all customers had to be repatriated due to COVID-19.
- Our policy is to follow foreign office advice in each of our markets with regards to non-essential travel. This serves to minimize the exposure of our customers to turbulent regions.
- Due to our presence in all key holiday regions, when a specific destination has been impacted by an external event, we are able to offer alternative destinations to our customers and to remix our destination portfolio away from the affected area in future seasons if necessary.
- We always assume some level of destination disruption each year when setting financial plans and targets, so that we are able to cope with a 'normal' level of disruption without it jeopardizing achievement of our targets.

Nature of Risk	Mitigating Factors
B. TALENT & LEADERSHIP DEVELOPMENT	
Our success depends on the ability to attract, retain and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders. There is a risk that we are unable to attract and retain key talent, build future leadership capability and maintain the commitment and trust of our employees. Challenges in managing and maintaining our talent pipeline in order to deliver against our strategy, drive competitiveness and maximize on our operating performance, may impact on our ability to future proof the Group and the associated potential for negative impact on shareholder confidence. Due to the pandemic this risk has increased this year as a result of the cost saving measures related to our employees.	• Driving high performance and engagement through our performance review, development plans and career planning process. • Building our pipeline of leadership talent including through our International Graduate Leadership Programme which attracts, develops and retains high quality graduates to become our future senior Commercial Leaders. • Establishing and maintaining online professional academies to provide our employees with learning offerings in specific functional areas. • A strategically aligned leadership programme for high performing management at all levels.
C. CUSTOMER DEMAND	
Spending on travel and tourism is discretionary and price sensitive as well as competitive. The economic outlook remains uncertain with different markets at different points in the economic cycle. Furthermore, in recent years there has been an emergence of successful substitute business models such as web-based travel and hotel portals which allow end users to combine the individual elements of a holiday trip on their own and book them separately. There is the risk that these external factors within our industry will impact on the spending power as well as the desire to travel of our customers. This could impact our short-term growth rates and lead to margin erosion. This risk has heightened due to customer demand being significantly impacted by the pandemic.	• Our market position as a globally operating tourism group, our brand and our integrated business model enables us to respond robustly to competitive threats. • The Group is characterised by the continuous development of new holiday experiences, developing new concepts and services which match the needs and preferences of our customers. Our strong and lasting relationships with our key hotel partners further reinforces our ability to develop new concepts exclusive to the Group. • Many customers prioritize their spending on holidays above other discretionary items. • Leveraging our scale to keep costs down and prices competitive. • Having a range of markets so that we are not over exposed to one particular economic cycle. • Promoting the benefits of travelling with a globally operating tour operator to increase customer confidence and peace of mind.

Nature of Risk	Mitigating Factors

D. INPUT COST VOLATILITY

Nature of Risk

A significant proportion of operating expenses are in non-local currency and / or relate to aircraft and cruise fuel which therefore exposes the business to fluctuations in both exchange rates and fuel prices.

There is the risk that if we do not manage adequately the volatility of exchange rates, fuel prices and other input costs, then this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets. As a result of the pandemic there is also a risk that there will be no lines available to put in place hedges to manage the volatility of future seasons.

There is also the risk that if our hedging policy is too rigid, we may find ourselves unable to respond to competitive pricing pressures during the season without it having a direct detrimental impact on our market position and / or profitability.

Furthermore, changes in macroeconomic conditions, such as those currently being experienced as a result of the pandemic can have an impact on exchange rates which, particularly for the £ / € rate has a direct impact on the translation of non-euro market results into euros, the reporting currency of our Group.

Mitigating Factors

- An established Hedging Committee that monitors the Group's hedging position.
- Ensuring that the appropriate derivative financial instruments are used to provide hedging cover for the underlying transactions involving fuel and foreign currency.
- Maintaining an appropriate hedging policy to ensure that this hedging cover is taken out ahead of the markets' customer booking profiles. This provides a degree of certainty over input costs when planning pricing and capacity, whilst also allowing some flexibility in prices so as to be able to respond to competitive pressures if necessary.
- Tracking the foreign exchange and fuel markets to ensure the most up-to-date market intelligence and the ongoing appropriateness of our hedging policies.
- Expressing our key profit growth target in constant currency terms so that short term performance can be assessed without the distortion caused by exchange rate fluctuations.

Further information on currency and fuel hedges can be found in the Notes to the consolidated financial statements in the Financial instruments section.

E. CASH FLOW PROFILE

Nature of Risk

Tourism is an inherently seasonal business with the majority of profits earned in the European summer months. Cash flows are similarly seasonal with the cash high occurring in the summer as advance payments and final balances are received from customers, with the cash low occurring in the winter as liabilities have to be settled with many suppliers after the end of the summer season.

There is the risk that if we do not adequately manage cash balances through the winter low period this could impact on the Group's liquidity and ability to settle liabilities as they fall due whilst ensuring that financial covenants are maintained.

Due to the COVID-19-pandemic the Group has experienced increasing challenges to the cashflow profile. This is due to operational activity being significantly reduced during the summer months, which is the time when the majority of cash balances are received from customers. We are also experiencing a significantly shorter booking profile whereby customers are booking very close to departure and therefore cash deposits are received later than previous booking patterns.

Mitigating Factors

- The Executive Board has further intensified their review of the Group's cash flow position during this crisis period.
- Due to the travel restrictions triggered by the COVID-19-pandemic, the TUI Group had a liquidity requirement in financial year 2020 that was significantly higher than the cash inflows resulting from current operations and the existing unused credit lines. In order to close these liquidity gaps, additional credit lines totaling € 2.85 bn were granted in addition to the cost-cutting and payment deferral measures initiated within the Group and regional support measures in various countries. In order to continue to have sufficient financial resources even in the absence of an increase in new travel bookings and the associated advance payments, TUI has agreed a third financing package with Economic Stabilization Fund, KfW, TUIs anchor shareholder and further financing partners.
- Our focus on holiday experiences is helping to reduce the seasonality risk, as hotels, cruises and destination experiences have a more evenly distributed profit and cash profile across the year.

Nature of Risk	Mitigating Factors
	• As our business is spread across a number of markets, there are some counter-cyclical features e. g. winter is a more important season for the Nordic and Canadian markets. Some brands, such as the UK ski brand Crystal Ski, have a different seasonality profile which helps to counter-balance the overall profile. • The business regularly produces both short term and long term cash forecasts during the year, which the Treasury department use to manage cash resources effectively. We continue to maintain high-quality relationships with the Group's key financiers. Some of the Group's credit lines are subject to compliance with certain financial targets (covenants). The review of these covenants is suspended until September 2021. Testing will be based on the four most recent reported quarters prior to September 2021. We expect our results for these quarters to continue to be impacted by the COVID-19-pandemic. As a result, we may not meet our financial targets. We therefore aim to suspend the covenants ('covenant holiday') for the test period ending on 30 September 2021 and beyond. • Regularly reviewing ways how we can raise additional finance from the capital markets, should it be required, and how we can continue to improve our Free Cash Flow position. Please refer to the Viability Statement on page 47 for further details on the measures taken this year.
F. LEGAL & REGULATORY COMPLIANCE	
Most providers of holiday and travel services operate across a number of economies and jurisdictions, which therefore exposes them to a range of legal, tax and other regulatory laws which must be complied with. As we are operating from multiple source markets and providing holidays in more than 115 destinations, we are exposed to a range of laws and regulations with which we must comply or else risk incurring fines or other sanctions from regulatory bodies.	• Communication and strong tone from the top concerning compliance with laws and regulations. • Regular reporting in different bodies (Group Executive Committee, Audit Committee, Group Works Council) in order to guarantee appropriate monitoring, supervision and implementation of action plans and to strengthen the Integrity & Compliance culture across the Group. • Embedded legal and tax expertise in all major businesses responsible for maintaining high quality relationships with the relevant regulators and authorities. • Ongoing implementation and review of Compliance Management System conducted by the Group Integrity & Compliance department to monitor compliance with regulations and provide expert advice to local teams on specific compliance areas.
G. HEALTH & SAFETY	
For all providers of holiday and travel services, ensuring the health and safety of customers is of paramount importance. There is the risk of accidents or incidents occurring causing illness, injury or death to customers or colleagues whilst on a TUI holiday. This could result in reputational damage to the business and / or financial liabilities through legal action being taken by the affected parties.	• An established Security Health & Safety function across the Group in order to ensure there is appropriate focus on health and safety processes as part of the normal course of business. • The function ensures standardization as well as compliance with best practice standards. • Appropriate insurance policies are in place for when incidents do occur.

Nature of Risk	Mitigating Factors
H. SUPPLIER RELIANCE	
Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers, particularly for hotels, aircraft and cruise ships. This is heightened by the industry convention of paying hoteliers in advance ('prepayments') to secure a level of room allocation for the season as well as in areas where a single supplier is used to provide a product or service. There is the risk that we are unable to continue with our core operations in the event of a major service failure from our key suppliers. This is more apparent during the pandemic, whereby suppliers are also experiencing limited operational activity.	• Using reputable and financially stable suppliers, particularly in areas where a single supplier is used to provide a service. • Regular monitoring of supplier performance against agreed terms and conditions. • Strong working relationships with all key suppliers. • Owned and joint venture partner hotels form a substantial part of our program which reduces our inherent risk in this area. • A robust prepayment authorization process is established and embedded to both limit the level of prepayments made and ensure that they are only paid to trusted, credit-worthy counterparties. • Prepayments are monitored on a timely and sufficiently granular basis to manage our financial exposure to justifiable levels.
I. JOINT VENTURE PARTNERSHIPS	
It is common for tourism groups to use joint venture partnerships in some of their operations in order to reduce the risk of new ventures, to gain access to their expertise of the local market as well as to strengthen the balance sheet position in line with our less capital intensive "asset-right" strategy (e. g. Hapag-Lloyd transaction with TUI Cruises). There are three significant joint ventures within the Group – Riu, TUI Cruises and Sunwing. *For details on our strategy please refer to page 23.* There is the risk that if we do not maintain good relations with our key partners that the ventures' objectives may not remain consistent with that of the Group which could lead to operational difficulties and jeopardize the achievement of financial targets.	• Good working relationships exist with all of our main joint venture partners and they are fully aligned with and committed to the growth strategy of the Group.

Viability Statement

In accordance with Rule 31 of the UK Corporate Governance Code, the Executive Board assesses the Company's future prospects for a period exceeding the twelve months required by the going concern premise. The Executive Board reviews the business development annually and on a rolling basis based on a three-year strategic plan. The current three-year plan was adopted in October 2020 and covers the period until 30 September 2023. A three-year horizon is considered appropriate for a fast moving competitive environment such as tourism.

In the 2020 financial year, the travel restrictions triggered by the COVID-19-pandemic had a highly negative impact on the Group's earnings and liquidity performance from the end of the second quarter onwards. This initially forced the TUI Group to discontinue its entire travel programme. Despite a certain resumption of business from May 2020, the travel business was subject to permanent restrictions, in particular due to different and changing travel restrictions in source markets and destinations. Due to increasing COVID-19 infection figures, these travel restrictions were again extended to almost all destinations relevant for the TUI Group in autumn 2020.

Due to the reasons described above, the TUI Group had a liquidity requirement in financial year 2020 that was significantly higher than the cash inflows resulting from current operations and the existing unused credit lines despite the initiated savings measures. In order to close these liquidity gaps, additional credit lines totaling € 2.85 bn were granted in addition to the cost-cutting and payment deferral measures initiated within the Group and regional support measures in various countries. These additional credit lines were made available via KfW Bank using the existing revolving credit lines of € 1.8 bn and € 1.05 bn as part of two stabilization packages with the support of the German government. In addition, the Economic Stabilization Fund (WSF) subscribed to a warrant bond in the amount of € 150 m in October 2020. The financing commitments of € 1.8 bn available as of 30 September 2020 were fully utilized as of the balance sheet date.

The TUI Group is currently still affected by the negative financial impact of the COVID-19-pandemic. At the time of publication of this report (10 December 2020) it is not foreseeable when these travel restrictions will be lifted again and when we will be able to resume our travel programme in full. In particular, it is not possible at this point in time to reliably predict how quickly a nationwide vaccination against the corona virus can be carried out and when drugs will be available for the treatment of COVID-19 disease. Also a change in booking behavior cannot be excluded at this time.

Taking into account the financing lines still available and the low expected cash inflows in the winter season 2020 / 21 due to the pandemic, there is a risk that the TUI Group will probably no longer have sufficient financial resources to continue its business operations without further support measures or the sale of non-current assets in the short term if there is no increase in new travel bookings and the associated customer advance payments in the first calendar quarter 2021. Overall, there is a risk that the TUI Group will not be able to continue its business operations without further external support measures and to realize its assets and service its liabilities in the normal course of business.

In order to continue to have sufficient financial resources even in the absence of an increase in new travel bookings and the associated advance payments, TUI has agreed a further financing package of € 1.8 bn with Unifirm Ltd, a banking consortium, KfW and the Economic Stabilization Fund (WSF). A corresponding termsheet was signed on 2 December 2020. The corresponding contracts for the individual components of the term sheet had not yet been signed at the time of publication of this report. The continuation of the company's operations is therefore particularly dependent on TUI's ability to successfully implement the measures introduced in the financing package.

The financing package is described in detail in the chapter Going Concern Reporting in accordance with the UK Corporate Governance Code in the Notes.

See chapter Going Concern Reporting in accordance with the UK Corporate Governance Code, page 151.

These measures initiated to strengthen liquidity depend in particular on the approval of the Extraordinary General Meeting and the approval of these measures by the EU. The Executive Board of TUI AG assumes that all necessary approvals and authorizations will be granted and that the planned financing measures can be implemented in good time.

We also assume that we will not be able to meet the financial targets as of 30 September 2021 from the existing and increased RCF. TUI's solvency is therefore at risk if a further suspension of compliance with the covenants for the test period ending on 30 September 2021 and beyond is not achieved. In addition, the KfW loans (both tranches) and the initial Revolving Credit Facility in the total amount of € 4.6 bn must be refinanced in the financial year 2022. Due to the uncertainty regarding future business development, there is a risk that refinancing on the banking and capital markets may not be possible and that further government support measures may be necessary.

The Executive Board believes that the successful implementation of the measures described above is likely to be possible. Due to the dependence of the TUI Group's solvency on the additional financing measures, the fact that certain conditions still have to be met for the successful implementation of the financing measures, risks with regard to the refinancing of the external loans as well as the uncertainty regarding the future development due to the COVID-19-pandemic, there are significant doubts about the TUI Group's ability to continue its business operations. Insofar, this is a significant uncertainty regarding the continuation of the Group's business activities.

The Executive Board has made a well-founded assessment of the main risks to the Group, taking into account future events that would jeopardize the business model, future results, solvency or liquidity. A sensitivity analysis is used to determine the potential impact of the main risks, whereby they may occur individually or collectively. The scenario used for the going concern assumption assumes that the various Group divisions can successively resume their programmes during the course of the calendar year 2021. While business activity is expected to be severely restricted in the first and second quarters, travel activity is expected to pick up in the summer of financial year 2021 without reaching the pre-crisis level of financial year 2019. In particular, it is difficult to predict when travel activity will resume in financial year 2021.

Taking into account the current situation of the Group, the main risks and the above-mentioned sensitivity analysis, the Executive Board has a reasonable expectation that the Group will be able to continue operations and meet the obligations arising within the three-year period under review.

Key features of the internal control and risk management system in relation to the (Group) accounting process (sections 289 (4) and 315 (4) of the German Commercial Code HGB)

1. DEFINITION AND ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE TUI GROUP

The TUI Group's internal control system comprises all the principles, processes and measures that are applied to secure effective, efficient and accurate accounting which is compliant with the necessary legal requirements.

The internationally recognised framework of COSO (Committee of Sponsoring Organizations of the Treadway Commission) forms the conceptual basis for TUI Group's internal control system, consisting of internal controls and the internal monitoring system. The Executive Board of TUI AG, in exercising its function of managing business operations, has entrusted responsibility for the internal control system in the TUI Group to specific Group functions.

The elements of the internal monitoring system in the TUI Group comprise both measures integrated into processes and measures performed independently. Besides manual process controls, e. g. the 'four-eyes principle', another key element of the process-related measures are automated IT process controls. Process-related monitoring is also secured by bodies such as the Risk Oversight Committee of TUI AG and by specific Group functions.

The Supervisory Board of TUI AG, in particular its Audit Committee, as well as the Group Auditing department at TUI AG are incorporated into the TUI Group's internal monitoring system through their audit activities performed independently from business processes. On the basis of section 107 (3) of the German Stock Corporation Act, the Audit Committee of TUI AG deals primarily with the auditing of the annual financial statements, monitoring the accounting process and the effectiveness of the internal control and risk management system. In the Audit Committee Report the reliability of the financial reporting and the monitoring of the financial accounting process as well as the effectiveness of the internal control and risk management system are described.

Audit Committee Report see from page 22.

The Group's auditors have oversight of the TUI Group's control environment. The audit of the consolidated financial statements by the Group auditor and the audit of the individual financial statements of Group companies included in the consolidated financial statements, in particular, constitute a key non-process-related monitoring measure with regard to Group accounting.

In relation to Group accounting, the risk management system, introduced as an Enterprise Risk Management System (ERM System) as a component of the internal control system, also addresses the risk of misstatements in Group bookkeeping and external reporting. Apart from operational risk management, which includes the transfer of risks to insurance companies by creating cover for damage and liability risks and also hedging transactions to limit foreign currency and fuel price risks, the TUI Group's risk management system embraces the systematic early detection, management and monitoring of risks across the Group. A more detailed explanation of the risk management system is provided in the section on the Risk Governance Framework in the Risk Report.

2. USE OF IT SYSTEMS

Bookkeeping transactions are captured in the individual financial statements of TUI AG and of the subsidiaries of TUI AG, through local accounting systems such as SAP or Oracle. As part of the process of preparing their individual financial statements, subsidiaries complete standardized reporting packages in the Group's Oracle Hyperion Financial Management 11.1.2.4 (HFM) reporting system. HFM is used as the uniform reporting and consolidation system throughout the Group so that no additional interfaces exist for the preparation of the consolidated financial statements.

Nearly all consolidation processes used to prepare the consolidated financial statements of TUI AG, e. g. capital consolidation, assets and liabilities consolidation and expenses and income elimination including at equity measurement, are generated and fully documented in HFM. Virtually all elements of TUI AG's consolidated financial statements, including the disclosures in the Notes, are developed from and validated by the HFM consolidation system. HFM also provides various modules for evaluation purposes in order to prepare complementary information to explain TUI AG's consolidated financial statements.

The HFM reporting and consolidation system has an in-built workflow process whereby when businesses promote their data within the system, to signal that their reporting package is complete, they are then locked out from making any further changes to that data. This ensures data integrity within the system and also facilitates a strong audit trail enabling changes to a reporting package to be identified. This feature of the HFM system has been checked and validated by the TUI AG Group Audit department on several occasions since the system was introduced.

At their own discretion, TUI AG's Group auditors select certain individual financial statements from the financial statements entered in the HFM reporting and consolidation system by the Group companies, which are then reviewed for the purposes of auditing the consolidated financial statements.

3. SPECIFIC RISKS RELATED TO (GROUP) ACCOUNTING

Specific risks related to (Group) accounting may arise, for example, from unusual or complex business transactions, in particular at critical times towards the end of the financial year. Business transactions not routinely processed also entail special risks. The discretion necessarily granted to employees for the recognition and measurement of assets and liabilities may result in further (Group) accounting-related risks. The outsourcing and transfer of accounting-specific tasks to service companies may also give rise to specific risks. Accounting-related risks from derivative financial instruments are outlined in the Notes to the consolidated financial statements.

4. KEY REGULATION AND CONTROL ACTIVITIES TO ENSURE PROPER AND RELIABLE (GROUP) ACCOUNTING

The internal control measures aimed at securing proper and reliable (Group) accounting ensure that business transactions are fully recorded in a timely manner in accordance with legal requirements and the Articles of Association. This also ensures that assets and liabilities are properly recognised, measured and presented in the financial statements and the consolidated financial statements. The control operations also ensure that bookkeeping records provide reliable and comprehensive information.

Controls implemented to secure proper and reliable accounting include, for instance, analysis of facts and developments on the basis of specific indicators. Separation of administrative, execution, settlement and authorisation functions and the implementation of these functions by different persons reduces the potential for fraudulent operations. Organisational measures also aim to capture any corporate or Group-wide restructuring or changes in sector business operations rapidly and appropriately in (Group) accounting. They also ensure, for instance, that bookkeeping transactions are correctly recognised in the period in which they occur in the event of changes in the IT systems used by the accounting departments of Group companies. The internal control system likewise ensures that changes in the TUI Group's economic or legal environment are mapped and that new or amended accounting standards are correctly applied.

The TUI Group's accounting policies together with the International Financial Reporting Standards (IFRS) in compliance with EU legislation, govern the uniform accounting and measurement principles for the German and foreign companies included in TUI's consolidated financial statements. They include general accounting principles and methods, policies concerning the statement of financial position, income statement, notes, management report and cash flow statement.

The TUI Group's accounting policies also govern specific formal requirements for the consolidated financial statements. Besides defining the group of consolidated companies, they include detailed guidance on the reporting of financial information by those companies via the group reporting system HFM on a monthly, quarterly and year end basis. TUI's accounting policies also include, for instance, specific instructions on the initiating, reconciling, accounting for and settlement of transactions between group companies or determination of the fair value of certain assets, especially goodwill. At Group level, specific controls to ensure proper and reliable (Group) accounting include the analysis and, where necessary, correction of the individual financial statements submitted by the Group companies, taking account of the reports prepared by the auditors and meetings to discuss the financial statements which involve both the auditors and local management. Any further content that requires adjusting can be isolated and processed downstream. The control mechanisms already established in the HFM consolidation system minimize the risk of processing erroneous financial statements. Certain parameters are determined at Group level and have to be applied by Group companies. This includes parameters applicable to the measurement of pension provisions or other provisions and the interest rates to be applied when cash flow models are used to calculate the fair value of certain assets. The central implementation of impairment tests for goodwill recognised in the financial statements secures the application of uniform and standardized evaluation criteria.

5. DISCLAIMER

With the organisational, control and monitoring structures established by the TUI Group, the internal control and risk management system enables company-specific facts to be captured, processed and recognised in full and properly presented in the Group's accounts.

However, it lies in the very nature of the matter that discretionary decision-making, faulty checks, criminal acts and other circumstances, in particular, cannot be ruled out and will restrict the efficiency and reliability of the internal control and risk management systems, so that even Group-wide application of the systems cannot guarantee with absolute certainty the accurate, complete and timely recording of facts in the Group's accounts.

Any statements made relate exclusively to TUI AG and to subsidiaries according to IFRS 10 included in TUI AG's consolidated financial statements.

OVERALL ASSESSMENT BY THE EXECUTIVE BOARD AND REPORT ON EXPECTED DEVELOPMENTS

Actual business performance 2020 compared with our forecast

Following a strong start in the first five months of financial year 2020, the travel restrictions due to the COVID-19-pandemic that began in mid-March caused an almost complete standstill of business operations, which significantly impacted the development of TUI Group's earnings in the full year. The Group therefore missed all of its leading KPIs in financial year 2020 by a wide margin.

In view of the significant uncertainties in the assessment of future developments, the Executive Board of TUI AG withdrew its guidance for financial year 2020 on 15 March 2020.

TUI Group's revenue (IAS 17) declined by 58.2 % year-on-year at constant currency. The Group had expected to deliver mid to high single-digit revenue growth.

TUI Group's underlying EBIT (IAS 17) declined by € 3,928.5 m at constant currency to an operating loss of € 3,035.0 m in financial year 2020. The Group had expected to deliver an operating profit (underlying EBIT (IAS 17)) of € 950 m to € 1,050 m. The earnings decline compared with our original guidance affected all segments.

Including a gain on disposal from the sale of the German specialist tour operator businesses, we had expected net adjustments of € 70 m to € 90 m for the period under review. In actual fact, the Group carried net adjustments of € 69.6 m. This amount includes the gain on disposal from the sale of Hapag-Lloyd Kreuzfahrten to TUI Cruises of € 476 m, which had not been included in our original guidance, and unscheduled restructuring expenses and impairments against the backdrop of our business performance, impacted by COVID-19.

Due to the negative development of earnings, the performance of ROIC (IAS 17) and Economic Value Added (IAS 17) also fell significantly short of expectations. In our original guidance, we had expected ROIC to decline slightly and Economic Value Added to remain stable.

At € – 149.3 m, the Group's net capital expenditure and financial investments were below the target value of around € 750 m to € 900 m. One of the main reasons was the divestment of Hapag-Lloyd Kreuzfahrten to TUI Cruises, which had not been included in our guidance. Moreover, investments were cancelled or postponed due to the change in our business performance.

At € 6.4 bn, the Group's net debt carried at the end of financial year 2020 also significantly exceeded the expected level of € 1.8 bn to € 2.1 bn. This was primarily attributable to substantial net cash outflows since the outbreak of the pandemic in March 2020, which had to be refinanced by borrowing.

Apart from the travel restrictions triggered by the COVID-19-pandemic, the grounding of the Boeing 737 Max and the associated delays in delivery of this efficient aircraft type were an additional reason why we were unable to meet our relative target of reducing specific CO_2 emissions by 10 % by 2020. For this reason, the target of a slightly positive development as forecast in the previous year could not be achieved.

Expected changes in the economic framework

Development of World Output

Var. in %	**2021**	2020
World	**+ 5.2**	**– 4.4**
Eurozone	+ 5.2	– 8.3
Germany	+ 4.2	– 6.0
France	+ 6.0	– 9.8
UK	+ 5.9	– 9.8
US	+ 3.1	– 4.3
Russia	+ 2.8	– 4.1
Japan	+ 2.3	– 5.3
China	+ 8.2	+ 1.9
India	+ 8.8	– 10.3

Source: Projections of International Monetary Fund (IMF), World Economic Outlook, October 2020

MACROECONOMIC SITUATION

The International Monetary Fund expects global economic growth to shrink by 4.4 % in calendar year 2020 due to the impact of the COVID-19-pandemic. For 2021, the experts expect a recovery in global GDP with global growth projected to rebound to 5.2 %. (IMF, World Economic Outlook, October 2020)

MARKET TREND IN TOURISM

Varying scenarios are in place for a recovery of the tourism sector. UNWTO expects demand for domestic travel to recover faster than demand for travel abroad. The Organisation also expects the recovery of the global travel industry to start at the end of 2020 or in early 2021. (UNWTO, World Tourism Barometer, August / September 2020)

Medium-term scenarios for the period between 2021 and 2024 suggest an overall strong recovery in calendar year 2021, assuming a reversal in the evolution of the pandemic, a substantial increase in travellers' trust and the lifting of most travel restrictions by mid-2021. According to the experts, it will take between 2.5 and 4 years for international tourist arrivals to return to 2019 levels. (UNWTO, World Tourism Barometer, August / September 2020)

EFFECTS ON TUI GROUP

As a global tourism provider, TUI Group depends on the development of the political and legal framework and consumer demand in the large source markets in which we operate with our hotel, cruise and tour operator brands. Our budget is based on the assumptions used as a basis by the IMF to predict the future development of the global economy and UNWTO's long-term forecast.

In the completed financial year 2020, the travel restrictions due to the COVID-19-pandemic that began in mid-March led to a suspension of our worldwide tourism activities. TUI Group currently remains impacted by the negative financial effects of the COVID-19-pandemic, which has recently been exacerbated following new lockdowns proclaimed in TUI Group's core markets as well as quarantine and other travel restrictions in Germany and abroad. Although there has been much more positive news about the development of effective vaccines and improved tests in the past few weeks, these external challenges are expected to continue into financial year 2021.

The spread of the pandemic, the measures to curb the virus, in particular regarding travel restrictions, and the short-term effects of the pandemic on customer confidence are very hard to predict. On 15 March 2020, the Executive Board of TUI AG withdrew its guidance for financial year 2020 in view of the significant uncertainties relating to future developments and still feels unable to announce specific guidance in light of the ongoing situation.

Expected development of Group earnings

TUI GROUP

The translation of the income statements of foreign subsidiaries in our consolidated financial statements is based on average monthly exchange rates. TUI Group generates a considerable proportion of consolidated revenue and large earnings and cash flow contributions in non-euro currencies, in particular pound sterling. Taking account of the seasonality in tourism, the value of these currencies against the euro in the course of the year therefore strongly impacts the financial indicators carried in TUI AG's consolidated financial statements.

Our key financial performance indicators for our earnings position in financial year 2021 are revenue and underlying EBIT.

Definition of underlying EBIT in Value-oriented Group management on page 29.

Key performance indicators used for regular value analysis are Return On Invested Capital (ROIC) and Economic Value Added. ROIC for a given segment is shown against the segment-specific cost of capital.

Below, we present TUI Group's expected development in financial year 2021 at constant currency for financial year 2020.

REVENUE

For financial year 2021, we expect TUI Group's revenue (IFRS 16) to grow year-on-year.

UNDERLYING EBIT

For financial year 2021, we expect TUI Group's underlying EBIT (IFRS 16) to recover alongside an increase in revenue.

ADJUSTMENTS

Due to the non-repeat of the positive gain on disposal included in the prior year's results, we expect net negative adjustments for financial year 2021, compared with net positive adjustments carried in financial year 2020.

ROIC AND ECONOMIC VALUE ADDED

Due to the expected improvement in our operating result, ROIC (IFRS 16) and Economic Value Added (IFRS 16) are also expected to improve year-on-year, depending on the development of TUI Group's capital costs.

Expected development of financial position

To develop the Group's financial position in financial year 2021, we have defined the Group's net capital expenditure and investments and its net financial position as key performance indicators.

NET CAPEX AND INVESTMENTS

Due to TUI Group's large divestments carried out in financial year 2020, we expect a year-on-year increase in net capex and investments for financial year 2021.

NET FINANCIAL POSITION

For financial year 2021, we expect an decrease in the Group's net debt.

Sustainable development

CLIMATE PROTECTION AND EMISSIONS

We have identified specific carbon emissions (in g CO_2/PKM) of our aircraft fleet as the key non-financial performance indicator. In financial year 2020, the COVID-19 crisis and the grounding of the Boeing 737 Max with the associated delay in delivery of the efficient aircraft type resulted in an increase in specific CO_2 emissions. For financial year 2021, we expect a decline in specific CO_2 emissions as against financial year 2020.

Overall Executive Board assessment of TUI Group's current situation and expected development

TUI Group currently continues to be impacted by the negative financial effects of the COVID-19-pandemic. The further development of the pandemic, the measures launched to curb the virus, in particular regarding travel restrictions, and the short-term impact of the pandemic on customers' trust are difficult to forecast. TUI AG's Executive Board still feels unable to deliver specific guidance in the light of the substantial uncertainties for the assessment of our future performance.

At the date of preparation of the Management Report (9 December 2020), the business development continued to be impacted by the travel restrictions, as expected. For financial year 2021, we nevertheless expect TUI Group's underlying EBIT to recover year-on-year at constant currency.

Outlook for TUI AG

The future business performance of TUI AG is essentially subject to the same factors as those impacting TUI Group. Due to the business ties between TUI AG and its Group companies, the outlook, opportunities and risks presented for TUI Group are largely mirrored by expectations for TUI AG. The comments made for TUI Group therefore also apply to TUI AG.

Opportunity Report

TUI Group's opportunity management follows the Group strategy for Tourism as our core business. Responsibility for systematically identifying and taking up opportunities rests with the operational management of the Hotels & Resorts, Cruises and TUI Musement segments as well as our source markets. Market scenarios and critical success factors for the individual sectors are analysed and assessed in the framework of the Group-wide planning and control process. The core task of the Group's Executive Board is to secure profitable growth for TUI Group again by optimising the shareholding portfolio and developing the Group structure over the long term.

OPPORTUNITIES ARISING FROM MACRO TRENDS

In particular the introduction of faster tests and effective vaccines would facilitate a significant and swift recovery of our business. Faster or stronger than expected recovery in demand in the travel market would have a positive effect on TUI Group and its segments. Moreover, changes in the competitive environment could create opportunities for TUI Group in individual markets.

CORPORATE STRATEGY OPPORTUNITIES

Opportunities arise from the implementation of our global realignment programme. We are reviewing our activities, each business unit and each Group company worldwide in order to identify synergies and be leaner, faster and more efficient. We see opportunities in the further adjustment of our structure and our presence in the markets and destinations.

Further opportunities arise from accelerating the Group's transformation into a digital platform business. We will expand hotel-only and flight-only products and broaden our dynamic packaging opportunities. Benefits will emerge from the transformation of our digital platform in Destination Experiences progressing faster than expected.

OPERATIONAL OPPORTUNITIES

We intend to operate as an asset-light organisation and see opportunities in the implementation of our asset-right strategy in our Hotels & Resorts and Cruises businesses. We will right-size and restructure our airlines and our order book. We are reviewing unprofitable activities and will divest them, if necessary.

In order to control costs, we will leverage synergies in areas such as hotel purchasing and tap further potential in our global IT structures. Opportunities result from a permanent reduction in our overhead costs across the Group beyond the scheduled extent.

BUSINESS REVIEW

Macroeconomic, industry and market framework

Macroeconomic development

Development of World Output

Var. in %	**2020***	2019
World	**–4.4**	**+2.8**
Eurozone	–8.3	+1.3
Germany	–6.0	+0.6
France	–9.8	+1.5
UK	–9.8	+1.5
US	–4.3	+2.2
Russia	–4.1	+1.3
Japan	–5.3	+0.7
China	+1.9	+6.1
India	–10.3	+4.2

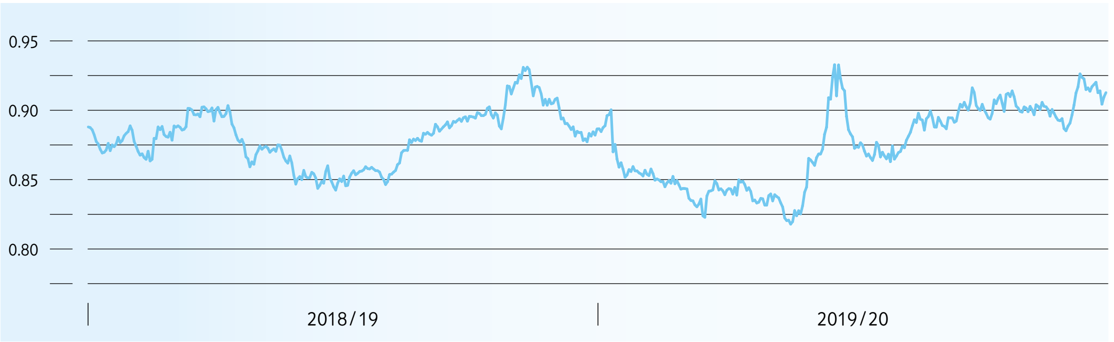
* Projection
Source: International Monetary Fund (IMF), World Economic Outlook, October 2020

In calendar year 2020, the global economy is in a deep recession due to the COVID-19-pandemic. The International Monetary Fund (IMF, World Economic Outlook, October 2020) projects global economic output to contract by 4.4 %. As a result of unprecedented financial assistance and fiscal policy support, the experts expect the advanced economies to cope with the impacts of the pandemic better than initially feared. In this case, the economic downturn in the first half of 2020 should be partially offset in the second half of 2020.

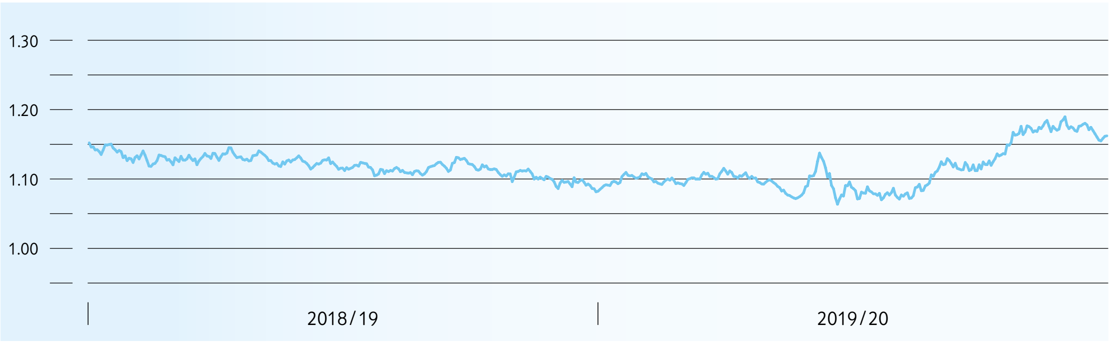
Key exchange rates and commodity prices

TUI Group companies operate on a worldwide scale. This presents financial risks for TUI Group arising from changes in exchange rates and commodity prices. The essential financial transaction risks from operations concern euros and US dollars. They mainly result from foreign exchange items in the individual Group companies, for instance jet fuel and bunker oil or ship handling, or from sourcing transactions by hotels. The parity of sterling against the euro affects the translation of results generated in the UK market in TUI's consolidated financial statements. Following the UK vote for Brexit, the currency fluctuations continued, impacting the translation of results from our UK business. Changes in commodity prices above all affect TUI Group when procuring fuels such as aircraft fuel and bunker oil.

Exchange rate Sterling £/€

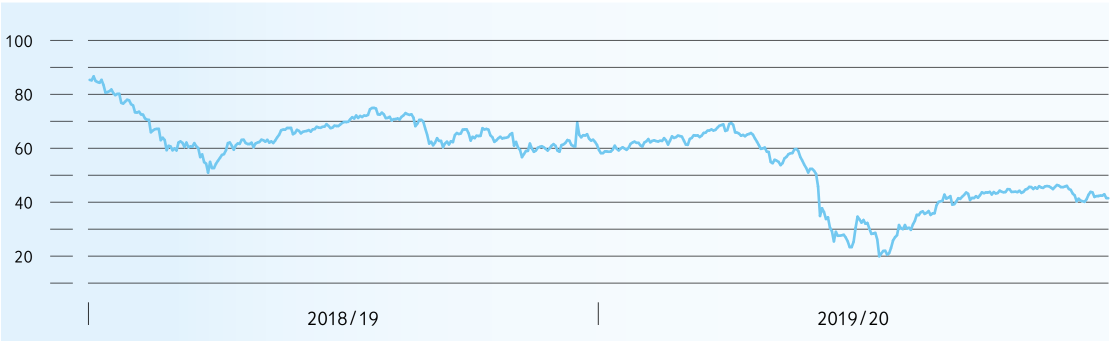


Exchange rate US Dollar $/€



The exchange rate charts are presented on the basis of the indirect quotation format customary in the foreign exchange market. If the exchange rate falls, the foreign currency is appreciating against the euro. By contrast, if the exchange rate rises, the foreign currency is depreciating against the euro.

Oil price Brent ($/Barrel)



In Tourism, most risks relating to changes in exchange rates and price risks from fuel sourcing are hedged by derivatives. Information on hedging strategies and risk management as well as financial transactions and the scope of such transactions at the balance sheet date is provided in the sections Financial Position and Risk Report in the Management Report and the section Financial Instruments in the Notes to the consolidated financial statements.

Financial Position see page 68, Risk Report see page 33, and Financial Instruments see Notes page 214.

Industry overview

TUI Group is a global tourism provider. The development of the international tourism market has an impact on all business areas of the Group.

The key indicators to measure the size of the tourism sector include the number of international tourist arrivals. According to the United Nations World Tourism Organization (UNWTO), the number of international tourist arrivals totalled around 1.5 bn in 2019, up by around 4 % year-on-year.

This growth was driven by a number of factors: the relatively stable global economy, a growing middle class in the emerging economies, technological progress and low travel costs as well as easing of visa requirements.

Europe remained the largest and most mature tourism market in the world, accounting for around 51 % of international tourist arrivals in both 2018 and 2019. In terms of this indicator, Southern Europe and European countries bordering the Mediterranean were among the world's largest tourism destinations. Asia-Pacific is the second largest tourism market, with a market share of nearly 25 % in 2019 and year-on-year growth of around 5 %, followed by the Americas with 15 % of international tourist arrivals and year-on-year growth of 2 %. (UNWTO World Tourism Barometer, January 2020)

The COVID-19-pandemic has had a particularly serious impact on the travel and tourism sector. Travel restrictions were imposed in numerous markets across the globe; aircraft were grounded and hotels closed. For the first half of calendar year 2020, UNWTO reports a decline in international tourist arrivals of 65 % versus the prior year. In June 2020 for example, international arrivals dropped by 93 % (UNWTO, World Tourism Barometer, August / September 2020).

Change of international tourist arrivals vs. prior year in %

Var. in %	**2020***	2019*
World	**– 65.3**	**+ 3.5**
Europe	– 66.5	+ 3.9
Asia and the Pacific	–72.2	+ 3.6
Americas	– 55.2	+1.6
Afrika	– 57.1	+ 5.4
Middle East	– 56.9	+ 2.1

Source: UNWTO World Tourism Barometer, August / September 2020
* Period January till June

TRAVEL INTERMEDIARY MARKET

A travel intermediary operates between a provider of tourism services, such as an airline or a hotel, and final customers, typically delivering distribution or related services. The global market for leisure travel intermediary sales encompassed in 2019 a value of ca. € 720 bn, on a constant 2020 price and fixed foreign exchange rate basis.

While the intermediary leisure market is expected to sustain a serious adverse effect in 2020, the current forecast predicts a 1 % CAGR over the period of 2019 – 2024, on a constant 2020 price and fixed exchange rate basis (Euromonitor International Limited, Travel 2021 edition).

Travel intermediaries include tour operators and online travel agencies (OTAs), whose business models vary substantially. Traditional tour operators offer their customers a package product (comprising e. g. flight, hotel and transfers), usually through a combination of offline (i. e. travel agencies) and online channels. In order to secure flight and hotel capacity in advance, a tour operator usually commits to a certain share of required capacity. Tour operators thus take the risk to fill the committed capacity; however, they can expect the supplier to offer them a favourable rate and the opportunity to secure acccommodation on an exclusive basis. Contrary to that approach, OTAs typically do not commit to taking contingents. Their offering to suppliers is a digital distribution platform with broad customer reach. Major OTAs but also dynamic packaging* are gaining relevance.

*dynamic packaging of travel services such as flight, transfer, hotel and catering to a package tour

AIRLINE MARKET

Global airline sales totalled around € 670 bn in 2019 (at constant 2020 prices and at constant currency).

The airline industry has been particularly hard hit by the COVID-19 crisis, as airlines around the world had to ground their aircraft and cancel flights due to global travel bans. IATA estimates that the global airline industry will be exposed to losses of around USD300 bn in 2020 alone (IATA, COVID-19 Updated Impact Assessment, April 2020). Recovery scenarios vary; however, the first positive signs emerged in Summer 2020. With key European destinations reopening for visitors, flight capacity slowly started to ramp up, although travel restrictions increased again in Autumn / Winter 2020 / 21 due to new travel warnings and lockdowns.

However, the five-year outlook (2019 – 2024) shows a positive trend despite COVID-19: the global airline market is expected to grow by ca. 2 % (on constant 2020 price and fixed exchange rate basis). (Euromonitor International Limited, Travel 2021 edition).

The airline market comprises three main groups of carriers:

- Full-service carriers, which operate a hub-based network, aiming to offer customers global connectivity.
- Low-cost carriers, which are structured so as to be cost-optimised and offer their customers a reduced flight product a low prices. From a network perspective, they focus on clear point-to-point connections, often built around more cost-effective secondary airports.
- Charter airlines, which conclude contracts with travel agencies or tour operators to carry an agreed number of passengers throughout the year. Responsibility to fill the available seats with passengers lies with the tour operator.

The European airline market is characterised by fierce competition and overcapacity, resulting in pressure on yields. Despite several insolvencies, the market has not seen a significant reduction in flight capacity. Instead, capacity has typically been absorbed by existing players.

HOTEL MARKET

Global hotel value sales reached ca. € 560 bn in 2019, on constant 2020 price and fixed exchange rate basis. COVID-19 exerted pressure on the hotel market similar to its effect on the airline industry, leading the value of global hotel sales to drop to approximately € 310 bn in 2020. Nevertheless, recovery signs are visible: after the sharp decline in 2020, global hotel sales are expected to show double-digit growth for the following three-year period (2021– 2024). For the overarching five-year time period of 2019 – 2024 and factoring in the initial drop as well as the strong rebound, global hotel value sales are expected to grow at a CAGR of 0.4 %, on constant 2020 price and fixed exchange rate basis. (Euromonitor International Limited, Travel 2021 edition).

The hotel market comprises business and leisure hotels. Leisure hotels feature a number of characteristics distinguishing them from business hotels, including longer average lengths of stay, different locations, room features or service offerings. From a demand perspective, the leisure hotel market in Europe comprises several smaller sub-markets catering to customers' individual needs and preferences. The sub-markets comprise premium, comfort and budget hotels as well as family / apartment hotels and club or resort hotels. Hotel companies may offer a variety of hotels for different market segments, often defined by price segment, star rating, exclusivity or available facilities.

In Europe, in particular, there are many small, often family-run hotels, which are less upscale and have fewer financial resources. Most family-owned hotels are not branded.

Given the large number of ownership and operating models for leisure hotels and the fragmented competitive landscape which, at least in Europe, is not dominated by large hotel chains, the competitive environment differs greatly between locations. Despite this strong fragmentation, a structural change can be observed in the European hotel industry, as in nearly all regions in the world. The share of hotel chains is increasing.

CRUISE MARKET

Global cruise value sales reached ca. € 64 bn in 2019, on a constant 2020 price and fixed exchange rate basis. The negative effects of COVID-19 were also particularly severe for cruises, as the value of cruise sales in the global market is estimated to face a reduction of approximately 60 % in 2020. After the initial shock, a strong double-digit growth rate is expected for the three year period between 2021 – 2024. Overarchingly, on a five year outlook, global cruise value sales are expected to recover close to 2019 levels by 2024. (Euromonitor International Limited, Travel 2021 edition).

An estimated 26.8 m passengers undertook an ocean cruise in calendar year 2019. At around 14.5 m passengers, the North American market remains the largest cruise market in the world, followed by Europe with around 6.9 m passengers (Cruise Market Watch, Market Share, 2018 and own estimates). The most frequently visited destinations were the Caribbean with a share of 34.4 % of all cruise passengers and the Mediterranean with 17.3 % of passengers (CLIA, 2019 Cruise Trends & Industry Outlook)

DESTINATION EXPERIENCES MARKETS

The market for tours and activities is a rapidly growing tourism segment. The market is highly fragmented on the supplier side and is predominantly operated offline. However, due to growing consolidation and digitalisation, the market is undergoing change.

Pre-COVID-19, the forecasted market growth on a five year outlook varied between 3 % – 7 % (Company estimate based on Phocuswright & Euromonitor), depending on the underlying definition of this market. Based on Euromonitor, the current outlook for the period 2019 – 2024, factoring in the effects of COVID-19, is growth at a CAGR of approximately 1 %, on a constant 2020 price and fixed exchange rate basis.

Strong TUI master brand

Our brand with the red "smile" – the smiling logo formed by the three letters of our brand name TUI – stands for TUI's ambition to provide a consistent customer experience, digital presence and competitive strength. In order to further leverage the appeal and strength of our core brand and tap the associated growth potential, we have created global branding and a consistent brand experience in recent years. TUI is now one of the best-known hotel brands in our core European markets.

We offer licences or franchising options allowing third parties to use some of our travel agency and hotel brands. We are convinced that this is a cost-efficient way to boost the effect of our marketing activities and increase our revenue.

We believe that protecting our brand portfolio is key to our business. We therefore protect our key brands in order to optimise the consolidation and development of our business interests in each of our markets. In this regard, our Internet domain names are a key component of our branding and online distribution of our products. We therefore monitor both our core brand TUI for the registration of confusable third-party brands and for third-party Internet domain registrations.

Group earnings

Comments on the consolidated income statement

In financial year 2020, the development of TUI Group's revenue and earnings was significantly impacted by the suspension of most of TUI's tour operator, aviation, hotel and cruise businesses caused by the global travel restrictions imposed from mid-March 2020 to curb the spread of COVID-19. Underlying EBIT (IAS 17) from TUI Group's declined by € 3,926.3 m to € – 3,032.8 m in the financial year under review, or by € 3,928.5 m year-on-year on a constant currency basis.

Income Statement of TUI Group for the period from 1 Oct 2019 to 30 Sep 2020

€ million	2020	2019 adjusted	Var. in %
Revenue	**7,943.7**	**18,928.1**	**– 58.0**
Cost of sales	9,926.1	17,489.4	– 43.2
Gross loss/profit	**–1,982.4**	**1,438.7**	**n. a.**
Administrative expenses	1,017.3	987.1	+ 3.1
Other income	574.4	21.3	n. a.
Other expenses	15.2	22.5	– 32.4
Impairment of goodwill	68.1	–	n. a.
Impairment of financial assets	180.6	4.5	n. a.
Financial income	35.3	119.7	–70.5
Financial expenses	321.7	171.4	+ 87.7
Share of result of joint ventures and associates	–193.3	297.5	n. a.
Impairment of net investments in joint ventures and associates	34.5	–	n. a.
Earnings before income taxes	**– 3,203.3**	**691.6**	**n. a.**
Income taxes (expense (+), income (–))	– 64.2	159.6	n. a.
Group loss/profit	**– 3,139.1**	**532.1**	**n. a.**
Group loss/profit attributable to shareholders of TUI AG	– 3,148.4	416.4	n. a.
Group profit attributable to non-controlling interest	9.4	115.7	– 91.9

REVENUE AND COST OF SALES

Revenue

€ million	2020	2019 adjusted	Var. in %
Hotels & Resorts	402.4	660.0	– 39.0
Cruises	472.6	965.8	– 51.1
TUI Musement	306.3	856.2	– 64.2
Holiday Experiences	1,181.3	2,482.0	– 52.4
Northern Region	2,462.0	6,355.2	– 61.3
Central Region	2,859.6	6,416.9	– 55.4
Western Region	1,345.9	3,237.2	– 58.4
Markets & Airlines	6,667.5	16,009.3	– 58.4
All other segments	94.9	436.7	–78.3
TUI Group (IFRS 16)	7,943.7	18,928.1	– 58.0
FX effect	– 44.7		
Adjustment IAS 17/IFRS 16 (IFRS 16-Effect)	9.1		
TUI Group (IAS 17, at constant currency)	**7,908.2**	**18,928.1**	**– 58.2**

In financial year 2020, TUI Group's revenue declined by 58.0 % to € 7,943.7 m due to the COVID-19-pandemic. On a constant currency basis, revenue decreased by 58.2 %. Customer numbers were 61.8 % down year-on-year. Revenue is presented alongside the cost of sales in the income statement, which declined 43.2 % in the period under review.

GROSS LOSS / PROFIT

The difference between revenue and the cost of sales declined by € 3,421.1 m year-on-year to a gross loss of € 1,982.4 m.

ADMINISTRATIVE EXPENSES

Administrative expenses rose by € 30.2 m year-on-year to € 1,017.3 m.

OTHER INCOME AND OTHER EXPENSES

In financial year 2020, other income mainly resulted from the divestment of the German specialist tour operators and of Hapag-Lloyd Kreuzfahrten. In the prior year, other income had mainly resulted from the sale of aircraft assets and buildings.

Other expenses included losses from the sale of aircraft assets and expenses incurred in connection with the disposal of Group companies in financial year 2020. In the prior year, this item had included a loss of € 12.0 m from the sale of Corsair S. A.

FINANCIAL RESULT

The financial result declined by € 234.6 m to € – 286.3 m. This was primarily attributable to lower interest income. Moreover, the prior year's result had included income from the reversal of hedges no longer required. In the period under review, financial expenses rose by € 150.3 m, above all due to higher interest expenses resulting from the use of credit facilities, the change in the recognition of interest expenses from leases in accordance with IFRS 16 and from expenses for changes in exchange rates for lease liabilities.

SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES

The share of result from joint ventures and associates of € – 193.3 m comprises the proportionate net profit for the year of these companies. The decline in the share of result is driven by adverse operational impacts caused by the COVID-19-pandemic. In addition, the impairment test for the joint ventures and associates as at 30 September 2020, triggered by the development of the pandemic, resulted in impairment charges in Hotels & Resorts and Central Region.

EARNINGS BEFORE INCOME TAXES

The earnings before income taxes declined € 3,894.9 m to a loss of € 3,203.3 m in financial year 2020.

GROUP LOSS

The Group loss for financial year 2020 totalled € 3,139.1 m, compared with a Group profit of € 532.1 m for financial year 2019.

SHARE IN GROUP PROFIT ATTRIBUTABLE TO TUI AG SHAREHOLDERS

The share in Group profit attributable to TUI AG shareholders amounted to € – 3,148.4 m in financial year 2020.

NON-CONTROLLING INTERESTS

Non-controlling interests in Group profit for the year totalled € 9.4 m. They mainly related to RIUSA II Group.

EARNINGS PER SHARE

The interest in the Group result for the year attributable to TUI AG shareholders resulted in basic earnings per share of € – 5.34 (previous year € 0.71) in financial year 2020.

ALTERNATIVE PERFORMANCE INDICATORS

From financial year 2020, the Group has used the indicator 'underlying EBIT', which is more common in the international sphere, for management purposes, so that underlying EBITA is no longer used as a financial KPI. We define the EBIT in underlying EBIT as earnings before interest, income taxes and expenses for the measurement of the Group's interest hedges. Unlike the previous KPI EBITA, EBIT by definition includes goodwill impairments.

Underlying EBIT is adjusted by income and expense items impacting or distorting the assessment of the operating profitability of the segments and the Group due to their level and frequency. These items include gains on disposal from investments, major gains and losses from the sale of assets and major restructuring and integration expenses. In addition, adjustments are carried for all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments. Adjustments made in the reconciliation to underlying EBIT include goodwill impairments.

TUI Group transitioned to IFRS 16 from 1 October 2019. The prior year's numbers were not restated. In order to enhance year-on-year comparability, internal reporting in the course of the financial year uses underlying EBIT and underlying EBITDA in line with the provisions of IAS 17. Accordingly, the numbers for both the completed and the previous financial year are presented prior to the effect of the initial application of IFRS 16. The table below provides a reconciliation to underlying EBIT according to IFRS 16:

Reconciliation to underlying EBIT (IAS 17) of TUI Group

€ million	2020	2019 adjusted	Var. in %
Earnings before income taxes	**– 3,203.3**	**691.6**	**n. a.**
plus: Net interest expense (excluding expense / income from measurement of interest hedges)	281.7	74.1	280.4
less / plus: Expense (income) from measurement of interest hedges	– 5.9	2.9	n. a.
EBIT (IFRS 16, previous year IAS 17)	**– 2,927.4**	**768.7**	**n. a.**
Adjustments:			
less / plus: Separately disclosed items	–119.1	86.1	
plus: Expense from purchase price allocation	49.5	38.8	
Underlying EBIT (IFRS 16)	**– 2,997.0**	**893.5**	**n. a.**
Adjustments IAS 17 / IFRS 16 (IFRS 16 impact)	– 35.8	–	n. a.
Underlying EBIT (IAS 17)	**– 3,032.8**	**893.5**	**n. a.**

TUI Group's EBIT (IFRS 16) declined by €3,696.1 m to € –2,927.4 m in financial year 2020.

EBIT (IFRS 16)

€ million	**2020**	2019 adjusted	Var. in %
Hotels & Resorts	–463.7	442.8	n. a.
Cruises	153.3	366.0	–58.1
TUI Musement	–146.1	34.7	n. a.
Holiday Experiences	–456.4	843.5	n. a.
Northern Region	–1,036.1	37.1	n. a.
Central Region	–720.8	61.2	n. a.
Western Region	–533.9	–44.6	n. a.
Markets & Airlines	–2,290.7	53.7	n. a.
All other segments	–180.3	–128.6	–40.2
TUI Group	**–2,927.4**	**768.7**	**n. a.**

TUI Group's underlying EBIT adjusted for one-off effects (underlying EBIT (IAS 17)) declined by €3,926.3 m to €3,032.8 m in financial year 2020.

Underlying EBIT (IAS 17)

€ million	**2020**	2019 adjusted	Var. in %
Hotels & Resorts	–399.6	451.8	n. a.
Cruises	–322.8	366.0	n. a.
TUI Musement	–114.6	55.7	n. a.
Holiday Experiences	–837.0	873.5	n. a.
Northern Region	–975.1	58.5	n. a.
Central Region	–619.8	101.9	n. a.
Western Region	–440.8	–28.6	n. a.
Markets & Airlines	–2,035.7	131.8	n. a.
All other segments	–160.2	–111.8	–43.3
TUI Group	**–3,032.8**	**893.5**	**n. a.**

In financial year 2020, net income was adjusted by €119.1 m for one-off effects.

For details on the one-off effects please refer to the Notes to the segment data.

One-off effects please see page 171.

OTHER SEGMENT INDICATORS

Reconciliation to EBITDA (IAS 17)

€ million	**2020**	2019 adjusted	Var. in %
EBIT (IAS 17)	**–2,962.7**	**768.7**	**n. a.**
Amortisation (+)/write-backs (–) of other intangible assets and depreciation (+)/write-backs (–) of property, plant and equipment (IAS 17)	894.2	508.8	75.7
Impairment of goodwill (IAS 17)	67.9	–	n. a.
EBITDA (IAS 17)	**–2,000.5**	**1,277.5**	**n. a.**

EBITDA (IAS 17)

€ million	2020	2019 adjusted	Var. in %
Hotels & Resorts	– 195.4	554.3	n. a.
Cruises	392.8	457.6	– 14.2
TUI Musement	– 109.9	62.2	n. a.
Holiday Experiences	87.4	1,074.1	– 91.9
Northern Region	– 877.0	163.1	n. a.
Central Region	– 648.2	109.2	n. a.
Western Region	– 425.5	7.9	n. a.
Markets & Airlines	– 1,950.7	280.2	n. a.
All other segments	– 137.2	– 76.9	– 78.4
TUI Group	**– 2,000.5**	**1,277.5**	**n. a.**

Underlying EBITDA (IAS 17)

€ million	2020	2019 adjusted	Var. in %
Hotels & Resorts	– 195.1	563.3	n. a.
Cruises	– 82.9	457.6	n. a.
TUI Musement	– 93.9	71.2	n. a.
Holiday Experiences	– 371.8	1,092.1	n. a.
Northern Region	– 828.4	163.8	n. a.
Central Region	– 546.9	146.7	n. a.
Western Region	– 369.2	18.1	n. a.
Markets & Airlines	– 1,744.5	328.7	n. a.
All other segments	– 126.3	– 61.3	– 106.0
TUI Group	**– 2,242.6**	**1,359.5**	**n. a.**

Segmental performance*

Cautionary note on COVID-19

The COVID-19 crisis, which broke out in our key source markets and destinations in Europe at the end of the second quarter of financial year 2020, had severe impacts on the tourism sector and TUI Group in the period under review. Due to the crisis, we temporarily almost completely suspended our worldwide tourism activities, including flights, cruises and hotel operations, for several weeks. From mid-May 2020, we partially restarted our hotel operations. From mid-June 2020, we partially relaunched our air travel programmes to re-opened destinations. Our Cruises segment partially restarted its operations in July 2020.

As our business operations were significantly restricted, the key performance indicators as at 30 September 2020 shown in the sections below are of limited, if any, comparability and do not allow any conclusions to be drawn about the sustained development.

Holiday Experiences

Holiday Experiences

€ million	**2020**	2019 adjusted	Var. in %
Revenue (IAS 17)	1,181.3	2,482.0	– 52.4
Underlying EBIT (IAS 17)	– 837.0	873.5	n. a.
Underlying EBIT (IAS 17, at constant currency)	– 823.3	873.5	n. a.

* on IAS17 and constant currency basis

Hotels & Resorts

€ million	**2020**	2019 adjusted	Var. in %
Total revenue (IAS 17)	751.4	1,511.8	– 50.3
Revenue (IAS 17)	402.4	660.0	– 39.0
Underlying EBIT (IAS 17)	– 399.6	451.8	n. a.
Underlying EBIT (IAS 17, at constant currency)	– 379.7	451.8	n. a.
Capacity hotels total[1] ('000)	**24,013**	**42,094**	**– 43.0**
Riu	11,144	18,057	– 38.3
Robinson	2,083	3,333	– 37.5
Blue Diamond	2,543	4,379	– 41.9
Occupancy rate hotels total[2] (in %, variance in % points)	**66**	**82**	**–16**
Riu	72	88	–16
Robinson	62	73	–11
Blue Diamond	70	77	–7
Average revenue per bed hotels total[3] (in €)	**71**	**66**	**+7.7**
Riu	67	64	+ 4.8
Robinson	100	93	+7.3
Blue Diamond	122	118	+ 3.4

Turnover measures include fully consolidated companies, all other KPIs incl. companies measured at equity.
[1] Group owned or leased hotel beds multiplied by opening days
[2] Occupied beds divided by capacity
[3] Arrangement revenue divided by occupied beds

- Our Hotels & Resorts segment made an underlying EBIT loss of € 380 m, down € 832 m at constant currency against prior year, reflecting lost contribution attributable to COVID-19 suspension of operations during the third quarter and partial reopening's in our peak fourth quarter. The loss includes impairment charges of € 78 m across the portfolio mainly as a result of COVID-19 related WACC increases, triggered under IAS 36.
- As at 30 September, ~40 % of our 355 group hotels were operating (previous year: 354 group hotels), reflecting the reduced Summer 2020 capacity operated by our Markets & Airlines business. Destinations which were able to reopen during early summer included Germany, Austria, Spain, Greece, Cyprus, Turkey, Portugal, Croatia, Bulgaria, Egypt, Tunisia, Morocco as well some long-haul destinations such as Mexico, Jamaica and Vietnam.

- Our model of diversified locations allowed us to serve domestic customers in destination as well as customers from our core European markets, whilst our high level of direct distribution enabled us to funnel a significant proportion of our Markets & Airlines customers to our owned content. This did not however fully compensate for the impact of volatile travel restrictions in August and September to our key destinations such as Spain, Greece and Turkey, which dampened bookings again after a promising restart in July.
- Available bed nights decreased by 43 % reflecting the drivers above. Full year average occupancy rate (based on open hotels) was down 16 % pts to 66 % (previous year: 82 %). Average rate per bed increased by 8 % to € 71 as a result of mix (previous year: € 66).
- Occupancy at Riu declined 16 % pts versus prior year to 72 % (previous year: 88 %), reflecting the fluctuating travel restrictions across Spain, Balearics, the Canaries and the Caribbean. Average rate increased by 5 % to € 67 (previous year: € 64) as a result of mix. Riu was benefitting from their year-round destination portfolio which had already delivered a profitable first half.
- Robinson occupancy declined 11 % pts versus prior year to 62 % (previous year: 73 %) with average rate up 7 % to € 100 (previous year: € 93), again as a result of mix. The development reflected the impact of business suspension and travel restrictions throughout the Summer period.
- Blue Diamond occupancy declined 7 % pts versus prior year to 70 % (previous year: 77 %) with average rate up 3 % including FX to € 122 (previous year: € 118). Six properties reopened from mid-July, hosting mainly US guests, with blanket quarantine requirement imposed by the Canadian government limiting demand from the region.
- Our Other hotel brands saw a full-year underlying EBIT loss reflecting the drivers above.
- In line with our asset-light growth strategy shared at our financial year 2019 full-year results, we repositioned 32 hotels within the group portfolio into our new flagship leisure brand TUI Blue and opened four new hotels under the brand. Including 46 hotels operated by our third-party concepts hotel partners, TUI Blue is now firmly established across 93 locations (previous year: 12).

Cruises

€ million	2020	2019 adjusted	Var. in %
Revenue (IAS 17)[1]	472.6	965.8	– 51.1
Underlying EBIT (IAS 17)	– 322.8	366.0	n. a.
Underlying EBIT (IAS 17, at constant currency)	– 327.0	366.0	n. a.
Occupancy (in %, variance in % points)			
TUI Cruises	88	101	– 13
Marella Cruises	96	100	– 4
Hapag-Lloyd Cruises	70	79	– 9
Passenger days ('000)			
TUI Cruises	2,965	6,137	– 51.7
Marella Cruises	1,366	3,298	– 58.6
Hapag-Lloyd Cruises	214	332	– 35.6
Average daily rates[2] (in €)			
TUI Cruises	141	174	– 19.0
Marella Cruises[3] (in £)	146	149	– 1.7
Hapag-Lloyd Cruises	601	641	– 6.4

[1] No revenue is carried for TUI Cruises as the joint venture is consolidated at equity
[2] Per day and passenger
[3] Inclusive of transfers, flights and hotels due to the integrated nature of Marella Cruises, in £

- Repatriation of cruise passengers and crew began in mid-March and operations were suspended across our three Cruise brands throughout the third quarter. TUI Cruises and Hapag-Lloyd Cruises resumed partial operations from Germany at the end of July, operating a reduced fleet with European itineraries. This was made possible by Germany's decision to permit cross-border travel in EU states and Schengen Area from mid-June, underlining the advantage of our diversified markets. In combination with already comprehensive hygiene measures on board our fleet, extensive COVID-19 preventative protocols have been introduced as part of our mandatory safety measures. COVID-19 testing is now included within our German cruise packages and a negative result is compulsory for customers and crew prior to departure.
- Cruise full-year loss of € 327 m represents an underlying EBIT reduction of € 693 m versus prior year at constant currency, with our UK brand Marella most notably impacted by UK travel restrictions preventing a restart of operations. The loss includes an impairment charge of € 150 m, as a result of COVID-19 related WACC increases, triggered under IAS 36.

- TUI Cruises' (our joint venture with Royal Caribbean in the German speaking market) average daily rate of € 141 was down 19 % versus prior year (previous year: € 174) reflecting the late marketing of replacement Cruise itineraries and shorter 'Blue Cruises' within European waters. Occupancy of 88.1 % achieved for the full year reflects adherence to COVID-19 government safety advice capping volume permitted on board during the second half (previous year: 100.7 %). Three out of the seven-ship fleet resumed operations in the fourth quarter.
- Hapag-Lloyd Cruises (our luxury and expedition brand) average daily rate of € 601 was down 6 % versus prior year (previous year: € 641). Occupancy of 70.2 % declined by 9 % pts versus prior year (previous year: 78.9 %) with three out of the five-ship fleet resuming operations in the fourth quarter.
- Marella Cruises (our UK cruise brand) remained fully suspended throughout the second half of the financial year in line with UK government travel advice. As a result, passenger days operated for the year were down 59 % versus prior year.

TUI Musement (formerly Destination Experiences)

€ million	2020	2019 adjusted	Var. in %
Total revenue (IAS 17)	461.3	1,231.4	– 62.5
Revenue (IAS 17)	306.3	856.2	– 64.2
Underlying EBIT (IAS 17)	– 114.6	55.7	n. a.
Underlying EBIT (IAS 17, at constant currency)	– 116.6	55.7	n. a.

- TUI Musement loss of € 117 m is an underlying EBIT reduction of € 172 m versus prior year reflecting COVID-19 business standstill for the majority of the third quarter, with a small volume generated from the partial restart of Markets & Airlines operations during the final quarter.
- 2.6 m excursions and activities were sold in the year, down 73 % versus prior year.
- The effects of COVID-19 alongside changes in both guest behaviour and expectations have led us to significantly accelerate and enhance our digitilisation transformation at TUI Musement. We are prioritising the development of a 'Digital First' service model as well as advancing our platform transformation projects.
- Around 1,000 front and back office roles will be affected by the above acceleration and our wider Global Realignment Programme and will consist of roles which will either not be recruited for in the upcoming seasons or reduced.

Markets & Airlines

Markets & Airlines

€ million	2020	2019 adjusted	Var. in %
Revenue (IAS 17)	6,676.6	16,009.3	– 58.4
Underlying EBIT (IAS 17)	– 2,035.7	131.8	n. a.
Underlying EBIT (IAS 17, at constant currency)	– 2,050.9	131.8	n. a.
Direct distribution mix[1, 3] (in %, variance in % points)	73	74	– 1
Online distribution mix[2, 3] (in %, variance in % points)	49	48	+ 1
Customers ('000)	8,057	21,075	– 61.8

[1] Share of sales via own channels (retail and online)
[2] Share of online sales
[3] Previous year's number includes Berge & Meer and Boomerang guests

- Our Markets & Airlines business made a full year underlying EBIT loss of € 2,051 m, a reduction of € 2,183 m year-on-year at constant currency, reflecting the suspension of operations from mid-March, in line with government advice to mitigate the spread of COVID-19 and partial resumption of operations during peak Summer.
- Our integrated and diversified model enabled us to be the first tour operator to successfully restart operations from Germany in mid-June, followed by the rest of our European markets including the UK in July.
- Approximately 25 % of financial year 2019 Q4 capacity was operated in the final quarter of this year, with ~2.3 m customers holidaying with us between June and October.
- The majority of our restart capacity was to short and medium haul destinations such as Greece, Turkey, the Canaries, the Balearics and Spanish mainland, Portugal and Cyprus, with only a small long-haul programme such as Dominican Republic and Jamaica.
- Full-year customer volume declined 62 % to 8.1 m versus prior year (previous year: 21.1 m) reflecting the drivers above.
- As part of our Global Realignment Programme, we reviewed every activity, business unit and group companies worldwide to identify synergies and where we can be leaner, faster and more efficient. Following the review, we announced initiatives in each of the regions, affecting TUI UK (Northern Region), TUI fly (Central Region) and TUI France (Western Region).

Northern Region

€ million	2020	2019 adjusted	Var. in %
Revenue (IAS 17)	2,466.6	6,355.2	n. a.
Underlying EBIT (IAS 17)	–975.1	58.5	n. a.
Underlying EBIT (IAS 17, at constant currency)	–984.4	58.5	n. a.
Direct distribution mix[1] (in %, variance in % points)	91	94	–3
Online distribution mix[2] (in %, variance in % points)	67	67	–
Customers ('000)	2,438	7,428	–67.2

[1] Share of sales via own channels (retail and online)
[2] Share of online sales

Northern Region comprises UK, Nordics and the joint venture in Canada as well as the associated company in Russia.

- Northern Region underlying EBIT loss of € 984 m, down € 1,043 m on prior year.
- Full-year customer volume declined 67 % to 2.4 m versus prior year (previous year: 7.4 m).
- Global Realignment Programme – with ~70 % of all TUI UK bookings already completed online, we announced the closure of 166 high street stores, reducing our brick and mortar retail estate to around 350 stores. Of the ~900 roles impacted, 70 % are being moved into new homeworking sales and services roles. We also intend to protect roles based in the UK by closing third party overseas customer service centres.

Central Region

€ million	2020	2019 adjusted	Var. in %
Revenue (IAS 17)	2,861.5	6,416.9	–55.4
Underlying EBIT (IAS 17)	–619.8	101.9	n. a.
Underlying EBIT (IAS 17, at constant currency)	–620.8	101.9	n. a.
Direct distribution mix[1, 3] (in %, variance in % points)	54	53	+1
Online distribution mix[2, 3] (in %, variance in % points)	26	23	+3
Customers ('000)	3,230	7,830	–58.7

[1] Share of sales via own channels (retail and online)
[2] Share of online sales
[3] Previous year's number includes Berge & Meer and Boomerang guests

Central Region comprises Germany and Austria (operated as one market), Switzerland and Poland.

- Central Region underlying EBIT loss of € 621 m, down € 723 m versus prior year.
- Full-year customer volume declined 59 % to 3.2 m versus prior year (previous year: 7.8 m).
- Global Realignment Programme – A progressive restructuring plan to right-size TUI fly Germany has been agreed. We plan to reduce the current TUI fly fleet of 39 aircraft (as at June 2020) by ~50 % by financial year 2024 and reduce the number of operating bases to five, with expected headcount reductions across flight crew, technical and administrative staff.

Western Region

€ million	2020	2019 adjusted	Var. in %
Revenue (IAS 17)	1,348.5	3,237.2	–58.3
Underlying EBIT (IAS 17)	–440.8	–28.6	n. a.
Underlying EBIT (IAS 17, at constant currency)	–445.7	–28.6	n. a.
Direct distribution mix[1] (in %, variance in % points)	79	76	+3
Online distribution mix[2] (in %, variance in % points)	60	57	+3
Customers ('000)	2,388	5,816	–58.9

[1] Share of sales via own channels (retail and online)
[2] Share of online sales

Western Region comprises Belgium, Netherlands and France.

- Western Region underlying EBIT loss of € 446 m, down € 417 m versus prior year.
- Full-year customer volume declined 59 % to 2.4 m versus prior year (previous year: 5.8 m).
- Global Realignment Programme – we are restructuring and repositioning TUI France to focus on our core club brands such as Marmara, Lookea and Nouvelle Frontieres. We plan to sell or close some owned travel agencies, keeping third party retail as our key distribution channel, creating a significantly leaner organisation. The plan anticipates a total headcount reduction of between 500 to 600 roles assuming all owned retail shops are sold which supports a path to break-even levels from financial year 2021 onwards.

All other segments

€ million	**2020**	2019 adjusted	Var. in %
Revenue (IAS 17)	94.9	436.7	–78.3
Underlying EBIT (IAS 17)	–160.2	–111.8	– 43.3
Underlying EBIT (IAS 17, at constant currency)	–160.8	–111.8	– 43.8

- The result for All other segments declined by € 49 m versus prior year, with EBIT loss limited by the immediate reduction of personnel and material costs levels during the second half of the financial year.

Net assets

Development of the Group's asset structure

€ million	30 Sep 2020	30 Sep 2019 adjusted	Var. in %
Fixed assets	11,345.1	11,038.1	2.8
Non-current receivables	1,302.7	909.8	43.2
Non-current assets	12,647.8	11,947.9	5.9
Inventories	73.2	114.7	– 36.2
Current receivables	1,329.9	2,364.0	– 43.7
Cash and cash equivalents	1,233.1	1,741.5	– 29.2
Assets held for sale	57.2	50.0	14.4
Current assets	2,693.4	4,270.2	– 36.9
Assets	**15,341.1**	**16,218.1**	**– 5.4**
Equity	218.1	4,165.6	– 94.8
Liabilities	15,123.0	12,052.5	25.5
Equity and liabilities	**15,341.1**	**16,218.1**	**– 5.4**

The Group's balance sheet total decreased by 5.4 % year-on-year to € 15.3 bn.

Vertical structural indicators

Non-current financial assets accounted for 82.4 % of total assets, compared with 73.7 % in the previous year. The capitalisation ratio (ratio of fixed assets to total assets) increased from 68.1 % to 74.0 %.

Current assets accounted for 17.6 % of total assets, compared with 26.3 % in the previous year. The Group's cash and cash equivalents decreased by € 508.4 m to € 1,233.1 m. They thus accounted for 8.0 % of total assets, as against 10.7 % in the previous year.

Horizontal structural indicators

At the balance sheet date, the ratio of equity to non-current assets was 1.7 %, as against 34.9 % in the previous year. This was attributable to the decline in Group equity driven by the suspension of our business operations due to COVID-19. The ratio of equity to fixed assets was 1.9 % (previous year 37.7 %). The ratio of equity plus non-current financial liabilities to fixed assets was 34.5 %, compared with 60.0 % in the previous year.

Development of the Group's non-current assets

Structure of the Group's non-current assets

€ million	30 Sep 2020	30 Sep 2019 adjusted	Var. in %
Goodwill	2,914.5	3,009.2	– 3.1
Other intangible assets	553.5	710.7	– 22.1
Property, plant and equipment	3,462.5	5,810.7	– 40.4
Right of use assets	3,227.9	0.0	
Investments in joint ventures and associates	1,186.7	1,507.6	– 21.3
Fixed assets	11,345.1	11,038.2	2.8
Receivables and assets	1,003.1	707.7	41.7
Deferred tax claims	299.6	202.0	48.3
Non-current receivables	1,302.7	909.7	43.2
Non-current assets	**12,647.8**	**11,947.9**	**5.9**

GOODWILL

Goodwill decreased by 3.1 % to € 2,914.5 m. The decline in the carrying amount is essentially due to impairments resulting from the travel restrictions caused by COVID-19.

For details, please refer to the section Goodwill in the Notes from page 179.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment totalled € 3,462.5 m at the balance sheet date, down by € 2,348.2 m year-on-year. One of the key reasons for this decline is the reclassification of leased assets of € 1,451.6 m that had been classified as finance leases according to IAS 17 to right-of-use assets when transitioning to IFRS 16 in financial year 2020. In addition, the property, plant and equipment of Hapag-Lloyd Kreuzfahrten GmbH was reclassified to the balance sheet item 'Assets held for sale' following the agreement on the sale of the company to the joint venture TUI Cruises GmbH, before the divestment was completed in early June 2020. In addition, impairment tests of the carrying amounts due to the travel restrictions caused by COVID-19 resulted in impairments in hotels, aircraft and cruise ships.

Development of property, plant and equipment

€ million	30 Sep 2020	30 Sep 2019 adjusted	Var. in %
Hotels incl. land	1,613.8	1,646.6	– 2.0
Other buildings and land	185.1	225.0	– 17.7
Aircraft	239.4	1,592.6	– 85.0
Cruise ships	438.3	1,258.3	– 65.2
Other plant, operating and office equipment	393.9	433.8	– 9.2
Assets under construction	220.6	173.1	27.4
Payments on accounts	371.4	481.3	– 22.8
Total	**3,462.5**	**5,810.7**	**– 40.4**

RIGHT-OF-USE ASSETS

In financial year 2020, TUI transitioned to the amended standard on leases (IFRS 16). As a lessee, TUI recognises right-of-use assets and lease liabilities in the statement of financial position in accordance with IFRS 16. As a lessor, TUI leases moveable assets such as aircraft, vehicles and cruise ships, and immoveable property such as hotel buildings and land, office buildings and travel agencies. Due to the initial application of IFRS 16, right-of-use assets of € 3,831.6 m were recorded as at 1 October 2019. This amount includes € 1,451.6 m for assets previously capitalised as finance leases plus capitalised maintenance services reclassified from property, plant and equipment to right-of-use assets.

COMPANIES MEASURED AT EQUITY

Nineteen associated companies and 30 joint ventures were measured at equity. At € 1,186.7 m, their value decreased by 21.3 % year-on-year as at the balance sheet date.

Development of the Group's current assets

Structure of the Group's current assets

€ million	30 Sep 2020	30 Sep 2019 adjusted	Var. in %
Inventories	73.2	114.7	– 36.2
Trade accounts receivable and other financial assets[1]	590.2	1,211.3	– 51.3
Other non-financial assets[2]	668.8	997.0	– 32.9
Current tax assets	70.9	155.7	– 54.5
Cash and cash equivalents	1,233.1	1,741.5	– 29.2
Assets held for sale	57.2	50.0	14.4
Current assets	**2,693.4**	**4,270.2**	**– 36.9**

[1] Incl. receivables from derivative financial instruments
[2] Incl. touristic prepayments

CURRENT ASSETS

Current assets decreased by 36.9 % to € 2,693.4 m. This was mainly attributable to the decline in business activities caused by COVID-19.

Financial position of the Group

Principles and goals of financial management

PRINCIPLES

TUI Group's financial management is centrally operated by TUI AG, which acts as the Group's internal bank. Financial management covers all Group companies in which TUI AG directly or indirectly holds an interest of more than 50 %. It is based on policies covering all cash flow-oriented aspects of the Group's business activities. In the course of establishing a cross-border organisation, TUI AG has outsourced some of its treasury activities to First Choice Holidays Finance Ltd, a British Group company. However, the treasury activities are carried out on a coordinated and centralised basis.

GOALS

TUI's financial management goals include ensuring sufficient liquidity for TUI AG and its subsidiaries and limiting financial risks from fluctuations in currencies, commodity prices and interest rates as well as default risks associated with treasury activities.

LIQUIDITY SAFEGUARDS

The Group's liquidity safeguards consist of two components:

- In the course of the annual Group planning process, TUI draws up a multi-annual financial budget, from which long-term financing and refinancing requirements are derived. This information and financial market observation to identify refinancing opportunities create a basis for decision-making, enabling appropriate financing instruments for long-term corporate funding to be adopted at an early stage.
- TUI uses syndicated credit facilities and bilateral bank lines as well as its liquid funds to secure sufficient short-term cash reserves. Through intra-Group cash pooling, excess cash of individual Group companies is used to finance the cash requirements of other Group companies. A monthly rolling liquidity planning system is the basis for arrangements with banks. The reporting frequency was increased to weekly reporting in the wake of the COVID-19 situation.

LIMITING FINANCIAL RISKS

The Group companies operate on a worldwide scale. This gives rise to financial risks for TUI Group, mainly from changes in exchange rates, commodity prices and interest rates.

The key operating financial transaction risks relate to the euro, US dollar, pound sterling and Swedish krona and to changing fuel prices. They mainly result from cost items in foreign currencies held by individual Group companies, e. g. hotel procurement, aircraft fuel and bunker oil invoices or ship handling costs.

The Group has entered into derivative hedges in various foreign currencies in order to limit its exposure to risks from changes in exchange rates. Changes in commodity prices affect TUI Group, in particular, in procuring fuels such as aircraft fuel and bunker oil. Most of these price risks related to fuel procurement are hedged by derivative instruments. Where price increases can be passed on to customers due to contractual agreements, this is also reflected in our hedging behaviour.

With the onset of the COVID-19-pandemic, TUI had to cease flight and holiday operations for a number of weeks during the period since mid-March 2020, and since operations resumed in June 2020 has operated at a much lower capacity. As a direct result, TUI became significantly over-hedged from both a currency and a fuel perspective. This had an adverse financial effect on TUI due to the prospective termination of the application on hedge accounting. TUI has taken a number of actions to mitigate the effects of over-hedging, including the termination of over-hedged currency and fuel positions, and pausing any further hedging of currency and fuel for future requirements. Furthermore, the significantly increase of TUI's credit risk has impacted the effectiveness of the remaining hedges regarding their application of hedge accounting. In that course, further hedge accounting applications of fuel, interest rates and currency derivative instruments had to be terminated.

In order to control risks related to changes in interest rates arising on funding in international money and capital markets and investments of liquid funds, derivative interest hedges are used on a case-by-case basis as part of the Group's interest management system.

In order to limit default risks from settlement payments for derivatives as well as money market investments with banks and investments in money market funds, TUI AG and First Choice Holidays Finance Ltd have defined credit rating criteria for the selection of their counterparties. Trading and transaction limits are allocated to these counterparties on the basis of the credit ratings of the major rating agencies. The credit ratings and the corresponding limits are regularly reviewed. In the event of fair value changes in derivatives or rating changes, new business with these counterparties may temporarily be suspended until the limits can be adequately applied again.

The use of derivative hedges is based on underlying transactions; the derivatives are not used for speculation purposes.

More detailed information on hedging strategies and risk management as well as financial transactions and the scope of such transactions at the balance sheet date is provided in the Risk Report and the section Financial instruments in the Notes to the consolidated financial statements.

See from page 33 or 214.

Capital structure

Capital structure of the Group

€ million	30 Sep 2020	30 Sep 2019 adjusted	Var. in %
Non-current assets	12,647.8	11,947.9	+ 5.9
Current assets	2,693.4	4,270.2	– 36.9
Assets	**15,341.1**	**16,218.1**	**– 5.4**
Subscribed capital	1,509.4	1,505.8	+ 0.2
Capital reserves	4,211.0	4,207.5	+ 0.1
Revenue reserves	– 6,168.8	– 2,259.2	– 173.1
Non-controlling interest	666.5	711.4	– 6.3
Equity	218.1	4,165.6	– 94.8
Non-current provisions	1,895.7	1,810.6	+ 4.7
Current provisions	421.6	394.3	+ 6.9
Provisions	2,317.3	2,204.9	+ 5.1
Non-current financial liabilities	3,691.7	2,457.6	+ 50.2
Current financial liabilities	577.3	224.6	+ 157.0
Financial liabilities (IFRS 16)	4,269.0	2,682.2	+ 59.2
Non-current lease liabilities	2,712.6	–	n. a.
Current lease liabilities	687.3	–	n. a.
Lease liabilities	3,399.9	–	n. a.
Other non-current liabilities	503.7	472.6	+ 6.6
Other current liabilities	4,608.6	6,589.5	– 30.1
Other liabilities	5,112.3	7,062.1	– 27.6
Debt related to assets held for sale	24.5	103.1	– 76.2
Liabilities	**15,341.1**	**16,218.1**	**– 5.4**

Capital ratios

€ million		30 Sep 2020	30 Sep 2019 adjusted	Var. in %
Non-current capital		9,021.8	8,906.5	+ 1.3
Non-current capital in relation to balance sheet total	%	58.8	54.9	+ 3.9*
Equity ratio	%	1.4	25.7	– 24.3*
Equity and non-current financial liabilities		3,909.8	6,623.2	– 41.0
Equity and non-current financial liabilities in relation to balance sheet total	%	25.5	40.8	– 15.4*

* percentage points

Overall, non-current capital increased by 1.3 % to € 9,021.8 m. It accounted for 58.8 % (previous year 54.9 %) of the balance sheet total.

The equity ratio was 1.4 % (previous year 25.7 %). Equity and non-current financial liabilities accounted for 25.5 % (previous year 40.8 %) of the balance sheet total.

EQUITY

Subscribed capital and the capital reserves rose slightly year-on-year. The increase was driven by the issuance of employee shares. Revenue reserves declined by € 3.9 bn to € – 6.2 bn in the financial year under review. Non-controlling interests accounted for € 666.5 m of equity.

PROVISIONS

Provisions mainly comprise provisions for pension obligations, tax provisions and provisions for typical operating risks classified as current or non-current, depending on expected occurrence. At the balance sheet date, they accounted for a total of € 2,317.3 m, up by € 112.4 m year-on-year.

FINANCIAL AND LEASE LIABILITIES

Composition of financial liabilities and lease liabilities

€ million	30 Sep 2020	30 Sep 2019 adjusted	Var. in %
Bonds	298.9	297.8	+0.4
Liabilites to banks	3,953.7	870.0	+354.4
Liabilites from finance leases*	–	1,495.2	n. a.
Other financial liabilities	16.4	19.2	–14.6
Financial liabilities	**4,269.0**	**2,682.2**	**+59.2**
Lease liabilities	**3,399.9**	**–**	**n. a.**

* Financial liabilities include liabilities from finance leases for the last time as of 30 Sep 2019

STRUCTURAL CHANGES IN FINANCIAL AND LEASE LIABILITIES

Due to TUI Group's transition to IFRS 16 as of 1 October 2019, TUI no longer has to differentiate between finance and operating leases as a lessee. In this context, lease liabilities are presented and explained separately in the statement of financial position and are therefore no longer carried in financial liabilities.

Excluding the lease liabilities included in the previous year, non-current financial liabilities increased by € 3,082.0 m versus 30 September 2019 to € 4,269.0 m. The increase results almost entirely from an increase in liabilities to banks of € 3,083.7 m.

For more detailed information, please refer to the Notes to the consolidated financial statements.

See chapter Financial and lease liabilities, page 207.

OVERVIEW OF TUI'S LISTED BONDS

The table below lists the maturities, nominal volumes and annual interest coupon of the listed bond issued in 2016 with a nominal value of € 300.0 m and a 5-year term.

Listed bonds

Capital measures	Issuance	Maturity	Amount initial € million	Amount outstanding € million	Interest rate % p.a.
Senior Notes 2016*	October 2016	October 2021	300.0	300.0	2.125

* From 1 October 2020, the interest rate is 9.5 % p.a.

The utilisation under the concluded KfW-credit line of € 1.05 bn in August 2020 as part of the state aid programme was subject to the suspension of a covenant in the € 300 m Senior Notes due in 2021, which limits TUI's potential additional financial indebtedness. In the course of a voting under German Act on Debt Securities amongst the bearers of the Senior Notes, this suspension was granted. With this resolution becoming effective, the annual interest coupon of the Senior Notes increased to 9.5 % starting 1 October 2020. Furthermore, there is the obligation of a 2.0 % quarterly interest payment starting 1 April 2021. Furthermore, TUI AG has the obligation to prepay such portion of the Senior Notes in case that TUI AG incurs certain additional financing, provided that such additional proceeds exceed € 150 m in the aggregate.

BOND WITH WARRANTS ISSUED TO ECONOMIC STABILISATION FUND (WSF)

On 1 October 2020, an unlisted bond with warrants totalling € 150.0 m was issued to the Economic Stabilisation Fund (WSF). The bond has a term of six years and carries an interest coupon of 9.5 % p. a. The attached warrants have a term of ten years and authorise the holders to subscribe to around 58.7 m shares in TUI AG at a price of around € 2.56 per share.

Please refer to the section Significant events after balance sheet date, page 238.

SYNDICATED CREDIT FACILITY OF TUI AG

TUI AG's syndicated credit facility previously totalling € 1.75 bn (including a tranche of € 215 m for bank guarantees) was increased by € 1.8 bn to € 3.55 bn in April 2020 due to the impact of the COVID-19-pandemic. In August 2020, this facility was increased by a further € 1.05 bn to € 4.6 bn. This second increase was subject to two conditions: the holders of TUI AG's senior notes worth € 300.0 m would have to grant their consent to amendments to certain terms and conditions of the notes, and TUI AG had to issue a bond with warrants totalling € 150.0 m to the Economic Stabilisation Fund (WSF). The second of these two conditions was fulfilled in October 2020.

The interest rate for cash drawdowns is variable and depends on the short-term interest level (EURIBOR or LIBOR) plus a margin determined by TUI's credit rating. The differentiated term of this syndicated credit facility is explained in the chapter Going concern reporting according to UK Corporate Governance Code in the annual financial statements.

See chapter Going concern reporting according to UK Corporate Governance Code, page 151.

At the balance sheet date, amounts totalling € 3,315.9 m had been drawn from this credit line. In addition, this credit line was utilised by € 106.8 m through issued bank guarantees.

BANK CREDITS AND LEASE LIABILITIES

Liabilities to banks in the Cruises segment declined due to the divestment of Hapag-Lloyd Kreuzfahrten. For more detailed information please refer to the chapter Divestments in the Notes to the consolidated financial statements.

See chapter Divestments, page 155.

The obligations from lease liabilities essentially relate to aircraft funding and hotel leases. For more detailed information, in particular on the remaining terms, please refer to the section Financial and lease liabilities in the Notes to the consolidated financial statements.

See section Financial and lease liabilities, page 207.

OTHER LIABILITIES

The combined figure for other liabilities mainly includes trade payables and advance payments received from tourists and at € 5,112.3 m was € 1,949.8 m lower than in the previous year.

BILATERAL GUARANTEE FACILITIES OF TUI AG WITH INSURANCE COMPANIES AND BANKS

TUI AG has concluded several bilateral guarantee facilities with various insurance companies with a total volume of € 85.4 m. These guarantee facilities are required for the delivery of tourism services in order to ensure that Group companies are able to meet, in particular, the requirements of European oversight and regulatory authorities on the provision of guarantees and warranties. The guarantees issued usually have a term of up to 18 months. They give rise to a commission in the form of a fixed percentage of the maximum guarantee amount. At the balance sheet date, these guarantee facilities had been fully drawn.

TUI AG also concluded bilateral guarantee facilities with a total volume of € 35.2 m with banks to provide bank guarantees in the framework of ordinary business operations. Some of the guarantees have a term of several years. The guarantees granted give rise to a commission in the form of a fixed percentage of the maximum guarantee amount. At the balance sheet date, an amount of € 28.3 m from these guarantee facilities had been used.

Obligations from financing agreements

The Schuldschein worth € 425.0 m issued in 2018, the senior notes worth € 300.0 m issued in 2016, the bond with warrants worth € 150.0 m issued in October 2020 and the credit and guarantee facilities of TUI AG contain a number of obligations.

Under its syndicated credit facility worth € 4.6 bn, TUI AG has a duty to comply with certain financial covenants (as defined in the contract). These require (a) compliance with an EBITDAR-to-net interest expense ratio measuring TUI Group's relative charge from the interest result and the lease and rental expenses; and (b) compliance with a net debt-to-EBITDA ratio, calculating TUI Group's relative charge from financial liabilities. The EBITDAR-to-net interest expense ratio must have a coverage multiple of at least 1.5; net debt must not exceed 3.0 times EBITDA. The financial covenants are determined every six months, but the banks have consented to currently suspend this financial covenant obligation. Testings of these covenants will be resumed in September 2021. The testings will be carried out on the basis of the four quarters last reported prior to September 2021. We expect that our results will continue to be impacted by the COVID-19 pandemic during these reporting periods, so that we may not be able to comply with these financial covenants. We are therefore seeking to achieve a suspension of these covenants for the testing period ending on 30 September 2021 and beyond in the framework of the syndicated credit facility.

The Schuldschein worth € 425.0 m, the senior notes worth € 300.0 m, the bond with warrants worth € 150.0 m issued in October 2020 and the credit and guarantee facilities of TUI AG also contain additional contractual clauses typical of financing instruments of this type. In that course, inter alia, TUI's scope for pledging or selling assets, acquiring other companies or shareholdings, or effecting mergers is restricted.

Non-compliance with these obligations awards the lenders the right to call in the facilities or terminate the financing schemes for immediate repayment.

Ratings by Standard & Poor's and Moody's

TUI AG ratings

	2015	2016	2017	2018	2019	**2020**	Outlook
Standard & Poor's	BB–	BB–	BB	BB	BB	CCC+	negative
Moody's	Ba3	Ba2	Ba2	Ba2	Ba2	Caa1	negative

In particular due to the COVID-19-pandemic and the associated impacts on cash flow generation and the increase in debt, Standard & Poor's successively downgraded the TUI rating to "CCC+ (negative outlook)". Moody's likewise successively lowered TUI's rating to "Caa1 (negative outlook)".

TUI AG's senior notes worth € 300.0 m have been assigned a "CCC+" rating by Standard & Poor's and a "Caa1" rating by Moody's. TUI AG's syndicated credit facility is assigned a "CCC+" rating by Standard & Poor's.

Financial stability targets

TUI considers an enhanced credit rating to be a prerequisite for the further development of the business. In response to the structural improvements resulting from the merger between TUI AG and TUI Travel, the operating performance observed over the past few years, and the strengthening of the business model despite a challenging environment, both Standard & Poor's and Moody's upgraded their ratings for TUI to the BB or Ba ranges in 2014. In particular due to effects of the COVID-19-pandemic, these ratings have been lowered to CCC+ and Caa1, respectively. We consider a return to the B range to be essential, not only in order to benefit from financing terms, but also to regain access to the debt capital markets even in difficult macroeconomic situations. As an indicator of financial stability, we have defined a leverage ratio along the following basic lines.

Leverage ratio = (gross financial liabilities + lease liabilities + obligations from defined-benefit pension plans) / reported EBITDA. This basic definition is subject to specific amendments in order to reflect current circumstances. Following a leverage ratio of 3.0x for financial year 2019*, the impact of COVID-19 and its cause for a negative EBITDA in financial year 2020 resulted in a negative leverage ratio with limited value. We expect our operating result to recover and our balance sheet structures to stabilise after the COVID-19-pandemic ends and therefore aim to deliver a leverage ratio of less than 3.0x again.

* The calculation of the leverage ratio for financial year 2019 was based on a slight modification, as IFRS 16 had not yet been applied.

See section Capital management, page 235.

Interest and financing environment

In the period under review, short-term interest rates remained at an extremely low level compared with historical rates. In some currency areas, the interest rate remained negative throughout the year. Moreover, due to the COVID-19-pandemic, some central banks lowered their short-term interest rates in order to stimulate the economy, with corresponding impacts on yields for money market investments but also on reference interest rates for floating-rate debt.

Quoted credit margins (based on CDS levels) for corporates in the sub-investment grade area initially rose substantially in spring 2020 and subsequently returned towards their initial levels by the end of the completed financial year. Credit margins for TUI AG reached new highs with the spread of the COVID-19-pandemic and remain at very high levels on a long-standing comparison. Even against the backdrop of the difficult capital market environment, no refinancing options were available.

Liquidity analysis

At the balance sheet date, TUI AG, the parent company of TUI Group, held cash and cash equivalents worth € 343.3 m.

RESTRICTIONS ON THE TRANSFER OF LIQUID FUNDS

At the balance sheet date, there were restrictions worth around € 0.3 bn on the transfer of liquid funds within the Group that might significantly impact the Group's liquidity, such as restrictions on capital movements and restrictions due to credit agreements concluded.

CHANGE OF CONTROL

Significant agreements taking effect in the event of a change of control due to a takeover bid are outlined in the chapter on Information required under takeover law.

See chapter Information required under takeover law, page 94.

Cash flow statement

Summary cash flow statement

€ million	2020	2019 revised
Net cash out- / inflow from operating activities	– 2,771.9	+ 1,114.9
Net cash in- / outflow from investing activities	+ 161.8	– 1,141.4
Net cash in- / outflow from financing activities	+ 2,112.5	– 763.8
Change in cash and cash equivalents with cash effects	**– 497.6**	**– 790.3**

The cash flow statement shows the flow of cash and cash equivalents on the basis of a separate presentation of cash inflows and outflows from operating, investing and financing activities. The effects of changes in the group of consolidated companies and of foreign currency translation are eliminated.

TUI Group's cash flow statement is presented including the Hapag-Lloyd Kreuzfahrten disposal group. Due to the adoption of IFRS 16, all leases are recognised as right-of-use assets and lease liabilities in the statement of financial position. As a result, since financial year 2020 most payments for lease agreements have no longer been carried as cash outflows from operating activities, but as interest payments and repayments of lease liabilities in cash outflows from financing activities since financial year 2020.

In the period under review, cash and cash equivalents decreased by € 514.6 m to € 1,233.1 m.

CASH INFLOW / OUTFLOW FROM OPERATING ACTIVITIES

In the period under review, the cash outflow from operating activities totalled € 2,771.9 m (previous year inflow of € 1,114.5 m). The year-on-year decrease was primarily attributable to the restriction of travel operations due to the COVID-19-pandemic.

CASH INFLOW / OUTFLOW FROM INVESTING ACTIVITIES

In the completed financial year, the cash inflow from investing activities totalled € 161.8 m (previous year outflow of € 1,141.4 m). This includes a cash outflow for capital expenditure on property, plant and equipment and intangibles of € 587.0 m (previous year € 987.0 m). The Group recorded a cash inflow of € 109.9 m (previous year € 182.0 m) from the divestment of property, plant and equipment and intangible assets. The total amount includes a cash inflow of € 689.3 m in connection with the sale of interests in consolidated companies, including € 646.0 m for the divestment of Hapag-Lloyd Kreuzfahrten. The Group also recorded a cash inflow of € 62.5 m from the sale of interests in two associated companies.

CASH INFLOW / OUTFLOW FROM FINANCING ACTIVITIES

The cash inflow from financing activities totalled € 2,112.5 m (previous year outflow of € 763.7 m). In the current financial year, TUI AG recorded a cash inflow of € 3,302.4 m from its syndicated credit facility after deduction of borrowing costs. Other TUI Group companies took out loans worth € 70.0 m. A cash outflow of € 693.8 m related to the redemption of financial liabilities, including € 612.4 m for lease liabilities. In the period under review, a cash outflow of € 251.9 m related to interest payments (previous year € 117.9 m). Dividends for TUI AG shareholders totalled € 318.1 m, while dividends for minority shareholders amounted to € 0.6 m.

Change in cash and cash equivalents

€ million	2020	2019
Cash and cash equivalents at the beginning of period	**+1,747.6**	**+ 2,548.0**
Changes due to changes in exchange rates	– 17.0	– 10.1
Cash changes	– 497.6	– 790.3
Cash and cash equivalents at the end of period	**+1,233.1**	**+1,747.6**

Cash and cash equivalents comprise all liquid assets, i. e. cash in hand, bank balances and cheques.

The detailed cash flow statement and additional explanations are provided in the consolidated financial statements and in the section Notes to the cash flow statement in the Notes to the consolidated financial statements.

See page 146 and 237.

Analysis of investments

The development of fixed assets, including property, plant and equipment, intangible assets as well as shareholdings and other investments is presented in the section on Net assets in the Management Report. Additional explanatory information is provided in the Notes to the consolidated financial statements.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

The table below lists the cash investments in intangible assets and capital expenditure on property, plant and equipment. This indicator does not include financing transactions such as the taking out of loans and finance leases.

Net capex and investments

€ million	2020	2019 adjusted	Var. in %
Cash gross capex			
Hotels & Resorts	327.2	343.1	– 4.6
Cruises	48.8	253.1	– 80.7
TUI Musement	12.8	21.2	– 39.6
Holiday Experiences	388.8	617.3	– 37.0
Northern Region	35.7	56.8	– 37.1
Central Region	14.6	33.7	– 56.7
Western Region	15.6	33.9	– 54.0
Markets & Airlines*	85.1	175.5	– 51.5
All other segments	61.4	77.3	– 20.6
TUI Group	**535.2**	**870.2**	**– 38.5**
Net pre delivery payments on aircraft	– 41.5	– 0.8	n. a.
Financial investments	132.1	278.6	– 52.6
Divestments	–775.1	– 29.5	n. a.
Net capex and investments	**–149.3**	**1,118.4**	**n. a.**

* Including € 19.2 m cash gross capex for financial year 2020 for the aircraft leasing companies (previous year: € 51.1 m), which – in contrast to the items of the income statement – are allocated to Markets & Airlines as a whole, but not the individual segments Northern Region, Central Region and Western Region.

In the financial year under review, cash gross capex of TUI Group totalled € 535.2 m, down 38.5 % year-on-year. This decline was partly driven by the halt to a number of investment projects in the wake of the COVID-19-pandemic. Moreover, the prior year's numbers had included the acquisitions of Explorer 2 by Marella.

Most divestments effected in financial year 2020 related to the divestment of Hapag-Lloyd Kreuzfahrten to our joint venture TUI Cruises and the sale of two German specialist tour operators.

The table below shows a reconciliation of capital expenditure to additions to TUI Group's other intangible assets and property, plant and equipment.

Reconciliation of capital expenditure

€ million	2020	2019
Cash gross capex	**535.2**	**870.2**
Finance leases (IAS 17)	–	210.8
Additions right of use assets	– 11.3	–
Advance payments	52.1	116.9
Ship debt financing	115.5	115.5
Additions from company acquisitions	–	25.4
Other non-cash changes	– 2.1	36.7
Additions to other intangible assets and property, plant and equipment	**689.4**	**1,375.5**

Investment obligations

ORDER COMMITMENTS

Due to agreements concluded in financial year 2020 or in prior years, order commitments for investments totalled € 2,549.0 m as at the balance sheet date; this total included an amount of € 465.9 m for scheduled deliveries in financial year 2020.

More detailed information is provided in the section Other financial liabilities in the Notes to the consolidated financial statements.

Net debt

In transitioning to IFRS 16, the definition of TUI Group's net debt for financial year 2020 was adjusted. From financial year 2020, liabilities from finance leases classified as operating leases under IAS 17 are now carried as lease liabilities under IFRS 16. The prior year's numbers were not restated.

Taking this change of presentation into account, the net debt of continuing operations as of 30 September 2020 increased by € 5,511 m to € 6,421 m. Due to COVID-19, the increase in net debt also reflects the almost full use of our original revolving cash credit facility of € 1.535 bn and two additional tranches of € 2.85 bn under the stabilisation package agreed with the German government.

Net debt

€ million	30 Sep 2020	30 Sep 2019	Var. in %
Financial debt	4,269.0	2,682.2	+ 59.2
thereof finance leases (IAS 17)	–	1,495.2	n. a.
Lease liabilities (IFRS 16)	3,399.9	–	n. a.
Cash and cash equivalents	1,233.1	1,741.5	– 29.2
Short-term interest-bearing investments	14.9	31.1	– 52.1
Net debt	**– 6,420.9**	**– 909.7**	**– 605.8**

COMBINED NON-FINANCIAL DECLARATION

pursuant to the CSR Directive Implementation Act

For TUI Group, economic, environmental and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our company and beyond. We recognise that sustainable development is critical for long term economic success and we aspire to pioneer sustainable tourism across our sector.

In the following section we report on sustainability issues which support better understanding of our business's operations, context and future development, in line with CSR reporting legislation. In compliance with Section 315b, paragraph 1, clause 3 German Commercial Code (HGB) we also refer to relevant aspects of non-financial disclosure found in other parts of the Group management report.

Within the framework of a materiality analysis we gained insight into the risks and opportunities as defined by the CSR-RUG. We did not identify any non-financial risks. In particular, we report on our risk management system and principle risks linked with our business activities, business relations and services in our Risk Report from page 33 on.

This combined non-financial declaration has been reviewed by Group Audit on behalf of the Supervisory Board.

Limited Assurance Report regarding the combined non-financial declaration see page 90.

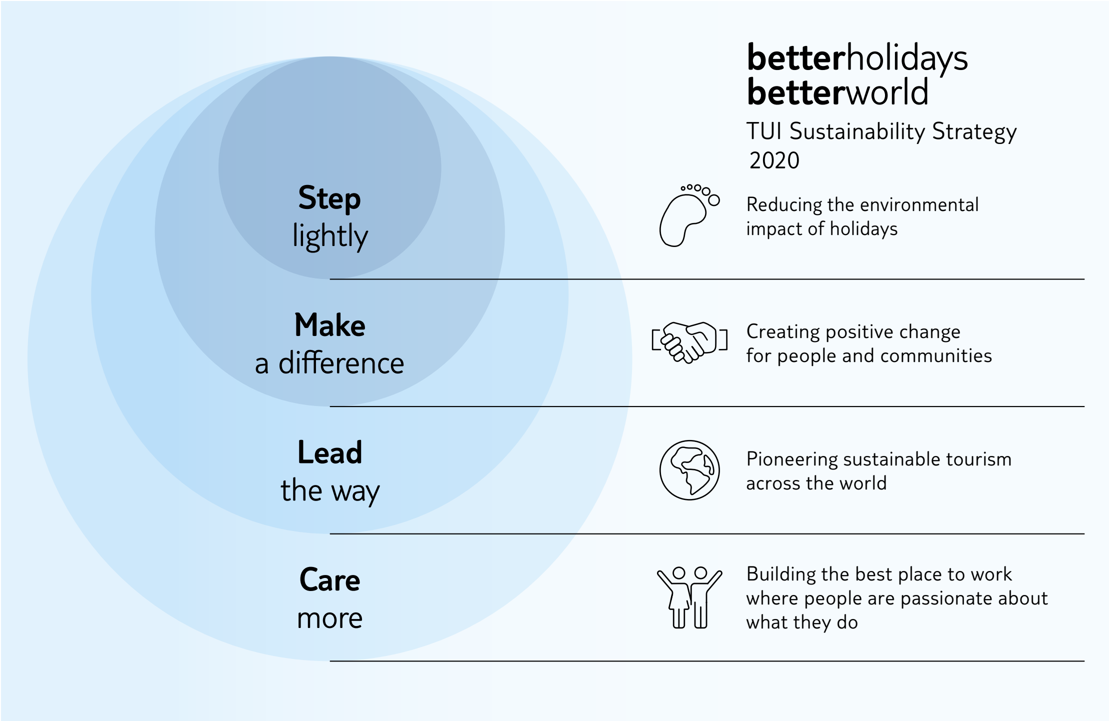
Our reporting covers the United Nations Global Compact principles and furthermore we regularly review our activities against the United Nations Sustainable Development Goals (SDGs). The goals provide a useful framework with which to view the material impact of our activities, and a benchmark to assess the relevance of our initiatives.

Business model

TUI Group's business model is outlined on pages 23 and 61 in accordance with section 315c paragraph 1 in conjunction with section 289c, paragraph 1 HGB.

Sustainability strategy and implementation

TUI Sustainability Strategy 2020



CONTENTS

Our 'Better Holidays, Better World' 2015 – 2020 strategy is built around the following core pillars:

- **Step lightly**, where we commit to operate the most carbon-efficient airlines in Europe and cut the carbon intensity of our operations by 10 % by 2020.
- **Make a difference**, where we commit to deliver 10 m 'greener and fairer'* holidays per year by 2020, enabling more local people to share in the benefits of tourism.
- **Lead the way**, where we commit to invest € 10 m per year by 2020, to support good causes and enhance the positive impacts of tourism, using the TUI Care Foundation to support this work.
- **Care more**, where we commit to achieve a colleague engagement score of over 80.

In 2020 TUI Group closed out its sustainability strategy 2020. The sustainability actions and objectives adopted in 2015 addressed the environmental and social challenges facing the tourism sector which have been the subject of public debate in recent times. Due to the COVID-19 crisis, the key figures as of 30 September 2020 presented in the following sections are of limited or no relevance.

We are already working on the evolution of TUI Group's sustainability strategy up to the financial year 2030, reflecting current challenges and taking into account scenarios and mechanisms on a global scale, i. e. the EU Green Deal. The strategy will be published in 2021.

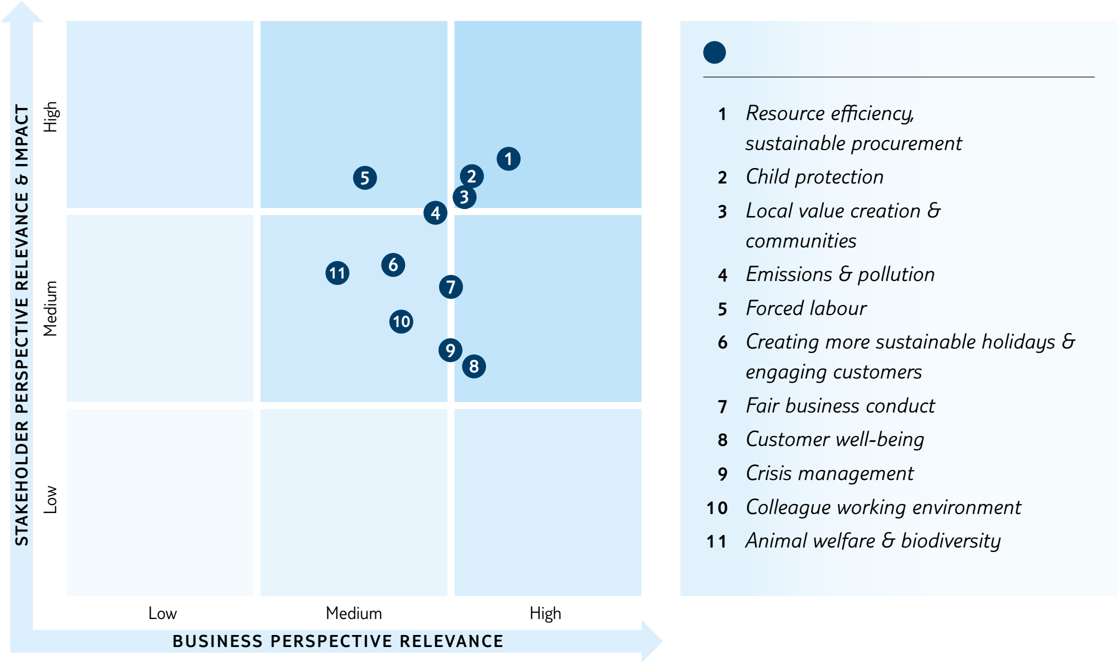
* measured by the number of customers we take to hotels with credible sustainability certification – defined as those recognised or approved by the Global Sustainable Tourism Council (GSTC).

MATERIALITY

TUI Group carried out a formal materiality assessment** involving a variety of key stakeholder groups. Through a global stakeholder survey and an impact analysis, the most material aspects were identified and prioritized using recognized qualitative and quantitative methods. The graph below shows the major areas where TUI's stakeholders would like us to focus even more commitment and engagement. The results are an important basis for developing TUI's sustainability strategy beyond 2020.

** International materiality analysis, 2018

Materiality Matrix



MANAGING SUSTAINABILITY

Across TUI Group dedicated and experienced sustainability professionals work in close collaboration with senior management at Group and at divisional level to help ensure that TUI's business and sustainability strategies are aligned. Our sustainability colleagues' role is to drive uptake of more sustainable business practices across TUI Group and along its supply chain, and to advise the TUI Care Foundation on destination project proposals and implementation. On a regular basis the TUI Group Executive Committee is updated on our performance against the sustainability strategy and on material issues. Also sustainability is regularly on the agenda in divisional management boards, platform boards (i. e. hotels and aviation) and in the Risk Oversight Committee.

As part of TUI's sustainability management approach, the corporate headquarters has been successfully audited against the ISO 14001:2015 environmental standard.

Managing sustainability-embedding

SUSTAINABILITY INDICES

TUI AG is represented on the sustainability indices FTSE4Good and Ethibel Sustainability Index (ESI). TUI was recognised in the leadership band by CDP in the 2019 Climate Change assessment.

Environmental matters

Respecting the environment in our products, services and processes is an essential feature of our quality standards. We place priority on improving carbon and resource efficiency, with a focus on waste and water consumption. Conserving natural resources and mitigating negative environmental impacts are both in the interests of our business as well as the future success of travel and tourism.

Actions in our 'Step lightly' strategy pillar aim to reduce the environmental intensity of our operations and set clear stretch targets for improvement across aviation, cruise, hotels, offices, retail shops and ground transport. TUI has implemented specific carbon reduction initiatives across the business – from airline and cruise efficiency programmes, to retail energy savings and the reduction of printed brochures.

- Our headline goal: We will operate Europe's most carbon-efficient airlines and reduce the carbon intensity of our operations by 10 % by 2020 (Baseline year 2014)

Carbon dioxide emissions (CO_2)

tons	2020	2019	Var. in %
Airlines & Aviation	2,725,937	5,811,963	– 53.1
Cruises	602,794	959,476	– 37.2
Hotels	328,282	599,310	– 45.2
Major premises / shops	18,189	24,542	– 25.9
Ground transport	5,235	18,277	–71.4
Scope 3 (indirect emissions from TUI's value chain)	41,073	73,141	– 43.8
Group	**3,721,510**	**7,486,709**	**– 50.3**

In financial year 2020, TUI Group's total emissions decreased by 50.3 % year-on-year in absolute terms, due to the consequences of COVID-19 across TUI's businesses.

Energy usage by business area

MWh	2020	2019	Var. in %
Airlines & Aviation	11,110,512	23,694,131	– 53.1
Cruises	2,328,410	3,712,568	– 37.3
Hotels	947,324	1,683,294	– 43.7
Major premises / shops	64,931	85,689	– 24.2
Ground transport	20,986	73,277	–71.4
Total	**14,472,163**	**29,248,959**	**– 50.5**

As part of TUI's environmental reporting the breakdown of energy usage by business area shows that Airlines and Aviation represents more than 76 % of the total energy used.

CLIMATE PROTECTION AND RESOURCE EFFICIENCY BY TUI AIRLINES

We already operate one of Europe's most carbon-efficient airlines and we aim to continuously improve. TUI Airlines have numerous measures in place to further enhance carbon efficiency. We have implemented the following measures to support our efficiency goals:

- Process optimisation, e.g. single-engine taxing in and out, acceleration altitude reduction and wind uplinks
- Weight reduction, e.g. introduction of carbon brakes and water uplift optimisation
- Flight planning optimisation, e.g. Alternate Distance Optimisation and Minimum Fuel Optimisation
- Implementation of fuel management systems to improve fuel analysis, identify further opportunities and track savings

We did not meet the aviation carbon intensity target of 10 % by 2020 that was set as part of our Better Holidays, Better World strategy. This was based on efficiency measures as well as fleet renewal. Unfortunately, with the grounding of the Boeing 737 Max and the deliveries that were scheduled, this has significantly impacted progress against this target. Finally the COVID-19 crisis made it impossible to fulfil our relative target which is based on load factors and fuel burn.

TUI's airlines play a pioneering role in introducing environmental management systems based on the internationally recognised ISO 14001 standard. In the period under review, each of our airlines held an ISO 14001:2015 certification.

TUI Airlines – Fuel consumption and CO_2 emissions

		2020	2019	Var. in %
Specific fuel consumption	l/100 rpk*	2.69	2.59	+ 4.0
Carbon dioxide (CO_2) – total	t	2,357,195	5,241,880	– 55.0
Carbon dioxide (CO_2) – specific	kg/100 rpk*	6.78	6.52	+ 4.0

* rpk = revenue passenger kilometer

TUI Airlines – Carbon intensity

		2020	2019	Var. in %	g CO_2e/rpk*
TUI Airline fleet	**g CO_2/rpk***	**67.8**	**65.2**	**4.0 %**	**68.5**
TUI Airways	g CO_2/rpk*	65.5	64.3	1.9 %	66.1
TUI fly Belgium	g CO_2/rpk*	75.1	70.4	6.7 %	75.9
TUI fly Germany	g CO_2/rpk*	69.4	64.8	7.1 %	70.1
TUI fly Netherlands	g CO_2/rpk*	66.4	64.2	3.4 %	67.1
TUI fly Nordic	g CO_2/rpk*	66.1	59.5	11.1 %	66.8

* rpk = revenue passenger kilometre
We commissioned PwC Netherlands to provide assurance on the carbon intensity metrics for 2020 as displayed in the table 'TUI Airlines – Carbon Intensity' above. To read our airline carbon data methodology document and PwC's Assurance report in full, please visit www.tuigroup.com/en-en/sustainability/reporting-downloads

Relative carbon emissions across our airlines increased by 4.0 % in the financial year 2020. This has been caused by the grounding of our fleet due to the COVID-19 crisis.

To enhance the information content, specific emissions are also shown in the form of CO_2 equivalents (CO_2e). Apart from carbon dioxide (CO_2), they include the other five greenhouse gases impacting the climate as listed in the Kyoto Protocol: methane (CH_4), nitrous oxide (N_2O), hydro-fluorocarbons (HFCs), perfluorocarbons (PFCs) and Sulphur hexafluoride (SF_6).

CLIMATE PROTECTION AND RESOURCE MANAGEMENT IN CRUISES

TUI Cruises continues to operate a modern and technologically advanced fleet. The newbuild ships in the fleet save fuel through a combination of the latest technologies. A smart energy management system, efficient air conditioning, innovative lighting controls and the use of waste heat from the engines all contribute to a significantly reduced carbon footprint.

TUI Cruises Environment Report: www.tuicruises.com/nachhaltigkeit/umweltbericht/

Sulphur emissions from the new builds in the fleet are reduced by up to 99 % thanks to new systems that treat exhaust fumes before releasing them.

The ships are fitted with advanced emission purification systems, which operate around the clock worldwide – not only in the designated special emission control areas of the North and Baltic Seas, the English Channel and North America but also in the other areas that TUI Cruises travels to, such as the Mediterranean, Orient, Caribbean and Central America.

Hapag-Lloyd Cruises ships worldwide exclusively use 0.1 % low-sulphur marine gas oil. This reduces the sulphur emissions of Hapag-Lloyd Cruises' fleet by up to 80 % and reduces particulates by up to 30 %. All Hapag-Lloyd Cruises ships have Tributyltin-free underwater coatings, seawater desalination systems for water treatment purposes as well as a biological sewage treatment system for wastewater. Waste is separated on board in an environmentally-friendly manner prior to disposal on land by specialized companies in accordance with international regulations (MARPOL).

Hapag-Lloyd Cruises' Hanseatic Nature and Inspiration are also equipped with modern environmental technology. The optimisation of the hull and the use of a rudder with special propeller contribute to a reduction in fuel consumption. The ships are equipped with SCR catalysts, which reduce nitrogen oxide emissions by almost 95 percent, and have the option of using shore power.

In the financial year 2020 Marella Cruises has further developed its environmental data management systems and processes which has helped to drive environmental performance.

Cruises – carbon intensity, fresh water and waste

	2020	2019	Var. in %
Carbon dioxide (CO_2) – relative kg/Cruise passenger night	130	99	32.0
Fresh water – relative l/Cruise passenger night	107	85	26.0
Waste – relative l/Cruise passenger night	13.6	11.7	16.3

In financial year 2020, relative carbon emissions in Cruises increased by 32 % due to the temporary stop of cruise operations caused by COVID-19. Per cruise passenger night 13.6 litres of waste were measured – a 16.3 % increase – and 107 litres of fresh water consumed, an increase of 26.0 %.

CLIMATE PROTECTION AND RESOURCE MANAGEMENT BY HOTELS

Together with our hotel partners we constantly work on improving our sustainability performance. We have found our hotels with sustainability certifications deliver on average better environmental performance and higher customer satisfaction.

We have included a sustainability clause in contracts with our accommodation suppliers outlining minimum expectations and the requirement to work towards credible sustainability certification recognised by the Global Sustainable Tourism Council (GSTC). TUI is supporting its hotel partners by providing guidance and consultancy to enable our hotel partners to prepare for certification. In addition TUI has set up a dedicated online platform to inform hotel partners about relevant sustainability issues and to offer support in finding sustainable solutions for hotel operations.

Hotels – carbon intensity, water* and waste

	2020	2019	Var. in %
Carbon dioxide (CO_2) – relative kg/guest night	12.49	9.47	+32.0
Water – relative l/guest night	773	542	+42.6
Waste – relative kg/guest night	2.2	2.1	+6.6

* Includes water for domestic, pool and irrigation purposes

Effective waste management aims to conserve resources and reduce environmental impacts and costs through recycling practices. Our owned and partner hotels implement various measures to reduce waste, for example through a stronger focus on local procurement and reducing packaging via buying in bulk. Per guest night 2.2 kg of waste was measured in financial year 2020, an increase of 6.6 %. The increases of carbon emissions, water and waste per guest night is due to impact of the COVID-19 crisis and the temporary closure of hotels.

Water is one of the most precious resources in the world. Beyond measures to control usage, hotels are finding innovative ways to address fresh water supply problems. For instance, desalination projects can make a big impact in destinations where they are in operation.

PLASTIC REDUCTION

Growing plastic pollution negatively impacts travel and tourism, particularly near the beaches and oceans which are so important to our destinations. Recognising the industry's role, TUI Group's focus is on preventing waste in the first place by reducing single-use plastic from our operations. TUI with the help of its partners was able to remove 250 million pieces of single-use plastics by early 2020 through concerted efforts across our hotels, cruise ships, airlines, destinations and offices.

TUI signed the International Tourism Plastic Pledge along with others who recognise the urgency and the need to work together to reduce plastic pollution.

Social matters and destination collaboration

Through our sustainability strategy we aim to make a difference. We believe tourism is a powerful force for good – boosting economies, creating jobs, protecting human rights and enhancing cultural understanding and tolerance along our value chain.

- Our headline goal: We will deliver 10 m 'greener and fairer '* holidays a year by 2020, enabling more local people to share in the benefits of tourism.

* Measured by the number of customers we take to hotels with credible sustainability certification defined as those recognized or approved by the Global Sustainable Tourism Council (GSTC)

GREENER AND FAIRER HOLIDAYS

Hotels play a key role in raising the bar in sustainability performance at our destinations. By carefully managing their impacts on local people, economies and habitats, each hotel is uniquely positioned to make a positive difference.

Our own hotels and hotel partners are expected to achieve credible, independent sustainability certifications to demonstrate social and environmental good practice. We encourage all our hotels to obtain certification that meets the Global Sustainable Tourism Council (GSTC) standard. To support hotels to achieve our sustainability targets and pursue certification we support them on their journey via dedicated resource and materials, face-to-face meetings and conferences, an online collaboration and training for purchasing managers.

Greener and fairer holidays

	2020	2019	Var. in %
Number of customer (millions) staying at certified hotels[1]	3.8	10.3	–63.1
Number of contracted hotels with certifications[1]	1,069	1,688	–36.7
% of TUI hotels with certifications[1] (variance in % points)	79	80	–1[2]

[1] Hotels that are certified to a GSTC-recognised certification
[2] Variance is given in percentagte points

While in financial year 2019 we were able to increase the number of customers staying in a hotel which is certified to a GSTC-recognised standard to 10.3 million (exceeding our 2020 target), in financial year 2020, due to the stop of operations caused by COVID-19 we were not able to report further growth. The number of certified hotels decreased year-on-year by 36.7 % to 1,069 hotels.

Sustainability reporting methodology document: www.tuigroup.com/en-en/responsibility/reporting-downloads

COMMUNICATING WITH CUSTOMERS

Embedding sustainability into our brand and raising customer awareness are key priorities. We want to stimulate demand for more sustainable holidays by showing customers how these contribute to a better holiday experience and highlighting the role they can play in creating positive change.

An example of an initiative is the online responsible souvenir guide launched in cooperation with the Global Nature Fund (GNF). The guide offers guests tips on how to preserve biodiversity at the destination, contribute to the local economy by purchasing regional products, and avoid any unpleasant surprises when passing through customs. TUI continued to extend the online platform in financial year 2020.

ANIMAL WELFARE

TUI audits its suppliers against established animal welfare guidelines. TUI excursions featuring animals must comply with ABTA guidelines (Global Animal Welfare Guidance for Animals in tourism). Since 2016 more than 237 independent audits of animal attractions featured by TUI were conducted. Wherever possible we prefer to work with suppliers on improvement plans, however a number of venues were taken out of the programme who did not meet the standards.

LEADING THE WAY

The TUI Care Foundation is the main channel to fulfil our Lead the way ambition.

- Our headline goal: We will invest € 10 m per year by 2020, to support good causes and enhance the positive impacts of tourism, using the TUI Care Foundation to support this work.

We measure this by the amount invested in charity, projects, and initiatives as well as memberships that support good causes and enhance the positive impacts of tourism.

Investments into projects and good causes

€ million	**2020**	2019	Var. in %
Amount raised for research / good causes	3.8	8.1	–52.7

Our businesses, colleagues and customers raised €3.8 m in financial year 2020, a decrease of 52.7 % due to the impact of COVID-19.

TUI Care Foundation was adopted as our Group corporate foundation in 2016. It is an independent charitable foundation, with a majority of non-TUI trustees. TUI Care Foundation builds on the potential of tourism as a force for good by supporting and initiating partnerships and projects that create new opportunities for the young generation and contributes to thriving destinations all over the world.

The TUI Care Foundation initiates and supports projects which create new opportunities for the young generation and contribute to thriving communities all over the world. In 2020 an emergency aid programme was launched in the COVID-19-crisis: together, enpact and the TUI Care Foundation support 150 teams of entrepreneurs in the tourism sector with mentoring and financial assistance.

More on TUI Care Foundation: www.tuicarefoundation.com

Group Security, Health & Safety

TUI AG's Group Security, Health & Safety (Group SHS) team operates and develops the holistic safety and security concept for customers and employees, the Company's reputation and its assets. Intensive and continuous dialogue with our subsidiaries and relevant Group departments provides the basis for professional security, health and safety management in line with needs and requirements. Additionally, the preparation and response to crisis and the ensuring of business continuity during disruptions is planned and steered by Group SHS. Starting 2020, the support to the COVID-19 pandemic response as well as the restart of operations in June 2020 had been the priority of Group SHS tasks and actions. The department steered all measures related to health, safety, crisis response and business continuity and supported the preparations for the restart of operations in June.

The travel experience can be about relaxing and winding down, or about discovering and exploring something new. However, travel can also entail a wide range of risks. As far as possible, TUI Group's SHS activities aim to manage these risks for customers and employees wherever they depart from the ordinary profile. Group SHS takes pro-active and sustainable action to prevent intentional risks to the life and well-being of our customers (such as crime or terror) ('Security') and to offer all customers a travel experience ensuring maximum security and safety, even in relation to unintentional risks ('Health & Safety'), for all services booked in the framework of their trips (e. g. flight, transfer to the hotel, hotel stay and excursions). It continually monitors and analyses security- and safety-critical developments in our destinations and discusses response measures with the markets.

HEALTH & SAFETY

The markets carry out regular risk-based checks of hotels to ensure that they comply with standards. The Group follows up on any improvement potential identified. In financial year 2020, there had been carried out 3,506 Safety Audits (1,389 audits on-site, 463 remote audits and 1,654 self-assessments) for TUI majority-owned hotels and third party hotels. The remote audit scheme was implemented in the beginning of the pandemic.

The restart of operations was closely supported by Health and Safety as well as Crisis and Business Continuity teams. Group SHS implemented COVID-19 hygiene assurance in all hotels. Within TUI owned hotels, a ten point plan was devised and a detailed COVID-19 assessment was completed in line with the prevention of spreadable infection protocols. This was supported by the TUI Hotels and Resorts COVID-19 Protocols created by SHS and Hotels & Resorts, which detailed the requirements of all our TUI Hotels. All TUI majority-owned hotels, which opened again during the restart of operations or had planned to open did get a dedicated mandatory ´Prevention of Spread of Infection´ audit by an external provider. It included the TUI ten point plan and COVID-19 protocol of TUI, which set the standard for measures on hygiene, distancing and preparations due to the pandemic situation. 315 of those audits have been processed. That audit will be renewed for Summer 2021.

All contracted hotels were also provided access to free web based support and training materials and required to complete a COVID-19 prevention self-assessment prior to guest returning. In total 5,422 assessments were completed across hotels with all sun and beach hotels completing the assessment prior to guest arrival or immediately after.

In the field of cruise lines and airlines the SHS-teams also supported developed plans including special measures on hygiene, distance and advanced processes to protect our customers. Cruise lines implemented prevention measures like additional health assessments, ensuring social distancing on board as well as advanced hygiene measures. Medical assistance was increased and crew was trained additionally in those measures.

TUI Airlines are a signatory to the EASA Aviation Industry Charter which is underpinned by EASA / ECDC Aviation Health Safety Guidelines for safe operations on and around our aircraft. The measures introduced allowed the airlines to successfully restart operations over the summer months ensuring health and safety protocols were in place for all our passengers, employees and service suppliers.

SECURITY

Creating security awareness as another core element was reinforced through three visits to selected destinations (Mexico, Egypt and Tunisia). Dialogue with hotel managers and representatives of TUI Musement as well as security and tourism authorities provides an overall picture of the destination concerned and its challenges for TUI Group as an integrated travel business. Our majority-owned Hotels & Resorts security standards are reviewed on an annual basis. In the reporting period until start of the COVID-19-pandemic, this resulted in 53 (previous financial year: 45) security audits and consultations. The results are presented to local and Group management and are used to deliver continuous improvements. Our security audits also include third party hotels. We did this for the last Financial Year for 46 (previous financial year: 49) third party hotels until the start of COVID-19-pandemic.

OCCUPATIONAL HEALTH & SAFETY

Group SHS also deals with all topics related to the physical and mental health and occupational safety of Group employees. Apart from ensuring compliance with all applicable occupational health and safety standards, the Occupational Health Team offers a varied 'TUI-fit' package of services with professional support; e.g. at the Hanover site, for sports courses, various forms of health coaching and nutrition counselling to (preventive) medical check-ups and chiropractic therapy. In addition, intensive dialogue with the Group companies serves to analyse TUI Group's structures in pursuit of common processes and shared standards.

Some of the ´TUI-fit´ offers needed to stop due to the pandemic situation. The Occupational Health teams had been closely involved in the reaction to the pandemic and played an important role in the overall business continuity management and in the preparations for the restart of operations.

CRISIS MANAGEMENT AND BUSINESS CONTINUITY

TUI operates a Group-wide crisis management approach and business continuity management framework system for all business areas. It was particularly successfully applied during the COVID-19-pandemic. Apart from aggregating data and analysing the local situation, our event management frameworks ascertain how guests and employees are affected and what support they need. 24/7 control centres in different source markets form the basis for fast and pertinent responses to critical events. Experienced crisis managers work with communications and insurance management experts across the Group to facilitate a fast, flexible response. Appropriate reporting and coordination by Group SHS ensure that senior management is updated on all key incidents and developments and can immediately take decisions if necessary.

COVID-19 PANDEMIC

Group SHS Crisis Management team began monitoring the situation on COVID-19 in January 2020. The first Group-wide crisis call on this topic occurred on 22nd of January. After continuous monitoring of the situation, Group Crisis Board was activated on 24th of February. Group SHS coordinated the crisis management across the business areas, leading over 75 executive crisis management meetings where the group strategy was set, giving that direction onto the countless operational crisis calls and coordinating the approach between the markets, airlines and TUI destination based teams. In sum more than 201,000 customers had to be repatriated from destinations to their homes. In parallel around 2,000 employees were also repatriated, both supported by Group SHS.

With the start of COVID-19-pandemic Group SHS is working in collaboration with occupational health teams across the group, implemented hygiene measures, distance rules, as well as special information about COVID-19 throughout the TUI Group for all employees. It is important to work as globally as possible but as locally as needed, to ensure each countries strict rules and regulations are implemented, whilst embedding best practice across the group for the benefit of our colleagues. In Germany for example there was a special hotline installed for coordinating questions on COVID-19 from employees, in the UK regulations were translated into simple understandable formats and shared widely to guide colleagues through changes to working arrangements. Group SHS coordinated the close down of office and retail locations and promoted safe working procedures for remote working; again this was shared widely across the business as best practice. The Group SHS team also work with local jurisdictions to ensure 'local' requirements were met in relation to the safe re-opening of operations; this work continues and will do so for many months to come.

Respecting human rights

TUI Group respects all internationally proclaimed human rights as specified in the International Bill of Human Rights and expects the same of our suppliers and business partners. Modern slavery and its components of forced labour and human trafficking are of particular concern given their egregious nature and increasing prevalence.

⊕ *Modern Slavery Act Statement on http://www.tuigroup.com/en-en/sustainability/msa*

In accordance with applicable law, conventions and regulation, TUI is committed to respecting human rights throughout its worldwide operations. We have a number of policies and initiatives in place to monitor, identify, mitigate and prevent human rights impacts in line with the UN Guiding Principles on Business and Human Rights, and will take remedial action where necessary.

In September 2014, TUI signed up to the UN Global Compact, committing the Group to 10 universally accepted principles in the areas of human rights, labour, environment and anticorruption. In 2012, TUI signed the UN World Tourism Organisation's (UNWTO) Global Code of Ethics – further underlining our commitment to respecting human rights.

We have a working group on human rights, drawing on senior management from major departments across our business to help with the continuous process of analysing potential human rights risks. We also sit on the Boards of the Global Sustainable Tourism Council (GSTC) and Travelife, both of which are addressing these issues through sustainability certification standards.

TUI Group has a number of policies and procurement processes in place focused on the prevention of human rights violations and modern slavery.

- The Global Employment Statement applies both to our own employees and to our contractual partners. Its focus is the fair and respectful treatment of employees at all levels and compliance with applicable law and industry standards.
- The Employee Code of Conduct, the 'Integrity Passport', commits us to respect and observe human rights. TUI Group employees are also encouraged to report any wrongdoing to the 'Speak Up' Line.
- The Supplier Code of Conduct sets out the minimum standards we expect from suppliers. The code includes guidance on human rights and labour laws, bribery and corruption, environmental impacts and support for local communities.
- We have incorporated environmental and social requirements into contracts for our accommodation suppliers as well as other areas of procurement.

We require our hotel suppliers to implement credible sustainability 3rd party certifications recognised or approved by the Global Sustainable Tourism Council (GSTC). Schemes approved and / or recognized by GSTC mandate the highest standards of human rights, child protection and social welfare in the tourism industry.

A key focus is raising awareness of human rights across our business. In financial year 2020, 5,577 trainings on child protection and human rights were completed at TUI Musement. Airline crews in the UK, Nordics and Germany receive Vulnerable Children & Trafficking Training during their inductions, where they learn about how to spot trafficking and what to do. In financial year 2020 2,656 colleagues received a respective training.

TUI Group supports a number of projects and partnerships to protect human rights in our destinations. We raise awareness of modern slavery at TUI hotel partner conferences and support Travelife with road shows.

TUI Group is a founding member of the World Travel and Tourism Council's Human Trafficking Task Force to work closer with the whole tourism sector in preventing human trafficking. TUI Group also joined the Orphanage Tourism Taskforce set up by the international charity Hope and Homes for Children and ABTA – The UK Travel Association, in response to the global issue of orphanage tourism.

Employee matters

COVID-19 is the greatest crisis the tourism sector and TUI Group have ever faced. It poses unprecedented challenges for our Company, our HR departments and our employees. Due to the massive travel and contact restrictions in place since mid-March 2020, our business operations temporarily were nearly fully suspended. As a result, immediate short-term measures were required to reduce our staff cost base, implemented through different mechanisms. TUI has also had to respond to the long-term effects of the pandemic and build a new and future-proof position. TUI therefore realigned existing transformation plans and initiated additional reorganisation and restructuring projects at short notice. In this context, the continuation of the digitalisation strategy is an additional driver in our transformation to a digital platform company. With the rapid, successful changeover to mobile work in large parts of the Company, day-to-day cooperation between our employees has also become more digital. Communication, new cooperation formats and our executives' leadership behaviour have gained in importance in recent months. In addition, a number of strategic HR projects were successfully completed in the period under review, while other projects were suspended, terminated, or continued in an adjusted format during the crisis.

COVID-19 & TUI TRANSFORMATION

IMMEDIATE MEASURES TO REDUCE STAFF COSTS

Due to the rapid developments at the beginning of the COVID-19-pandemic, TUI took the difficult but necessary decision to cut global personnel costs significantly from March 2020. For the duration of the suspension of our business operations, we used Germany's short-time work benefit schemes and, where available, other state-supported programmes aimed at saving jobs. We also implemented salary cuts and waiver, granted unpaid leave, terminated seasonal contracts and launched other measures to reduce staff costs. From April 2020, short-time work programmes were initiated in our German Group companies. These schemes have meanwhile been extended beyond the end of the financial year 2020.

TRANSFORMATION

COVID-19 will create faster and more profound changes in the travel industry than anticipated. In the wake of the pandemic, some trends have dramatically intensified: customers are increasingly turning to online bookings. Online services are becoming the new normal. At the same time, we are operating in a market environment characterised by uncertainty, which will also be subject to long-term change, above all due to COVID-19. For TUI, this means that the pace of necessary change will pick up and that in particular digital transformation will be driven further ahead.

With our Markets & Domains Transformation programme, we have already accelerated key challenges since July 2019. The programme aims to bring our markets, systems and employees closer together across the globe. Pooling our strengths and securing and expanding our market position are key features of our strategic alignment.

In particular, the long-term impacts on the travel sector, require further and even more decisive cost control measures. TUI is therefore accelerating and expanding its original transformation plans in order to speed up the success of these plans, especially with regard to cost savings. Overall, TUI aims to achieve a permanent reduction in overhead costs of 30 %. The transformation is being accelerated through the new setup of current projects, e. g. Market Transformation, ONE Support Functions, ONE Purchasing, the realignment of the IT domains and of TUI Musement. The focus of change is on platforms and cost-efficient structures, strengthening our market position, and increasing digitalisation as well as delivering a stronger focus on process automation. The goal is to offer our existing and new customers a large variety of products, experiences and flexible, personalised service. This is generating significant changes in our systems landscape, processes, and our operational models and organisational design, which will impact both our employees and our alignment in Human Resources.

In Markets & Airlines, the focus is primarily on creating centralised or international functions and teams. With standard, simplified processes across all markets, workflows will be optimised and higher consistency will be delivered. In the support functions Human Resources, Finance, Marketing, Corporate & External Affairs and Legal, the interplay between the Group and Markets & Airlines as well as within Markets & Airlines will be more strongly harmonised in order to leverage synergies so that markets and functions will be optimally serviced through joint processes. This is reflected in a new, integrated organisational structure, to be implemented from the start of the financial year 2021.

Our customers' booking behaviour is becoming increasingly digital. This development has been further intensified through COVID-19. In TUI Musement, the transformation towards a scalable digital platform company is therefore being substantially accelerated. Wherever possible, we are using digital processes. The TUI App, which aims to offer a 'Digital First service' by 2021, will be the key channel to remain in contact with our customers. It enables our customers to access services rapidly, anytime and anywhere. The App will also enhance the efficiency of processes and reduce costs. This development will also have implications on the future way of working and interaction. The digital strategy is based on four pillars: 'offer growth', 'sales growth', 'scalable platform' and 'digital culture'. It goes hand in hand with renaming the entire segment TUI Musement (formerly Destination Experiences). The aim is to create a fully integrated organisational structure, which will take effect from the start of financial year 2021.

Various teams are supporting the design and implementation of these transformation projects across all markets and segments. Regular reports are submitted to the Group Executive Committee and the Supervisory Board. Our employees and managers are likewise continually updated about the current situation, transformation plans and changes within TUI Group via e-mail and the Intranet. In addition, live chats like 'Cup of TUI' or 'eCoffee' are implemented with the Executive Board and the senior executives to offer people the opportunity to address their questions directly to management. Within the individual sectors, the implementation of changes is additionally supported by the executives in charge and the HR Department.

DIGITALISATION AND NEWWORK

The framework and milestones for the path towards digital transformation were already set out in the newWork@TUI paper in March 2018. Its focus is on the creation of modern, digital work concepts offering our employees flexibility in their work and digital and individual freedom. Getting results will be at the heart of this approach rather than physical presence at the workplace. The launch of web-based Office 365 in the financial year 2019 facilitates global cross-border cooperation at any time.

COVID-19 is putting newWork to the test. Due to the contact and travel restrictions caused by the pandemic, new requirements have emerged, impacting our employees' day-to-day local and cross-border cooperation. TUI was well prepared for that situation due to the Group-wide use of the software MS Teams and managed to respond to these challenges within a few days. In March 2020, we shifted to mobile work in major parts of our business. Since then, meetings have been held as telephone conferences or through web-based applications. This development has shown that TUI is able to adjust quickly to new requirements. We have accelerated the implementation of the newWork concept and advanced the transformation towards a digital platform company. Current arrangements will initially remain in force until March 2021. TUI is now formulating a concept for new forms of cooperation post-COVID-19. For the future, TUI envisages a hybrid working concept, i. e. both mobile and on-site work.

FURTHER HR PROJECTS SUCCESSFULLY COMPLETED IN FINANCIAL YEAR 2020

During the first half of financial year 2020, strategically important projects were successfully completed and significant milestones achieved. With the beginning of the COVID-19-crisis, it was decided to pause certain topics such as the continuation of OneShare or Global 360. Some projects were also adapted and readjusted in view of the crisis.

TUI PEOPLE: A GROUP-WIDE CLOUD-BASED HR SOLUTION

In financial year 2020, the focus remained on implementing TUI People as the Group-wide cloud-based HR solution in order to support TUI Group's transformation to a digital platform company. The rollout of TUI People Learning started in September 2019 and was successfully completed in financial year 2020. This was followed at the beginning of financial year 2020 by Workforce Analytics, a reporting tool for HR employees, and the TUI People Recruiting module, an integrated applicant management system with a new global career site. Moreover, the TUI People App went live. It simplifies and enhances the flexibility of the TUI People System for managers and employees. Our employees can use their mobile devices to carry out a large number of HR and talent management activities. In addition, a digital desktop assistant has been launched to guide user interactively through TUI People. The tool will be rolled out further at the beginning of financial year 2021 and made available to all TUI People users.

RECRUITING

TUI's strategy of global talent acquisition focuses on one overarching goal: using the global TUI brand and leveraging economies of scale in order to increase both the perception and the effectiveness and efficiency of recruiting in all talent markets. Following the initial suspension of recruiting activities due to COVID-19, this goal has become even more important, especially with regards to cost savings.

One of the key projects was building the global career website for the entire TUI Group, where we present ourselves as a modern employer. Due to the integration of local career websites, applicants can see all the vacancies throughout TUI Group. The global website went live for Germany in the financial year under review. The migration of all local career websites will be finalised at the beginning of financial year 2021. Another project aims to reduce the complexity of recruitment processes for managers and applicants in order to enhance the applicants' experience of TUI as an employer and speed up recruitment processes. In addition, digitalisation was accelerated in Recruiting through the use of digital tools such as video interviews.

TUI Group's career website: careers.tuigroup.com

ENGAGEMENT

Over the past five years, our TUIgether employee survey has become an established feedback tool, underpinning the importance of regular feedback as an integral element of TUI's culture. However, the COVID-19-pandemic has created a rapidly changing situation, with many employees in short-time work schemes or on some other state employment programme. In this environment, a global survey would deliver an incomplete snapshot without generating a profound data base for future decisions. TUI has therefore decided to suspend the planned 2020 employee survey including the survey of the engagement index. In the meantime, a new survey approach in the form of a 'listening strategy' is being devised. It will enable us to be more flexibel in the future and focus even more on relevant data. In the financial year under review, we encouraged our employees to use the dialogue facilitated by performance and talent management within Great Place to Grow as a feedback opportunity.

PERFORMANCE & TALENT MANAGEMENT

Our global approach to performance and talent management in Great Place to Grow ensures that all employees have opportunities to enhance and achieve their full potential. These performance management principles promote dialogue about performance, career objectives and professional development, enabling TUI to foster and promote talents.

We value the opinions of our employees about this process. We have therefore already asked more than 4,000 colleagues in Germany already in the first half of 2020 for their feedback on our global performance and talent management approach and the software application. Feedback from users has been evaluated in cooperation with the Group Works Council and areas for improvement were identified and agreed. Initial measures to enhance the user experience have already been implemented. A key success factor for user acceptance is easy access to information about the approach and the processes. The TUI Learning Lounge portal pools content featuring our global approach to performance and talent management. This global one-stop shop is accessible to everyone at any time and aims to empower employees pursuing their personal and professional development.

TUI LEARNING & DEVELOPMENT

The HR strategy Learning@TUI supports TUI employees and managers globally with a broad range of learning content and contributions to leadership and management programmes. Our goal is to enable our employees to take responsibility for their own growth and their careers in a constantly changing world.

COVID-19 and the new ways of working it has entailed have increased the need for mobile learning. With this year's introduction of the TUI Learning Lounge, TUI has created a crucial basis for making personal development available on any device for all employees, anytime and anywhere. The platform is a digital learning portal, offering a broad range of flexible blended-learning programmes and open on-demand content that combines different methods and media and is sourced both internally and externally. In financial year 2020 the Learning Lounge was used by more than 9,000 employees.

The TUI Finance, HR and IT Academies also focus on promoting the skills required to support functional, global and strategic challenges and opportunities. They offer our employees a perspective founded on continuous professional development and ensure that newly acquired professional expertise can be put to effective use. With the need to accelerate digitalisation accross TUI, the direct focus is on further developing the Tech Academy to support the upskilling of our employees in new technologies and ways of working.

In Leadership Development, our focus is on the creation and expansion of TUI's talent pipeline. This year, 177 executives took part in our three Leadership programmes in order to learn more about work and leadership in the digital era.

RETAINING JUNIOR STAFF AND DIGITALISATION

TUI also focuses on recruiting and promoting junior staff. TUI currently employs 366 trainees in Germany, with women accounting for around 76 % of all trainees. The trainee ratio was 4.3 %. In the financial year under review, 173 trainees successfully completed their training and around 50 % of them were given a further contract. TUI Group also offers different training programmes around the world in the individual segments in order to develop and promote future expert and leadership staff. In UK&I, for instance, the training programme comprises 21 different courses and is no longer confined to school leavers but has been opened up to include employees wishing to develop. Currently, 314 trainees are enrolled in the programme.

In our international trainee programme, we promote junior staff for future expert or leadership roles in different Group companies. Our international graduate programme comprised 18 graduates with 9 different nationalities, completing assignments for a global learning experience in 10 different countries.

DIVERSITY & INCLUSION

In financial year 2020, we further intensified our efforts to promote diversity, inclusion and equal opportunities. As a strategic basis, we drew up a Diversity Roadmap 2030. To enhance the measurability of the progress delivered, the diversity reporting launched in 2019 was repeated and further expanded in the financial year under review.

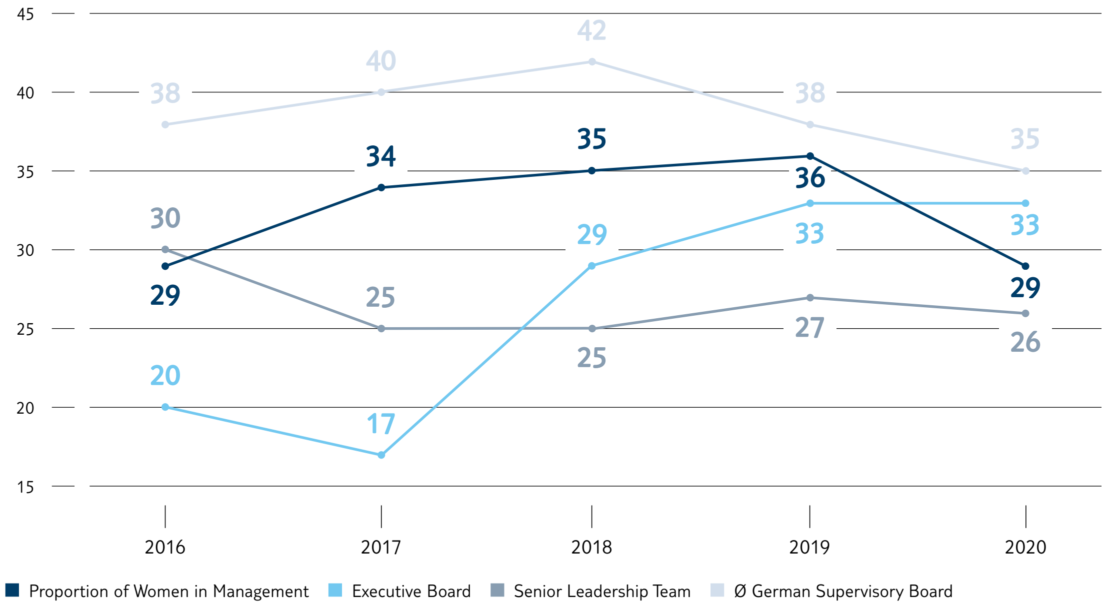
A Diversity Action Group, which includes representatives of the markets and segments, was set up to implement these projects. Two global employee networks were formed, complementing existing employee networks in the markets, with a commitment to promote the interests of our gay and black employees. A global webcast was held with Group HR Director Dr Elke Eller and speakers from the markets to discuss the relevance of the Black Lives Matter movement for the Company.

In addition, many other learning materials and virtual events were launched to promote diversity among employees and managers. Examples include 'unconscious bias' training and the sharing of diversity content on the Intranet, in the Learning Lounge and in management programmes. TUI organised a virtual day of action in support of the Diversity Charter on Diversity Day 2020. In early 2020, the Group-wide Wellbeing Weeks featured more than 30 initiatives organised by employees to deliver a healthy, sustainable and inclusive start to the year. Due to the large number of activities, TUI was recognised as a Diversity Leader by the Financial Times in 2020.

With the TUI Global Employment Statement and as a signatory to the UN Global Compact we have made a clear commitment: We do not accept any discrimination based on national origin or ethnicity, gender, gender identity, sexual orientation, marital status, religion, world view, disability, age or social origin. Decisions about hiring, salary, benefits, training opportunities, work assignments, advancement, discipline and termination must be based solely on objective grounds.

As in previous years, various indicators relating to the proportion of women in managerial functions and in the overall headcount were reported as part of our diversity activities this year. The proportion of women in the overall headcount rose further to 57.8 %. While TUI delivered increases in the proportion of women in managerial functions in the past four years, the numbers remained flat or declined in the period under review.

Proportion of Women in Leadership 2016 – 2020 in %



For Germany (TUI AG, TUI Deutschland, TUI fly), voluntary targets were already fixed in financial year 2015 in accordance with the statutory requirements of the German Stock Corporation Act and the Act on Limited Liability Companies. As before, nearly all our targets were achieved in the financial year under review. In September 2020 targets were again defined for the period to 2023.

Proportion of women in managerial positions

in %	30 Sept 2020	30 Sept 2019	Target 2021
TUI AG			
Supervisory Board	30	30	30
Executive Board	2 women	2 women	at least 1 women
First management level below Executive Board	25	24	20
Second management level below Executive Board	22	30	30
TUI Deutschland			
Supervisory Board	44	50	30
Executive Board	40	20	25
First management level below Executive Board	27	29	30
Second management level below Executive Board	52	50	40
TUI fly			
Supervisory Board	33	33	30
Executive Board	0	0	20
First management level below Executive Board	13	13	30
Second management level below Executive Board	45	45	40

See declaration in the Corporate Governance Report from page 106.

PENSION SCHEMES

Many TUI Group companies offer their employees pension schemes in the form of direct benefits or through an occupational providence fund, or else by paying in additional employer contributions to pension insurance. In Germany, collective contracts have been concluded with an insurance undertaking in order to meet the legal entitlement to deferred compensation. This takes advantage of the opportunities under tax and social insurance legislation, particularly in the case of employee-funded company pension schemes founded on direct insurance.

EMPLOYEE REPRESENTATIVES

TUI and the employee representation bodies intend to maintain their active response to the requirements of digital transformation and the ever-changing worlds of work and are seeking to shape the future together. TUI Group has various co-determination bodies at national and international, company and supra-company level. The Group Works Council represents the interests of employees in German companies at the highest level in accordance with legislation on industrial relations.

Since March 2020, TUI has been substantially impacted by the COVID-19-pandemic. In order to counter this unprecedented crisis, agreements on the short-term introduction of short-time work schemes and similar state support programmes were concluded with the co-determination bodies in Germany and in other countries. An agreement to secure the future, concluded with the Group Works Council in January 2020, provides protection from redundancies for in Germany employed staff until 31 December 2021. The agreement also sets out complementary HR measures such as voluntary programmes, personnel clearing, sabbaticals and qualification options.

At a European level, the TUI Europe Forum (TEF) offers an information and consultation process for cross-border measures affecting the interests of employees in Europe. TUI's Europe Forum represents the interests of employees in companies outside Germany, thereby playing an important support and integration role. The Forum is currently addressing the transformation projects, in particular the realignment of global functions, the establishment of a new cross-border holding structure for the airlines and the realignment of TUI Musement.

EMPLOYEE INDICATORS

The measures required due to the effects of the COVID-19 crisis impacted TUI Group's headcount across all segments. As a result, staff numbers declined by 32.4 % to 48,330 in the financial year under review.

Personnel by segment[1]

	30 Sep 2020	30 Sep 2019 adjusted	Var. in %
Hotels & Resorts	16,041	29,898	–46.3
Cruises[2]	64	342	–81.3
TUI Musement	4,708	9,565	–50.8
Holiday Experiences	20,813	39,805	–47.7
Northern Region	10,746	11,936	–10.0
Central Region	8,940	10,645	–16.0
Western Region	5,602	6,713	–16.5
Markets & Airlines	25,288	29,294	–13.7
All other segments	2,229	2,374	–6.1
TUI Group	**48,330**	**71,473**	**–32.4**

[1] Includes all employees of TUI companies with active employment contracts, i. e. also employees who were on short-time working or similar government programmes at the balance sheet date.
[2] Excludes TUI Cruises (JV) employees. Employees on cruise ships are primarily hired by external crew management agencies.

HOTELS & RESORTS

COVID-19 caused a considerable decline in the total headcount in Hotels & Resorts. Many hotels in the destinations did not open or had to close due to COVID-19, so that the number of seasonal employees fell. As a result, the headcount decreased by 46.3 % to 16,041. The decline affected all hotel segments.

CRUISES

The headcount in the Cruises segment declined by 81.3 % year-on-year. This is due to the divestment of Hapag-Lloyd Kreuzfahrten to the joint venture TUI Cruises. The remaining 64 employees are assigned to Marella Cruises.

TUI MUSEMENT (FORMERLY DESTINATION EXPERIENCES)

In the financial year 2020, the headcount in TUI Musement declined by 50.8 % to 4,708. The decline was driven by the closures of destinations caused by the COVID-19 crisis, which resulted in a reduction in the number of seasonal employees or other restructuring measures.

NORTHERN REGION

Northern Region recorded a year-on-year headcount decline of 10.0 % to 10,746. This decrease is due to declines in the retail, tour operator and airline sectors in the UK totalling 9.0 % to 9,966. In addition, the Nordics reported a headcount decline of 20.4 % to 780.

CENTRAL REGION

The headcount in Central Region declined by 16 % year-on-year to 8,940. In Germany, in particular, staff numbers fell from 8,584 to 7,326 due to divestments and restructuring measures. Staff numbers in Austria decreased by 7.4 % to 524 following travel agency closures. The headcount also declined by 15.5 % to 638 in Poland and by 7.4 % to 452 in Switzerland due to restructuring measures. Operations in Italy are in liquidation.

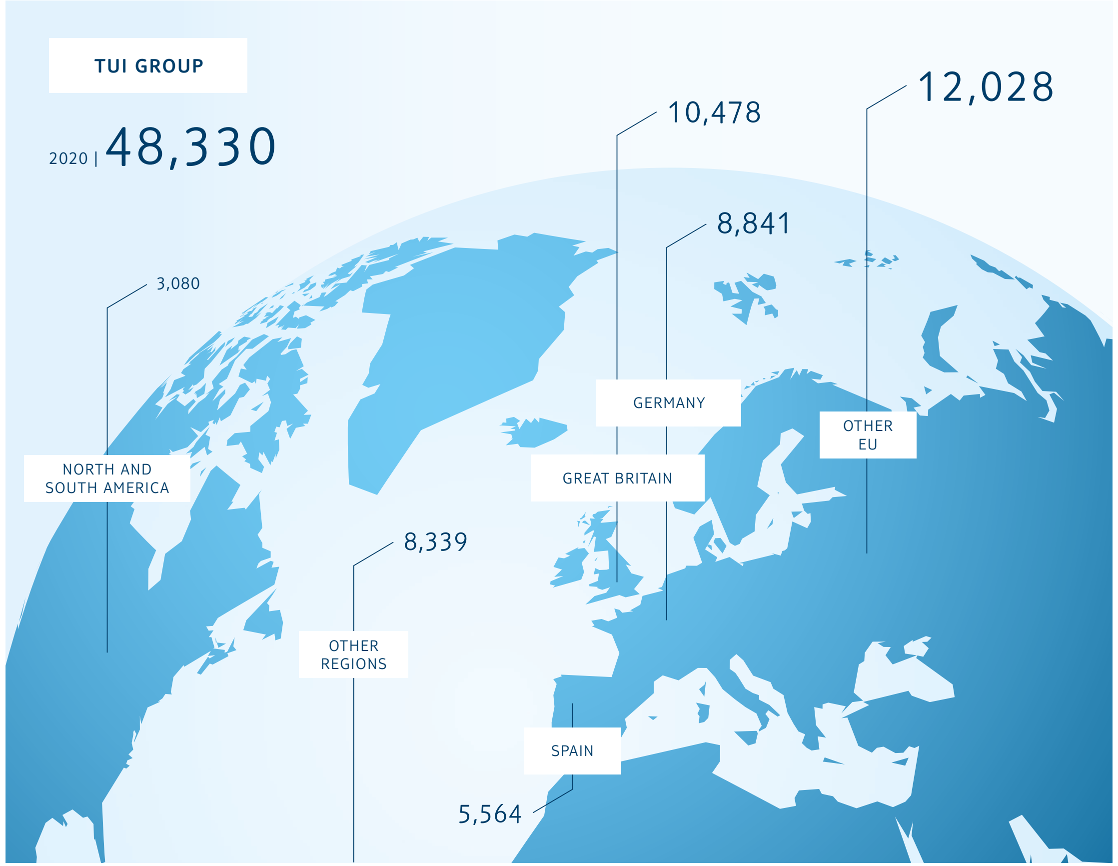
WESTERN REGION

The headcount in Western Region decreased by 16.5 % year-on-year to 5,602. This was driven by declines in Belgium, Morocco and the Netherlands, in particular in the Airline sector. In France, staff numbers declined due to restructuring measures.

ALL OTHER SEGMENTS

The COVID-19 crisis also left its mark in 'All other segments', which reported a headcount decline of 6.1 % year-on-year to 2,229. This is reflected in the number of employees working for Head Office functions in Germany, which decreased by 9.7 % to 715, including 301 employees working for TUI AG. This fall was mainly attributable to the expiry of temporary contracts. The number of employees working for Head Office functions in the UK also decreased by 6.5 % to 404, with the headcount in Group IT largely flat year-on-year at 735. The Future Markets segment also recorded a decline in its headcount of around 11.1 % to 375.

Personnel by region*

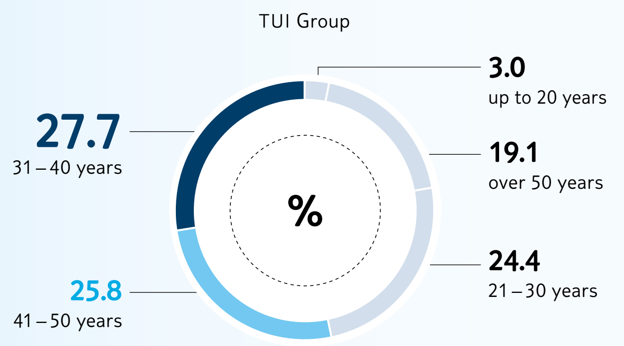


* By domicile of company

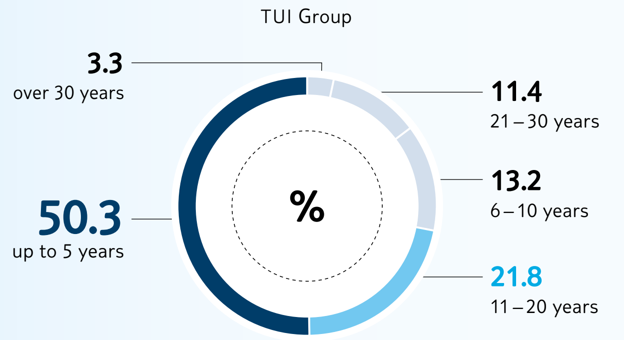
OTHER EMPLOYEE INDICATORS

More than half of the Group's employees are aged 40 years or under. Around 64 % of the Group's employees have worked for TUI for up to ten years.

Age Structure (30 SEPTEMBER 2020)



Seniority (30 SEPTEMBER 2020)



Employment structure

	TUI Group		Germany	
in %	**30 Sep 2020**	30 Sep 2019	**30 Sep 2020**	30 Sep 2019
Number of employees	48,330	71,473	8,841	10,419
Employees, female	57.8	55.2	66.2	67.7
Females in management positions	28.5	35.7	31.4	33.4
Employees in part-time, total	20.1	15.5	40.4	39.1
Employees in part-time, female	30.3	24.3	52.2	49.5
Employees, fixed-term employment contract	18.2	27.5	8.8	11.9

Personnel costs

€ million	**2020**	2019	Var. in %
Wages and salaries	1,871.6	2,019.0	– 7.3
Social security contributions	247.1	291.6	– 15.3
Pension costs	142.3	139.2	+ 2.2
Total	**2,261.0**	**2,449.8**	**– 7.7**

The pay package offered by TUI Group consists of various components, reflecting the framework conditions in different countries and companies and the appropriateness of compensation and customary market rates. Depending on the function concerned, a fixed salary may go hand in hand with variable components, honouring individual performance and enabling employees to enjoy a lasting share in the Company's long-term success. Moreover, senior management have share options and are thus able to benefit directly when the Company grows in value.

In the period under review, TUI Group's personnel costs fell by 7.7 % to € 2,261 m. The year-on-year decrease in expenses for wages and salaries and social security contributions mainly results from the decline in staff numbers across the Group due to the COVID-19 crisis. In addition, substantial savings were generated through a range of measures including short-time work benefit schemes and other government-sponsored programmes to save jobs, salary cuts and waivers, as well as unpaid leave. On the other hand, the Group incurred higher costs for a number of restructuring projects.

Limited Assurance Report regarding the Combined Non-Financial Declaration

The Group Audit department of TUI Group performed a limited assurance review of the combined non-financial declaration for financial year 2020. The work was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised).

The audit work comprised interviews and the collection and review of relevant records and evidence to evaluate data collection, validation and reporting processes and the reliability of reported data. In addition, inquiries of employees and directors responsible for determining the above matters at Group level were conducted, and the overall presentation of the declaration was assessed.

One key area of focus for financial year 2020 was the impact of the COVID-19-pandemic both on the matters presented and on the processes to derive the required disclosures.

Based on the procedures performed and evidence obtained, nothing has come to the attention of Group Audit that causes us to believe that the combined non-financial declaration for financial year 2020, in all material aspects, is not accurate, appropriate, or in line with legal requirements.

ANNUAL FINANCIAL STATEMENTS OF TUI AG

Condensed version according to German Commercial Code (HGB)

Earnings position of TUI AG

The annual financial statements of TUI AG were prepared in accordance with the provisions of the German Commercial Code (HGB), taking account of the complementary provisions of the German Stock Corporation Act (AktG), and audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hanover. They are published in the Federal Gazette. The annual financial statements have been made permanently available on the Internet at www.tuigroup.com/en-en/investors.

In the present Annual Report, the Management Report of TUI AG has been combined with the Management Report of TUI Group.

Income statement of TUI AG

€ million	**2020**	2019	Var. in %
Revenue	39.0	141.0	–72.3
Other operating income	750.3	249.4	+ 200.8
Cost of materials	13.8	8.7	+ 58.6
Personnel costs	45.3	46.5	– 2.6
Depreciation	3.1	2.0	+ 55.0
Other operating expenses	455.7	489.0	– 6.8
Net income from investments	– 984.8	237.7	n. a.
Write-downs of investments	1,556.8	40.6	n. a.
Net interest	1.3	– 0.1	n. a.
Taxes on income and profit	1.8	–73.7	n. a.
Profit after taxes	**– 2,270.6**	**114.9**	**n. a.**
Other taxes	2.1	– 5.1	n. a.
Net profit for the year	**– 2,272.7**	**120.0**	**n. a.**

The earnings position of TUI AG, the Group's parent company, is primarily determined by the appropriation of profits by its Group companies, either directly associated with TUI AG via profit and loss transfer agreements or distributing their profits to TUI AG based on relevant resolutions.

REVENUE AND OTHER OPERATING INCOME

The decrease in revenue in the financial year under review mainly resulted from lower licensing revenue. The increase in other operating income was primarily attributable to the divestment of shareholdings. In July 2020, the stake in Hapag-Lloyd Kreuzfahrten GmbH was sold to TUI Cruises GmbH. This resulted in a gain on disposal of € 473.7 m. At the same time, gains on exchange grew year-on-year in the period under review. These gains went hand in hand with expenses incurred for exchange losses, carried in other operating expenses. Other operating income also included income from the elimination of intercompany services, carried alongside expenses passed on to TUI AG from other Group companies, carried in Other operating expenses.

EXPENSES

Personnel costs declined versus financial year 2019. Pension expenses decreased primarily due to lower transfers to pension provisions. Wages and salaries remained almost flat year-on-year.

Other operating expenses mainly comprised the cost of financial and monetary transactions, charges, fees, services, transfers to impairments, other administrative costs as well as expenses for exchange losses and the intercompany elimination of services. While expenses incurred for exchange losses rose, write-downs of receivables declined year-on-year, resulting in an overall decrease in Other operating expenses.

NET INCOME FROM INVESTMENTS

In the prior year, net income from investments was mainly driven by profits distributed by TUI Cruises GmbH. In the financial year under review, net income from investments primarily included expenses incurred for loss transfers from Group companies. The overall decrease in net income from investments was additionally driven by lower income from profit and loss transfer agreements and lower income from participations.

WRITE-DOWNS OF INVESTMENTS

In the period under review, the write-downs of shares in Group companies mainly related to subsidiaries in tour operation.

INTEREST RESULT

The development of the interest result mainly reflected higher interest expenses for the utilisation of current liabilities. An opposite effect was driven by an increase in interest income from transferring liquidity to Group companies.

TAXES

Taxes on income mainly resulted from reassessments of tax provisions effected in the period under review. They did not include any deferred taxes.

NET PROFIT FOR THE YEAR

For financial year 2020, TUI AG posted a net loss for the year of € 2,272.7 m.

Net assets and financial position of TUI AG

TUI AG's net assets and financial position as well as its balance sheet structure reflect its function as TUI Group's parent company. In financial year 2020, the balance sheet total declined year-on-year to € 9.1 bn.

Abbreviated balance sheet of TUI AG (financial statement according to German Commercial Code)

€ million	30 Sep 2020	30 Sep 2019	Var. in %
Intangible assets/property, plant and equipment	44.5	49.3	– 9.7
Investments	8,044.1	8,596.2	– 6.4
Fixed assets	8,088.6	8,645.5	– 6.4
Receivables	694.9	1,554.2	– 55.3
Cash and cash equivalents	343.3	155.1	+ 121.3
Current assets	1,038.2	1,709.3	– 39.3
Prepaid expenses	0.4	0.4	–
Assets	**9,127.2**	**10,355.2**	**– 11.9**
Equity	2,924.4	5,508.1	– 46.9
Special non-taxed items	0.1	0.1	–
Provisions	297.1	289.7	+ 2.6
Bonds	300.0	300.0	–
Other liabilities	5,605.6	4,257.3	+ 31.7
Liabilities	5,905.6	4,557.3	+ 29.6
Deferred income	–	–	–
Liabilities	**9,127.2**	**10,355.2**	**– 11.9**

FIXED ASSETS

At the balance sheet date, fixed assets almost exclusively consisted of investments. The development of investments is attributable to capital increases, in particular by TUI Travel Ltd. and other subsidiaries. These capital increases were exceeded by write-downs of investments in Group companies. This resulted in an overall decline in investments. The decline in fixed assets resulted from depreciation in the current financial year.

CURRENT ASSETS

The decrease in current assets of 39.3 % to € 1,038.2 m was mainly driven by the increase in receivables, partly offset by the increase in cash and cash equivalents. The decline in receivables was primarily attributable to results transferred in the financial year under review under profit and loss transfer agreements. The increase in cash and cash equivalents resulted from the cash inflow from the increase in the syndicated credit facility.

TUI AG's capital structure

EQUITY

TUI AG's equity decreased by € 2,583.7 m to € 2,924.4 m. This decline was primarily driven by the net loss for the year of € 2,272.7 m. Revenues reserves were fully offset against the loss for the financial year under review. The subscribed capital of TUI AG consists of no-par value shares, each representing an equal portion in the capital stock. The proportionate share in the capital stock per share is around € 2.56. At the end of financial year, the subscribed capital of TUI AG rose due to the issue of employee shares. At the end of the financial year under review, subscribed capital comprised 590,415,100 shares. TUI AG acquired 102,293 own shares to be issued to employees in the framework of the employee stock option plan in accordance with section 71 (1) no. 2 of the German Stock Corporation Act. This corresponds to an acquisition volume of € 1.0 m.

In financial year 2020, capital reserves increased by a total of € 3.5 m due to the issue of employee shares and share-based payments.

The loss for the year totalled € 2,272.6 m. Taking account of the profit carried forward of € 1,176.0 m and the reduction in revenue reserves of € 1,287.5 m, net profit available for distribution totalled € 190.9 m. A proposal will be submitted to the Annual General Meeting to carry the net profit available for distribution for the financial year under review forward on new account. The equity ratio declined to 32.0 % (previous year 53.2 %) in financial year 2020.

PROVISIONS

Provisions increased by € 7.4 m to € 297.1 m. They consisted of pension provisions worth € 151.6 m (previous year € 151.8 m), tax provisions worth € 35.6 m (previous year € 34.9 m) and other provisions worth € 109.9 m (previous year € 103.0 m).

While pension provisions remained nearly flat in the financial year under review, provisions for onerous losses arising from the measurement of forward exchange transactions declined year-on-year. The formation of provisions for warranty obligations led to an overall increase in provisions.

LIABILITIES

TUI AG's liabilities totalled € 5,905.6 m, up by € 1,348.3 m or 29.6 %.

In October 2016, TUI AG issued Senior Notes worth € 300.0 m maturing in October 2021. TUI AG used the proceeds from the issue of this bond to cancel and repay a five-year bond issued in September 2014 ahead of its maturity date. In July 2018, TUI AG issued an unsecured Schuldschein with banks with a total volume of € 425.0 m for general corporate financing purposes with different tenors of five to ten years.

TUI AG's syndicated credit facility of previously € 1.75 bn (including a tranche of € 215 m for bank guarantees) was increased by € 1.8 bn to € 3.55 bn in April 2020 due to the impact of the COVID-19-pandemic. In August 2020, this facility was increased by a further € 1.05 bn to € 4.6 bn. This second increase was subject to the conditions that the creditors of the € 300 m TUI AG bond would agree to certain adjustments of the bond conditions and that TUI AG would issue a € 150 m warrant bond to the Economic Stabilisation Fund. The last of these two conditions was fulfilled in October 2020. This increase is the main reason for the increase in liabilities.

The net financial position (cash and cash equivalents less liabilities to banks, bonds and Schuldschein) totalled € – 3,703.0 m in the period under review.

CAPITAL AUTHORISATION RESOLUTIONS

Information on new and existing resolutions concerning capital authorisation, adopted by Annual General Meetings, is provided in the next chapter on Information required under takeover law.

INFORMATION REQUIRED UNDER TAKEOVER LAW

Pursuant to Sections § 289a and 315a of the German Commercial Code (HGB) and explanatory report

Subscribed capital

The subscribed capital of TUI AG consists of no-par value shares, each representing an equal share of the capital stock. As a proportion of the capital stock, the value of each share is around € 2.56.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, consisted of 590,415,100 shares at the end of financial year 2020 (previous year 589,020,588 shares) and totalled € 1,509,372,235.83. Each share confers one vote at the Annual General Meeting.

RESTRICTIONS ON VOTING RIGHTS OR SHARE TRANSFERS

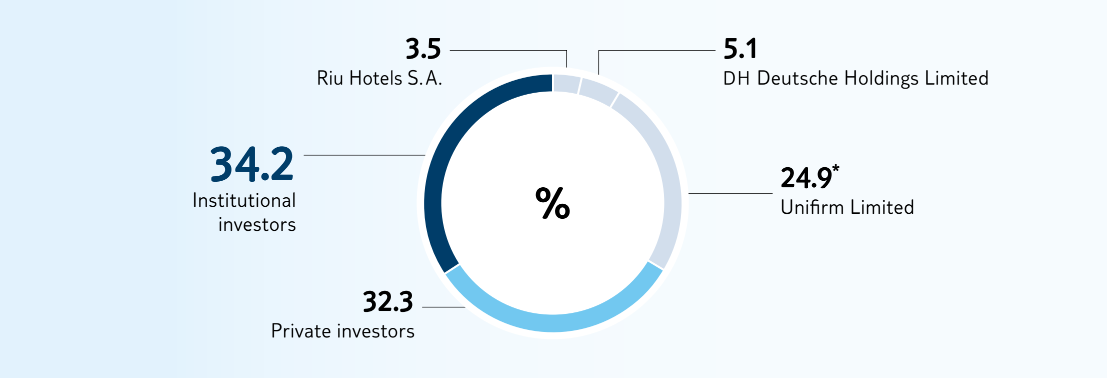
The Executive Board of TUI AG is not aware of any restrictions on voting rights or the transfer of shares.

EQUITY INTERESTS EXCEEDING 10 % OF THE VOTING SHARES

The Executive Board of TUI AG has been notified of the following direct or indirect equity interests reaching or exceeding 10 % of the voting rights:

As at 30 September 2020, Unifirm Limited, Cyprus, held 24.89 % of the voting shares in TUI AG. According to a voting rights notification dated 21 June 2019, Unifirm Limited is controlled by KN-Holding Limited Liability Company, Cherepovets, Russian Federation.

Shareholder structure (30 SEPTEMBER 2020) in %



* 24.89 %

At the end of financial year 2020, around 70 % of TUI shares were in free float. Around 32 % of all TUI shares were held by private shareholders, around 34 % by institutional investors and financial institutes, and around 34 % by strategic investors.

The current shareholder structure and voting rights notifications according to section 33 of the Securities Trading Act (WpHG) are available online at: www.tuigroup.com/en-en/investors/share/shareholder-structure and www.tuigroup.com/en-en/investors/news

Shares with special rights conferring powers of control

No shares with special rights conferring powers of control have been issued.

System of voting right control of any employee share scheme where the control rights are not exercised directly by the employees

Where TUI AG grants shares to employees under its employee share programme, the shares are directly transferred to the employees (sometimes with a lock-up period). Beneficiaries are free to directly exercise the control rights to which employee shares entitle them, in just the same way as other shareholders, in line with legal requirements and the provisions of the Articles of Association.

Appointment and removal of Executive Board members and amendments to the Articles of Association

The appointment and removal of Executive Board members is based on Sections 84 et seq. of the German Stock Corporation Act in combination with Section 31 of the German Co-Determination Act. Amendments to the Articles of Association are based on the provisions of Sections 179 et seq. of the German Stock Corporation Act in combination with Section 24 of the Articles of Association of TUI AG.

Powers of the Executive Board to issue or buy back shares

The Annual General Meeting of 11 February 2020 authorised TUI AG's Executive Board to acquire own shares of up to 5 % of the capital stock in accordance with Section 71 (1) no. 8 of the German Stock Corporation Act. The authorisation will expire on 10 August 2021. To date, the option to acquire own shares has not been used. In accordance with the framework agreement concluded with the German Economic Stabilisation Fund in connection with the issuance of the bond with warrrants, TUI AG and its Group companies are generally not allowed to buy back own shares, the only exception being the acquisition of shares to be transferred to employees in the framework of the existing employee share scheme.

The Annual General Meeting of 13 February 2018 adopted a resolution to create authorised capital for the issue of employee shares worth € 30.0 m. The Executive Board of TUI AG is authorised to use this authorised capital by 12 February 2023 in one or several transactions by issuing employee shares against cash contributions. In the completed financial year, 1,394,512 new employee shares were issued, so that the authorised capital totalled around € 22.3 m at the balance sheet date.

The Annual General Meeting of 9 February 2016 adopted a resolution to create conditional capital of € 150.0 m for the issue of bonds. The authorisation to issue bonds with conversion options or warrants as well as profit-sharing rights and income bonds (with or without fixed terms) of up to a nominal amount of € 2.0 bn will expire on 8 February 2021. With the issuance of a bond with warrants worth € 150 m to the German Economic Stabilisation Fund in October 2020, this authorisation was fully used.

The Annual General Meeting of 9 February 2016 also adopted a resolution to create authorised capital for the issue of new registered shares against cash contributions worth a maximum of € 150.0 m. The authorisation will expire on 8 February 2021.

The Annual General Meeting on 9 February 2016 furthermore adopted a resolution to create authorised capital for the issue of new shares of € 570.0 m against cash contributions or contributions in kind. The issue of new shares against contributions in kind has been limited to € 300.0 m. The authorisation will expire on 8 February 2021.

To date, the two last-named authorisations approved in 2016 have not been used.

See the section on Subscribed capital in the Notes to the consolidated financial statements on page 198 and the section on Subscribed capital in the annual financial statements of TUI AG (disclosure pursuant to Section 160 (1) no. 2 of the German Stock Corporation Act).

Significant agreements taking effect in the event of a change of control of the Company following a takeover bid, and the resulting effects

Some of TUI AG's outstanding financing instruments contain change of control clauses. A change of control occurs in particular if a third partly directly or indirectly acquires control over at least 50 % or the majority of the voting shares in TUI AG.

In the event of a change of control, the holders of the Schuldschein worth € 425.0 m and of the fixed-interest senior bond worth € 300.0 m must be offered a buyback. For the syndicated credit line worth € 4.6 bn (including bank guarantees), of which € 3,315.9 m (used via cash) and € 106.8 m (used via bank guarantees) had been used as at the balance sheet date, a right of termination by the lenders has been agreed in the event of a change of control. This also applies to several bilateral guarantee lines with a total volume of € 85.4 m, concluded with various insurance companies, which were fully used at the balance sheet date.

Beyond this, there are no agreements in guarantee, leasing, option or other financing contracts that might cause material early redemption obligations that would be of significant relevance for the Group's liquidity.

Apart from the financing instruments mentioned above, a framework agreement between the Riu family and TUI AG includes a change of control clause. A change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board are attributable to a shareholder group. In the event of a change of control, the Riu family is entitled to acquire at least 20 % and at most all shares held by TUI in RIUSA II S. A. A similar agreement concerning a change of control at TUI AG has been concluded with El Chiaty Group. Here, too, a change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board are attributable to a shareholder group. In that case, El Chiaty Group is entitled to acquire at least 15 % and at most all shares held by TUI in each of the joint hotel companies in Egypt and the United Arab Emirates. A change of control agreement has also been concluded for the joint venture TUI Cruises between Royal Caribbean Cruises Ltd and TUI AG in the event of a change of control in TUI AG. The agreement gives the partner the right to demand termination of the joint venture and to purchase the stake held by TUI AG at a price which is lower than the selling price of their own stake under certain circumstances.

Compensation agreements have not been concluded between the Company and Executive Board members or employees in the event of a takeover bid.

TUI SHARES*

COVID-19 crisis weighs heavily on TUI's shares in financial year 2020

TUI's shares started the financial year at a price of € 10.87 and delivered a largely stable performance until mid-February 2020. During that period, TUI Group announced the realignment of its capital allocation framework and adjusted its dividend policy accordingly. Positive share price reactions resulted from the divestment of Hapag-Lloyd Kreuzfahrten to TUI Cruises and the publication of TUI's Q1 quarterly statement in mid-February 2020. This development was additionally driven by exceptionally good booking trends for the Summer 2020 programme.

In the course of the year, the spread of the COVID-19 virus increasingly came to the fore, weighing heavily on the tourism sector and therefore TUI's shares. A significant price reaction was observed in mid-March after TUI had suspended most of its travel operations, in line with the requirements of the various governments concerned and the declaration of a global pandemic, and applied for state guarantees. The Executive Board also withdrew its guidance for financial year 2020 and refrained from issuing new guidance in view of the uncertainties related to the overall situation.

The share price bounced back for a short while when TUI and the German government agreed on an initial € 1.8 bn stabilisation package, secured within just two weeks. The recovery was additionally driven by the lifting of the global travel warning in Germany at the end of May 2020. Positive effects were also seen by the completion of a comprehensive compensation agreement with Boeing relating to the Boeing 737 Max aircraft, the partial resumption of the travel programme in June 2020, the successful closing of the Hapag-Lloyd Kreuzfahrten transaction and the agreement of a second stabilisation package, worth € 1.2 bn, with the German government.

* The contents presented in this chapter are unaudited voluntary contents.

Overall, however, TUI's share price was negatively impacted again from mid-June 2020 as a result of significant uncertainties around the further development of the COVID-19-pandemic and its consequences for companies across the entire tourism sector.

TUI share data

30 September 2020		
WKN		TUAG00
ISIN		DE000TUAG000
Stock exchange centres		London, Xetra, Hanover
Reuters / Bloomberg		TUIGn.DE / TUI1.GR (Frankfurt / Main); TUIT.L / TUI:LN (London)
Stock category		Registered ordinary shares
Capital stock	€	1,509,372,236
Number of shares		590,415,100
Market capitalisation	bn €	2.0
Market capitalisation	bn £	1.7

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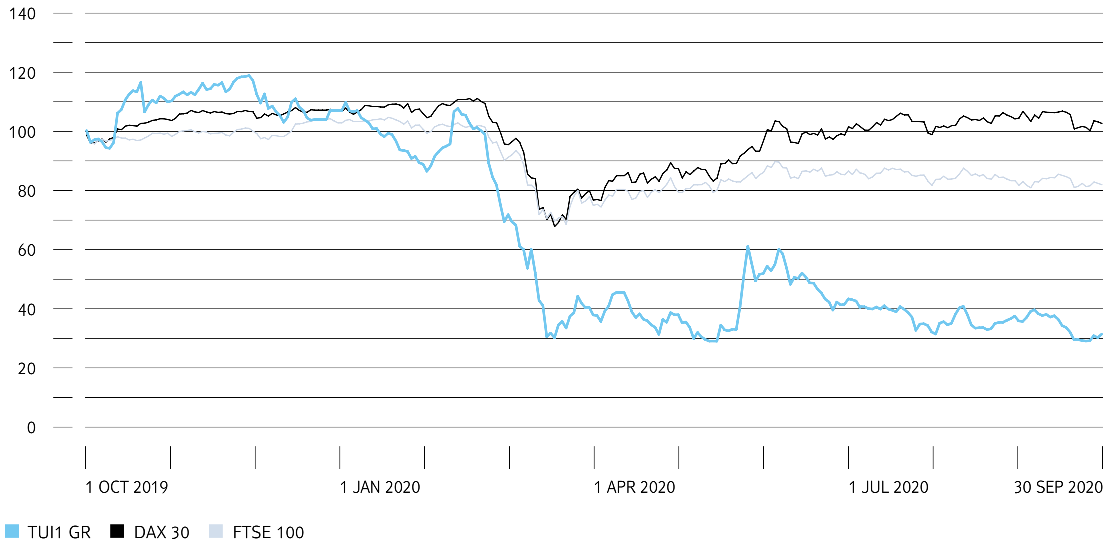
FINANCIAL YEAR 2020

COMBINED MANAGEMENT REPORT

TUI share price (FY 2020) in %



Long-term development of the TUI share (Xetra)

€	2016	2017	2018	2019	**2020**
High	17.21	14.90	20.66	16.56	12.67
Low	10.17	11.46	14.34	7.87	2.89
Year-end share price	12.69	14.38	16.56	10.67	3.24

Quotations, indices and trading

TUI has its primary listing in the Premium segment of the Main Market of the London Stock Exchange and its shares are included in FTSE's UK Index Series. It also has a secondary listing in the electronic trading system Xetra and on the Hanover Stock Exchange.

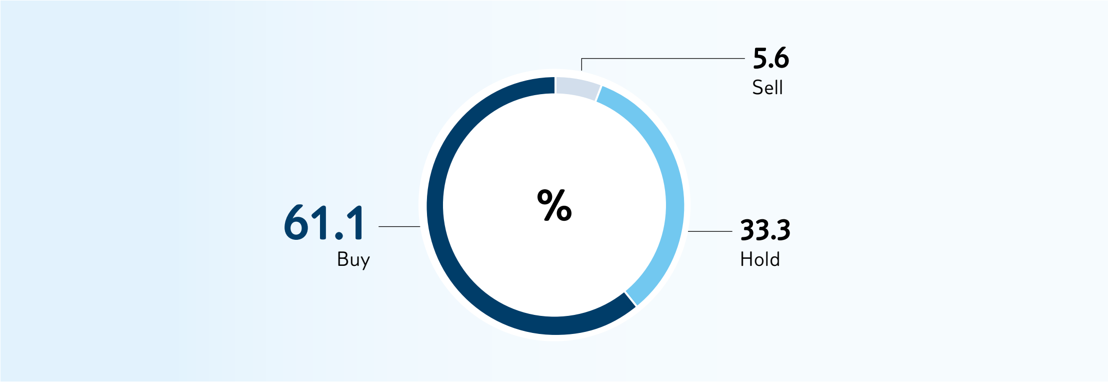
As TUI's shares are also admitted to trading in a regulated market in Germany, in addition to their listing on the London Stock Exchange, TUI falls within the scope of the German Securities Acquisition and Takeover Act and is solely monitored by the Federal Financial Supervisory Authority in this respect.

TUI AG is represented on the sustainability indices FTSE4Good and Ethibel Sustainability Index (ESI). TUI was recognised in the leadership band by CDP in the 2019 Climate Change assessment.

In financial year 2020, the average daily trading volume at the London Stock Exchange was around 3.0 million shares, while about 3.6 million shares were traded on Xetra. Across all trading platforms, the daily trading volume in the UK amounted to around 6.7 million shares, with around 6.9 million shares traded on the euro line. Both the sterling and the euro lines thus delivered strong liquidity for trading by institutional and retail investors.

Analysts' recommendations

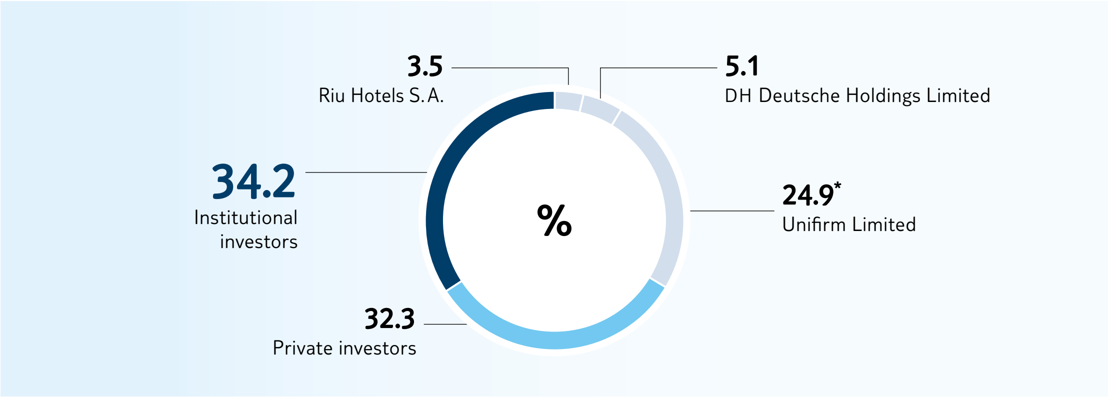
Analysts' recommendations (30 SEPTEMBER 2020) in %



Analyses and recommendations by financial analysts are a key decision-making factor for institutional and private investors. In the financial year under review, around 20 analysts regularly published studies on TUI Group. In September 2020, 6 % of analysts issued a recommendation to 'buy' the TUI share, with 33 % recommending 'hold' and 61 % of analysts recommending to 'sell' the share.

Shareholder structure

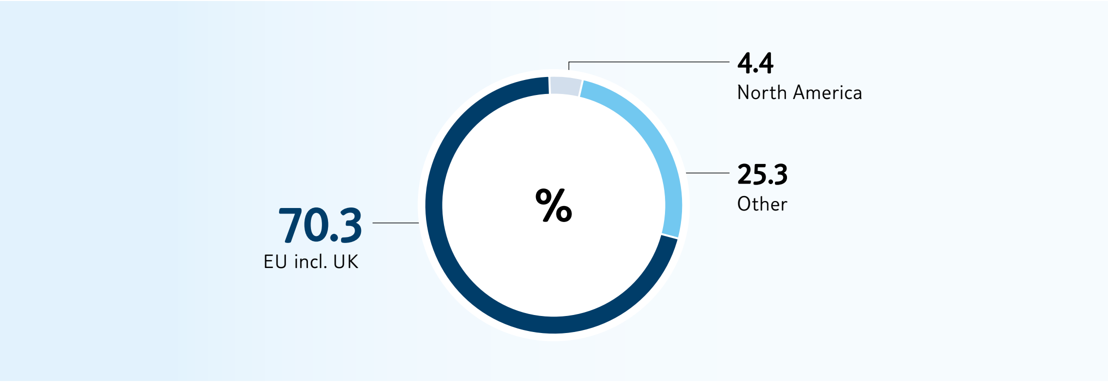
Shareholder structure (30 SEPTEMBER 2020) in %



* 24.89 %

At the end of financial year 2020, around 70 % of TUI shares were in free float. Around 32 % of all TUI shares were held by private shareholders, around 34 % by institutional investors and financial institutions, and around 34 % by strategic investors.

Geographical shareholder structure (30 SEPTEMBER 2020) in %



The current shareholder structure and the voting right notifications pursuant to Section 33 of the German Securities Trading Act are available online at: www.tuigroup.com/en-en/investors/share/shareholder-structure and www.tuigroup.com/en-en/investors/news

Dividend policy

Development of dividends and earnings of the TUI share

€	2016	2017	2018	2019	2020
Earnings per share	+ 1.78	+ 1.10	+ 1.25	+ 0.71	– 5.34
Dividend	0.63	0.65	0.72	0.54	–

In connection with the COVID-19 crisis, TUI agreed on stabilisation packages with the German government. Conditions attached to the stabilisation packages include a dividend suspension, which will remain in force over the term of the loans and the duration of the investment made by the Economic Stabilisation Fund (ESF).

Investor Relations

Open and continuous dialogue and transparent communication form the basis of our Investor Relations engagement with our private shareholders, institutional investors, equity and credit analysts and lenders. Many discussions were held, centring on the Group strategy, business performance in the individual segments and the implications of the COVID-19 crisis in order to enable stakeholders to make a realistic assessment of the future performance of TUI's shares.

In financial year 2020, investor dialogue primarily focused on the consequences arising from the COVID-19-pandemic:

- Trading performance and customers' booking behaviour during the crisis
- New protocols and procedures, including enhanced hygiene measures, necessitated by COVID-19
- Monthly cash costs during the full business suspensionand during partial resumption of business operations
- Terms of stabilisation packages agreed with the German government to secure immediate liquidity
- Launch of the Global Realignment Programme, aimed at delivering annual savings of more than €300 m by financial year 2023
- The Group's strategic response during and after the COVID-19-pandemic; in particular, acceleration of digital transformation and the move to become a platform business

As per the normal, TUI's management team welcomes open dialogue with investors at roadshows and conferences. Due to the COVID-19-pandemic, many of these events were held in a virtual format. Management met investors from many financial hubs in Europe, the US and Asia.

In addition to this, TUI's Investor Relations team makes every effort to engage in direct contact with private investors. Due to the COVID-19 situation, however, all large face to face events were cancelled in the financial year under review, and intensive dialogue took place in the form of numerous one-on-one phone discussions. TUI also offers a broad range of information for analysts, investors and private shareholders on its website. All conference calls were transmitted live.

3

CORPORATE GOVERNANCE

SUPERVISORY BOARD AND EXECUTIVE BOARD

TUI AG Supervisory Board

Name	Function / Occupation	Location	Initial Appointments	Appointed until AGM	Other Board Memberships[2]		Number of TUI AG shares (direct and indirect)[2]
Dr Dieter Zetsche	Chairman of the Supervisory Board of TUI AG	Stuttgart	13 Feb 2018	2023		b) Veta Health LLC	105,000
Frank Jakobi[1]	Deputy Chairman of the Supervisory Board of TUI AG Travel Agent	Hamburg	15 Aug 2007	2021			1,291
Peter Long	Deputy Chairman of the Supervisory Board of TUI AG Chairman Countrywide PLC	Kent	9 Feb 2016	2021		b) Countrywide PLC[3]	8,625
Ingrid-Helen Arnold	President, SAP Business Data Network	Walldorf	11 Feb 2020	2024		b) Heineken N.V.	0
Andreas Barczewski[1]	Aircraft Captain	Hanover	10 May 2006	2021	a) TUIfly GmbH[4]		0
Peter Bremme[1]	Regional Head of the Special Service Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Hamburg	2 Jul 2014	2021	a) TÜV Nord AG		0
Prof. Dr Edgar Ernst	President of Deutsche Prüfstelle für Rechnungslegung DPR e.V.	Bonn	9 Feb 2011	2021	a) Metro AG Vonovia SE[4]		0
Wolfgang Flintermann[1]	Group Director Financial Accounting & Reporting, TUI AG	Großburgwedel	13 Jun 2016	2021	a) Deutscher Reisepreis-Sicherungsverein VVaG		2,507
María Garaña Corces	Vice President Professional Services, Europe, Middle East and Africa, Adobe Inc.	London	11 Feb 2020	2024		b) Alantra Partners, S.A. Liberbank, S.A.	0
Angelika Gifford	Vice President Central Region, Facebook Inc.	Berlin	26 Mar 2012 9 Feb 2016*	2021	a) thyssenkrupp AG	b) Facebook Inc.	4,100
Valerie Gooding	Member of supervisory bodies in different companies	London	11 Dec 2014	11 Feb 2020		b) Aviva Insurance Ltd. Aviva Life Holdings Ltd. Vodafone Group PLC	994
Stefan Heinemann[1]	Product Owner Disposition & Maintenance, IMSD Aviation, TUI InfoTec GmbH	Hanover	21 Jul 2020	2021			5,658
Dr Dierk Hirschel[1]	Business unit manager of the trade union ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	16 Jan 2015	2021	a) DZ Bank AG		0
Janis Kong	Member of supervisory bodies in different companies	London	11 Dec 2014	11 Feb 2020		b) Bristol Airport Ltd. Copenhagen Airport Portmeirion Group PLC Roadis Transportation Holding S.L.U. South West Airports Ltd.	5,985
Vladimir Lukin	Special Advisor to CEO OOO Severgroup	Moscow	12 Feb 2014 5 Jun 2019*	2024			0

Table continues on next page

Continued from previous page

TUI AG Supervisory Board

Name	Function/Occupation	Location	Initial Appointments	Appointed until AGM	Other Board Memberships[2]		Number of TUI AG shares (direct and indirect)[2]
Coline McConville	Member of supervisory bodies in different companies	London	11 Dec 2014	2024		b) 3i Group PLC	0
						Fevertree Drinks PLC	
						Travis Perkins PLC	
Alexey Mordashov	Chairman Board of Directors of PAO Severstal	Moscow	9 Feb 2016	2021		b) JSC 'Power Machines'[3]	0
						JSC 'Severstal Management'[3]	
						Lenta PLC[3]	
						Nord Gold S. E.	
						PAO 'Severstal Management'[3]	
Michael Pönipp[1]	Hotel Manager	Hanover	17 Apr 2013	2021	a) TUI Deutschland GmbH		1,226
Carola Schwirn[1]	Department Coordinator in the Transportation Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	1 Aug 2014	2021			0
Anette Strempel[1]	Travel Agent	Hemmingen	2 Jan 2009	2021			4,430
Ortwin Strubelt[1]	Travel Agent	Hamburg	3 Apr 2009	30 Jun 2020			2,946
Joan Trían Riu	Executive Board Member of Riu Hotels & Resorts	Palma de Mallorca	12 Feb 2019	2024		b) Ahungalla Resorts Ltd.	0
						RIUSA II S.A.	
						Riu Hotels, S.A.	
Stefan Weinhofer[1]	International Employee Relations Coordinator at TUI AG	Vienna	9 Feb 2016	2021		b) TUI Austria Holding GmbH	0

[1] Representative of the employees
[2] Information refers to 30 September 2020 or date of resignation from the Supervisory Board of TUI AG in FY 2020.
[3] Chairman
[4] Deputy Chairman
* New Appointment

a) Membership in supervisory boards within the meaning of section 125 of the German Stock Corporation Act (AktG)
b) Membership in comparable German and non-German bodies of companies within the meaning of section 125 of the German Stock Corporation Act (AktG)

TUI AG Executive Board

Name	Department	Other Board Memberships		Number of TUI AG shares (direct and indirect)[1]
Friedrich Joussen	Chairman	a) Sixt SE[2]	b) RIUSA II S.A.[2]	903,294
(Age 57)		TUI Deutschland GmbH[2]		
Member of the Executive Board since		TUIfly GmbH[2]		
October 2012				
CEO since February 2013				
Joint-CEO since December 2014				
CEO since February 2016				
Current appointment until September 2025				
Birgit Conix	CFO		b) Sunwing Travel Group Inc.	0
(Age: 55)				
Member of the Executive Board since July 2018				
Current appointment until December 2020				
David Burling	CEO Markets & Airlines	a) TUI Deutschland GmbH	b) First Choice Holidays Ltd.	16,300
(Age: 52)		TUIfly GmbH	First Choice Holidays & Flights Ltd.	
Member of the Executive Board since June 2015			First Choice Olympic Ltd.	
Current appointment until May 2024			Sunwing Travel Group Inc.	
			TUI Canada Holdings Inc.	
			TUI Northern Europe Ltd.	
			TUI Nordic Holdings Sweden AB	
			TUI Travel Group Management Services Ltd.	
			TUI Travel Holdings Ltd.	
			TUI Travel Ltd.	
			TUI Travel Overseas Holdings Ltd.	
Sebastian Ebel	CEO Hotels & Resorts, Cruises,	a) BRW Beteiligungs AG	b) RIUSA II S.A.	12,750
(Age: 57)	Destinations Experiences	Eves Information Technology AG[2]	TUI China	
Member of the Executive Board since		TCT TechnikCentrumThale GmbH		
December 2014				
Current appointment until December 2020				
New appointment from January 2021				
until December 2023 as CFO				

Table continues on next page

Continued from previous page

TUI AG Executive Board

Name	Department	Other Board Memberships		Number of TUI AG shares (direct and indirect)[1]
Dr Elke Eller	CHRO / Labour Director	a) K+S AG	b) TUI Belgium N.V.	22,545
(Age: 58)		TUI Deutschland GmbH	TUI Nederland Holding N.V.[2]	
Member of the Executive Board since		TUIfly GmbH		
October 2015				
Current appointment until October 2021				
Frank Rosenberger	CIO & Future Markets	a) Peakwork AG		5,000
(Age: 52)		TUI Deutschland GmbH		
Member of the Executive Board since				
January 2017				
Current appointment until December 2021				

[1] Information refers to 30 Sep 2020 or date of resignation from the Excecutive Board in financial year 2020. Peter Krueger has been appointed member of the Executive Committee with effect as of 01 January 2021 responsible for Group Strategy, M&A, Airline und JV's.
[2] Chairman

a) Membership in Supervisory Boards required by law within the meaning of section 125 of the German Stock Corporation Act (AktG)
b) Membership in comparable Boards of domestic and foreign companies within the meaning of section 125 of the German Stock Corporation Act (AktG)

CORPORATE GOVERNANCE REPORT

Statement on Corporate Governance (as part of the Management Report)

The actions of TUI AG´s management and oversight bodies are determined by the principles of good and responsible corporate governance.

The Executive Board and the Supervisory Board discussed Corporate Governance issues in financial year 2020. In this chapter, the Executive Board provides – also for the Supervisory Board – the report on Corporate Governance in the Company pursuant to Principle 22 of the German Corporate Governance Code in the version dated 16 December 2019 (DCGK) and section 289a of the German Commercial Code (HGB) as well as Disclosure and Transparency Rule (DTR) 7.2 and Listing Rule (LR) 9.8.7R.

Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG)

As a stock corporation company under German law, TUI AG's Executive Board and Supervisory Board are obliged to submit a declaration of compliance with the DCGK pursuant to section 161 of the German Stock Corporation Act.

www.dcgk.de/en/code.html

WORDING OF THE DECLARATION OF COMPLIANCE FOR 2020

'In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board hereby declare:

Since the last annual declaration of compliance was submitted in December 2019, the recommendations of the German Corporate Governance Code in its applicable version have been and will be with the exception of Recommendation C.5 (Supervisory Board mandates of Executive Board members in non-group companies) and several Recommendations in Section G.I. (Executive Board remuneration) in the version dated 16 December 2019 observed.

RECOMMENDATION C.5

According to Recommendation C.5, members of the Executive Board of a listed company shall not accept the Chairmanship of a Supervisory Board in a non-group listed company. The Chief Executive Officer of TUI AG, Mr Friedrich Joussen, exercises the mandate of Chairman of the Supervisory Board of Sixt SE. Mr Joussen has assumed this mandate in June 2017. The Supervisory Board of TUI AG is convinced that the exercise of this mandate does not impair the function of Chief Executive Officer.

RECOMMENDATIONS G.1 AND G.2

In the version of the DCGK applicable since March 2020, Recommendations G.1 and G.2 on determining a remuneration system in accordance of the Act Implementing the Second Shareholder Rights Directive (ARUG II) and on determining a target total remuneration on the basis of this remuneration system were newly included. ARUG II foresees a transitional period from 31 December 2020 for implementation. Accordingly, the Supervisory Board intends to adapt the wording of the existing remuneration system to comply with ARUG II, to submit the adjusted remuneration system to the Annual General Meeting in 2021 for approval and to set the target total remuneration of the members of the Executive Board on the basis of the adjusted remuneration system. Until then, any deviations from recommendations G.1 and G.2 must be explained.

RECOMMENDATIONS FOR DETERMINING THE TOTAL AMOUNT OF VARIABLE REMUNERATION COMPONENTS (SECTION G. I.3.)

In the framework of the stabilisation measures agreed with the Economic Stabilisation Fund, restrictions were agreed for TUI AG regarding the remuneration of Executive Board members. Moreover, the Executive Board members have already waived the payment of variable remuneration for the financial year 2020 in the framework of the application for state aid. These restrictions and the waiver may lead to the situation that the members of the Executive Board will not be granted variable remuneration during the stabilisation measures. In this respect, Recommendations G.6 (Share of variable remuneration resulting from long-term and short-term targets), G.7 (Determination of performance criteria for all variable remuneration components), G.9 sentence 1 (Determination of the amount of variable remuneration to be granted) and G.11 sentence 1 (Consideration of extraordinary developments for variable remuneration) are void and as a precautionary measure, a deviation from these recommendations is declared.'

Place of publication:

www.tuigroup.com/en-en/investors/corporate-governance

Declaration of Compliance pursuant to DTR 7.2 and LR 9.8.7R

As an overseas company with a premium listing on the London Stock Exchange, TUI AG's Executive Board and Supervisory Board are obliged pursuant to No. 7.2 DTR and LR 9.8.7R to make a statement on the application of the UK Corporate Governance Code (UK CGC). Since the German Corporate Governance Code also applies to TUI AG as a stock corporation under German law, TUI AG had announced at the time of its merger with TUI Travel PLC that it would also comply with the UK CGC to the extent practicable.

https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.PDF

In many respects, the requirements of the DCGK and the UK Code are similar. However, there are certain aspects that are not compatible, which are explained below. Therefore some deviations from Code requirements and best practice in the UK have been necessary.

Under the German Stock Corporation Act, the legislation applicable to TUI AG, a two-tier board system is mandatory (see below section 'Functioning of the Executive and Supervisory Board' on page 110). The two-tier board structure is different to the UK unitary board structure on which the UK Code is based. Some of the principles of composition and operation of the boards of a German stock corporation also differ from those of a UK company (for example, there is no Company Secretary). For this reason, the Executive Board and the Supervisory Board have set out below in which areas the UK Code is not complied with and explained the reasons for the deviations. In addition, the Executive Board and the Supervisory Board have also explained those instances where they consider TUI AG not to be compliant with the UK Code in the literal sense but where it lives up to the spirit and meaning of the respective regulation.

Sub-headings refer to sections of the UK Code for ease of reference for investors.

Moreover, information demonstrating how the Principles and Provisions of the UK Code have been applied can be found throughout the Corporate Governance Report, Report of the Supervisory Board, Audit Committee Report, as well as in the respective parts of the combined Management Report.

WORDING OF THE UK CORPORATE GOVERNANCE STATEMENT 2020

'Executive Board and Supervisory Board declare pursuant to DTR 7.2 and LR 9.8.7R:

Throughout the reporting period, TUI AG has applied the Principles and complied with the Provisions of the UK Code in the version of July 2018, except as set out and explained below.'

Place of publication:

www.tuigroup.com/en-en/investors/corporate-governance

DIALOGUE WITH SHAREHOLDERS (PROVISION 3)

It is still not widespread practice in German companies for committee chairs to make themselves available for meetings with shareholders. The German Corporate Governance Code stipulates in the Suggestion A.3 that the Chairman of the Supervisory Board should be available – within reasonable limits – to discuss Supervisory Board-related issues with investors.

The table below provides an overview of all appointments of the Executive Board with shareholders, in some of which also employees of Investor Relations participated.

Dialogue with shareholders

Date	Meeting	Participants
December 2019	FY19 Results Presentation	FJ, BC
	Roadshow UK	FJ, BC
January 2020	Commerzbank German Investment Seminar	BC
	UniCredit / Kepler Cheuvreux German Corporate Conference	BC
February 2020	FY20 Q1 Results Presentation	FJ, BC
	AGM 2020	FJ, BC
March 2020	Morgan Stanley Investoren Call	BC
May 2020	FY20 H1 Results Presentation	FJ, BC
	virtual Roadshow UK	FJ, BC
	virtual Roadshow Frankfurt	FJ, BC
	virtual Roadshow Zurich	BC
	virtual Roadshow Paris	BC
June 2020	virtual dbAcess Berlin Conference	BC
	Barclays Investors Call	BC
August 2020	FY20 Q3 Results Presentation	FJ, BC
	virtual Commerzbank Sector Conference	BC
September 2020	virtual Berenberg & Goldman Sachs German Corporate Conference	BC
	virtual Bernstein Strategic Decision Conference	FJ, BC
	Morgan Stanley Investors Call	BC

Key: Friedrich Joussen (FJ), Birgit Conix (BC)

The Supervisory Board receives feedback from the Chairman and Deputy Chairman (shareholder representative) and Executive Board members following meetings with major shareholders or investors. Additionally, a monthly Investor Relations Report and event-driven assessments of brokers are forwarded to the Executive Board and the Supervisory Board. They contain updates on the share price development, analyses of the shareholder structure as well as purchases and sales of shares and feedback and assessments from investors. The Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code.

INDEPENDENCE OF SUPERVISORY BOARD MEMBERS (PROVISION 10)

Under the UK Code, the Board must identify in the annual report each non-executive director it considers to be 'independent' for the purposes of the UK Code. Based on the responsibilities assigned to the Supervisory Board by the German Stock Corporation Act, the members of the Supervisory Board are considered to be non-executive directors for the purposes of the UK Code. Under the UK Code, persons are 'independent' if they are independent in character and judgement and if there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement. TUI AG does not, however, extend its independence disclosures to its 10 employee representatives on the Supervisory Board (for a detailed explanation of shareholder and employee representatives and the underlying considerations, please see below).

The Supervisory Board has determined that five of its nine shareholder representatives (the Chairman is not taken into account according to the UK Code) are independent for the purposes of the UK Code. The shareholder representatives considered to be independent are: Ms Ingrid-Helen Arnold, Prof. Dr Edgar Ernst, Ms María Garaña Corces, Ms Angelika Gifford and Ms Coline McConville. Additionally, the Chairman, Dr Dieter Zetsche, was independent on election in 2019 and is still considered independent (Dr Dieter Zetsche also was independent when he was elected to the Supervisory Board in February 2018).

The members of the Supervisory Board not considered to be independent for the purposes of the UK Code are Mr Alexey Mordashov, Mr Peter Long, Mr Vladimir Lukin and Mr Joan Trían Riu.

In reaching its determination, the Supervisory Board has considered, in particular, the factors set out below.

SHAREHOLDER AND EMPLOYEE REPRESENTATIVES

The Supervisory Board of TUI AG consists of ten members who are elected by shareholders at AGM (the 'Shareholder Representatives') and ten members who represent the employees of TUI AG (the 'Employee Representatives'). This differs from UK practice where only those board members representing major shareholders are typically referred to as 'Shareholder Representatives' and are not considered independent under the UK Code because of their link to a significant shareholder.

At TUI AG, the shareholder representative Mr Joan Trían Riu (Riu Hotels, approx. 3.55 % of the voting rights) is linked to a major shareholder. Mr Alexey Mordashov notified us on 21 June 2019 that his share in the total voting rights in TUI AG had fallen to zero. At the same time, the company was informed that the corresponding approx. 24.89 % of the voting rights are held via Unifirm Ltd. controlled by KN-Holding LLC and that Mr Mordashov holds 35 % of the shares in Unifirm Ltd. There are also joint ventures between TUI AG and Riu Hotels S. A. as well as TUI Russia & CIS (the latter company is indirectly related to Mr Mordashov according to available information; for further details see page 97 of the Annual Report). Until his election to the Supervisory Board in February 2016, Mr Peter Long was Joint-CEO of TUI AG from December 2014 to February 2016. Prior to that, he was a member of the Executive Board of TUI AG from 2007 and CEO of TUI Travel PLC. Mr Vladimir Lukin is a Special Advisor to the CEO of OOO Severgroup and is therefore associated with Mr Mordashov. Therefore, neither Mr Mordashov, Mr Long, Mr Lukin nor Mr Trían Riu are considered independent for the purposes of the UK Code.

Seven of the ten employee representatives of the Supervisory Board are elected by the employees of TUI Group entitled to vote. Three employee representatives are nominated by a German trade union (ver.di).

Under the UK Code, directors who are or have been employees of the Group in the last five years or who participate in the Group's pension arrangements would generally not be considered independent. In the UK, directors with an employment relationship are normally current or former executives. By contrast, under German law, employee representatives of the Supervisory Board must be employees of the Group, and must be elected by the employees without any involvement of the Executive or Supervisory Boards. Furthermore, the employment contract of employee representatives may only be terminated in exceptional cases.

The employee representatives may also participate in Group pension schemes as is normal for employees and in their capacity as employees.

Trade union representatives are nominated, and employed by, the trade union but are still classified as employee representatives. They can only be removed from the Supervisory Board by their respective union and neither the Executive nor the Supervisory Board has any role in their appointment or removal.

HALF THE BOARD SHOULD BE INDEPENDENT NON-EXECUTIVE DIRECTORS (PROVISION 11)

Since, for the purpose of the UK Code, only the shareholder representatives on the Supervisory Board are taken into account, with five independent members (excluding the Chairman of the Supervisory Board) more than half of its members are considered independent.

IDENTIFICATION OF SENIOR INDEPENDENT DIRECTOR (PROVISION 12)

Under German law and the DCGK, there is no concept of a 'Senior Independent Director'. Instead, shareholders may raise any issues at the Annual General Meeting (AGM). In this forum, the Executive Board and the Chairman of the Supervisory Board are available to address any issues and are legally obliged to provide adequate responses.

Outside the AGM, shareholders may approach the Executive Board, in particular the CEO or the CFO, or, for topics relating to Supervisory Board matters, the Chairman of the Supervisory Board or any of his Deputies. Mr Peter Long, who was Chief Executive Officer of TUI Travel PLC before the merger, was elected as additional Deputy Chairman of the Supervisory Board of TUI AG in February 2018 alongside Mr Frank Jakobi (First Deputy Chairman who, under the German Co-Determination Act, must be an Employee Representative).

DIVISION OF RESPONSIBILITIES – CHAIRMAN & CHIEF EXECUTIVE (PROVISION 14)

The separation of the roles of the Chairman of the Supervisory Board (Dr Dieter Zetsche) and the CEO (Mr Friedrich Joussen) is clearly defined under German law as part of the two-tier board structure. Therefore, no further division of their responsibilities as well as responsibilities of the Executive Board and the Supervisory Board is required or even possible. In addition, the division of responsibilities within the Executive Board and the Supervisory Board as well as its committees also results directly from legislation and the respective terms of reference. Therefore, the Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code.

ADVICE AND SERVICE OF THE COMPANY SECRETARY (PROVISION 16)

There is no specific role of Company Secretary in German companies. However, Executive and Supervisory Board members have access to the Board Office of TUI AG if they need any advice on all governance matters or other services. The Board Office acts as an interface in corporate matters for the Executive and Supervisory Board members and is responsible for ensuring that the requisite processes and procedures are in place governing all Executive and Supervisory Board meetings (i. e. preparation of agendas, minuting of meetings and ensuring compliance with German and UK law, as appropriate, and with recommendations for corporate governance). The Board Office also supports the Chairman of the Supervisory Board, the CEO, the CFO and the Chairmen of the Audit and the Strategy Committees. Executive and Supervisory Board members also have access to legal advice via the Group Director Legal, Compliance & Board Office and via the Board Office. The Supervisory Board can also approach the Executive Board directly for specific advice on any matters. Accordingly, the Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code.

NOMINATION COMMITTEE – COMPOSITION AND RESPONSIBILITIES (PROVISION 17)

The role of the Nomination Committee in a typical UK company is fulfilled in TUI AG by two Committees of the Supervisory Board:

Under the Terms of Reference for the Supervisory Board and its Committees (which are equivalent to the Terms of Reference of a British corporation) the Nomination Committee considers and proposes suitable candidates as shareholder representatives to the Supervisory Board for its election proposals to the AGM. The Presiding Committee determines the requirements and remuneration for any new appointments to the Executive Board and recommends suitable candidates to the Supervisory Board. On that basis, the Supervisory Board appoints Executive Board members. This approach is different from the UK where all director appointments are approved by shareholders at the AGM. Succession planning for management levels below Executive Board is carried out by the Executive Board.

However, as is common practice in Germany, at each AGM shareholders are asked to decide whether they approve the actions of the Executive Board and Supervisory Board members during the past financial year. Since the AGM 2015, in the light of UK practice, TUI AG has changed its procedure to allow a separate vote on each individual Executive Board and Supervisory Board member, as it is customary in the UK. TUI AG intends to continue this practice. Accordingly, the Supervisory Board considers that TUI AG lives up to the spirit and meaning of the UK Code to the extent practicable.

There is no requirement under German law or the German Corporate Governance Code for the majority of the Nomination Committee members to be independent. One of the now three members of the Nomination Committee is affiliated with a major shareholder (Mr Alexey Mordashov) and therefore not independent in the sense of the UK CGC. Until his election to the Supervisory Board in February 2016, Mr Peter Long was Co-Chairman of the Executive Board of TUI AG from December 2014 to February 2016. Consequently, only Dr Dieter Zetsche is independent within the meaning of the UK CGC. Therefore TUI AG is not compliant with the UK Code, which requires a majority of the Nomination Committee to be independent. However, TUI AG considers that the current membership of the Nomination Committee provides a strong and experienced pre-selection of Supervisory Board shareholder representation members, while keeping the Committee to a manageable size.

ANNUAL RE-ELECTION BY SHAREHOLDERS AT THE AGM (PROVISION 18)

None of the Executive or Supervisory Board members is re-elected annually. However, as noted above, in light of the UK Code and UK best practice, TUI AG voluntarily puts individual resolutions approving the actions of each Executive and Supervisory Board member to the AGM resolving on the annual financial statements for the previous year. TUI AG intends to continue this practice.

The end of appointment periods for Supervisory Board members are disclosed in the table from page 102. Current curricula vitae of all Executive and Supervisory Board members are published at www.tuigroup.com/en-en/investors/corporate-governance.

BOARD PERFORMANCE EVALUATION (PRINCIPLE L AND PROVISION 21)

The performance of each individual Executive Board member is evaluated annually by the Supervisory Board for the annual performance-based remuneration. In this context, the Supervisory Board also reviews the individual member's overall performance as part of the Executive Board. However, no external performance evaluation is done for the Executive Board.

It is not customary to conduct annual reviews of the Supervisory Board's efficiency. Each Supervisory Board member can give feedback to the Chairman, the Deputy Chairmen or the Supervisory Board as a whole as and when appropriate or required.

External evaluation, which includes the work of the Chairman of the Supervisory Board, is performed by means of individual interviews and anonymous reviews. Executive Board members are invited to contribute to the process. Consolidated results are shared with the entire Supervisory Board and appropriate actions are suggested and discussed as appropriate. The last external review of the Supervisory Board was undertaken in 2015 by Board Consultants International. Board Consultants International has no other connection with TUI AG. Due to the forthcoming change in the chairmanship of the Supervisory Board, an internal efficiency audit was conducted at the end of 2018, which was accompanied by a notary of GÖHMANN Rechtsanwälte und Notare to ensure anonymity. At its last meeting on 12 September 2019, the Supervisory Board, now chaired by Dr Dieter Zetsche, dealt with the measures derived from the results of the efficiency audit. Due to the change in the chairmanship of the Supervisory Board, no efficiency review was planned for 2019. Rather, the Supervisory Board concentrated on implementing the measures derived from the efficiency review. The Supervisory Board discussed this issue and decided to return to the subject of external efficiency audits in 2020, after an appropriate number of meetings had been held under the chairmanship of Dr Dieter Zetsche. Due to the COVID-19-pandemic, the efficiency audit (currently under the DCGK self-assessment) was conducted internally at the end of September 2020. It is planned that the Supervisory Board will deal with the results and any measures to be derived from them in December 2020.

NOMINATION COMMITTEE – SECTION IN THE ANNUAL REPORT (PROVISION 23)

For the activities of the Nomination Committee, see page 11 which is part of the Chairman's letter to shareholders. The succession planning approach is outlined on page 113. The policy on diversity and inclusion can be found on page 86 and 112. For evaluation of the performance of the board, see above.

COMPOSITION OF THE AUDIT COMMITTEE (PROVISION 24)

Neither German law nor the German Corporate Governance Code stipulates that the Chairman of the Supervisory Board should not be a member of the audit committee and that the audit committee may only consist of independent members. The audit committee consists of Dr Dieter Zetsche as Chairman of the Supervisory Board and Mr Vladimir Lukin, who is not considered to be independent. TUI AG therefore does not fully meet the requirements of the UK CGC, but is of the opinion that the current composition of the audit committee ensures reliable work based on experience.

FAIR, BALANCED AND UNDERSTANDABLE ANNUAL REPORT & ACCOUNTS (PROVISION 27)

In a German stock corporation the Executive Board is responsible for drafting the Annual Report & Accounts (ARA). According to section 243 (2) of the German Commercial Act (HGB) the ARA must be clearly arranged and should present a realistic picture of the Company's economic situation. This is equivalent to the UK Code requirement for the ARA to be fair, balanced and understandable. Although this assessment has not been delegated to the Audit Committee, the Executive Board is convinced that this ARA satisfies both requirements.

ESTABLISHMENT AND OPERATION OF REMUNERATION COMMITTEE (PROVISION 32, 34 AND 41)

In the German governance structure there is no separate Remuneration Committee. The remuneration of the Executive Board is under involvement of the employee representatives monitored and agreed by the Supervisory Board based on recommendations from the Presiding Committee, which is governed by the Supervisory Board Terms of Reference.

Supervisory Board remuneration and the remuneration of Board Committee members is governed by the Articles of Association as resolved on by the shareholders at the AGM.

See the Directors' Remuneration Report from page 117 for full details on Executive and Supervisory Board member´s remuneration.

NOTICE PERIODS FOR EXECUTIVE DIRECTORS (PROVISION 39)

In accordance with the customary practice in Germany members of the Executive Board are generally appointed for a term of three to five years. The appointments of respective members of the Executive Board were extended by three years in financial year 2020. This is not yet fully in line with the UK CGC recommendation that notice periods or contract terms should be set at one year or less. However, the contracts include maximum limits on the amounts payable on termination.

See Remuneration Report from page 117.

Further information on Corporate Governance

FUNCTIONING OF THE EXECUTIVE AND SUPERVISORY BOARDS

TUI AG is a company under German law. One of the fundamental principles of German stock corporation law is the dual management system involving two bodies, the Executive Board in charge of managing the company and the Supervisory Board in charge of monitoring the company. TUI AG's Executive Board and Supervisory Board cooperate closely and in a spirit of trust in managing and overseeing the Company, with strict separation between the two bodies in terms of their membership and competences. Both bodies are obliged to ensure the continued existence of the Company and sustainable creation of added value in harmony with the principles of the social market economy.

TUI AG's Executive Board comprised six members as at the closing date 30 September 2020. The Executive Board is responsible for managing the Company's business operations in the interests of the Company. The Executive Board works on the basis of terms of reference issued by the Supervisory Board. The allocation of functions and responsibilities to individual Board members is presented in a separate section.

For functions, see tables 'Supervisory Board and Executive Board' on page 102 et seq.

In accordance with the law and the Articles of Association, the Supervisory Board had 20 members at the balance sheet date, i.e. 30 September 2020. As the oversight body, the Supervisory Board provided on-going advice and supervision for the Executive Board in managing the Company in financial year 2020, as required by the law, the Articles of Association and its own Terms of Reference. The Supervisory Board is involved in strategic and planning decisions and all decisions of fundamental importance to the Company. When the Executive Board takes decisions on major transactions, such as the annual budget, major acquisitions or divestments, it is required by its terms of reference to seek the approval of the Supervisory Board. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the concerns of the body externally. The Supervisory Board and the Audit Committee have adopted terms of reference for their own work. The Terms of Reference of the Supervisory Board are available on the company's website.

For further details, please refer to the Report of the Supervisory Board on page 11.

TUI AG has taken out a D&O insurance policy with an appropriate deductible for all members of the Executive Board and Supervisory Board. The deductible amounts to 10 % of the loss up to the amount of one and a half times the fixed annual compensation.

COMPOSITION OF THE SUPERVISORY BOARD

TUI AG falls within the scope of the German Industrial Co-Determination Act (MitbestG). The Supervisory Board is therefore composed of an equal number of shareholder representatives and employee representative. Employee representatives within the meaning of the Act include a senior manager (section 5 (3) of the German Works Constitution Act) and three trade union representatives.

The composition of the Supervisory Board in financial year 2020 ensured that its members as a group had the knowledge, ability and expert experience required to properly complete their tasks. The goals set by the Supervisory Board itself for its composition include in particular comprehensive industry knowledge, at least five independent shareholder representatives, at least five members with international experience, and diversity (see also the diversity concepts for the Supervisory Board and the Executive Board from page 112 of this report).

Twelve members of the Supervisory Board had considerable international experience. Due to the different professional experiences of its members, the composition of the Supervisory Board overall reflects a great diversity of relevant experience, ability and industry knowhow. None of the shareholder representatives on the Supervisory Board had any commercial or personal relationship with the Company, its Executive Board or third parties that might cause a material clash of interests. Seven shareholder representatives are independent (including the Chairman of the Supervisory Board, who can be included in the count according to the German Corporate Governance Code). The seven independent members from the Company and its Executive Board, as well as from a controlling shareholder were Ms Ingrid-Helen Arnold, Prof. Dr Edgar Ernst, Ms María Garaña Corces, Ms Angelika Gifford, Mr Peter Long, Ms Coline McConville and Dr Dieter Zetsche.

The members of the Supervisory Board take responsibility for undertaking any training or professional development measures necessary to fulfil their duties and they receive support in this respect from the company. The company regularly informs its members about current changes in the legislation as well as about relevant topics relating to the company and corporate governance. New members of the Supervisory Board are given the opportunity to be introduced in detail to key issues of the Supervisory Board as part of the onboarding programme.

CONFLICTS OF INTEREST

Executive and Supervisory Board members are bound to observe the TUI AG's best interests. In addition, Executive Board members are subject to comprehensive non-compete clauses throughout the duration of their appointment. In the completed financial year 2020, there were no conflicts of interest requiring disclosure to the Chairmen of the Supervisory Board or the Executive Board. None of the Executive Board or Supervisory Board members has a board role or a consultancy contract with one of TUI's competitors.

SPECIFICATIONS PURSUANT TO SECTIONS 76 (4), 111 (5) OF THE GERMAN STOCK CORPORATION ACT

At least 30 % of the Supervisory Board members were women and at least 30 % were men at the balance sheet date. The Supervisory Board was therefore compliant with section 96 (2) sentence 1 of the German Stock Corporation Act. Both the shareholder and the employee representatives of the Supervisory Board have objected to the Chairman of the Supervisory Board with regard to the election of shareholder and employee representatives, which is to be initiated in 2020 as well as their appointments for the Annual General Meeting in 2021, with regard to overall compliance in accordance with section 96 (2) sentence 2 of the German Stock Corporation Act.

The Supervisory Board resolved, in keeping with section 111 (5) of the German Stock Corporation Act, that until 31 October 2020 one woman is required to be a member of the Executive Board. This goal was achieved in the reporting period with Dr Elke Eller's membership in the Executive Board and was exceeded since 15 July 2018 with the appointment of Ms Birgit Conix. In a resolution dated 15 September 2020, the Supervisory Board extended the target of one woman in the Executive Board until 30 September 2023.

In turn, the Executive Board resolved, in keeping with section 76 (4) of the German Stock Corporation Act, that women should account for 20 % of executives at the level immediately below the Executive Board and 30 % at the level below this. Both targets were to be achieved by 30 September 2020. For this reason, TUI AG has implemented various measures over the past years aimed at increasing the proportion of women on a long-term and sustainable basis. This includes, among other things, the promotion of women in talent programmes and specifically addressing them in the recruitment process. In addition, at least one woman should always be on the shortlist in the recruitment process for positions in the Senior Leadership Team. Despite all the measures taken, the suitability and qualification of candidates for filling vacant positions are still of primary importance. As a result of these measures, the proportion of women at TUI AG at the first management level below the Executive Board increased from 24 % to 25 % as of 30 September 2020 and thus exceeded the target of 20 %. At the second management level below the Executive Board, the proportion of women is 22 %, which is below the target of 30 %. In September 2020 the Executive Board again agreed on targets for the proportion of women in management. By 30 September 2023 women should account 25 % of executives at the level immediately below the Executive Board and 30 % at the level below this.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

TUI AG shareholders exercise their co-determination and monitoring rights at the Annual General Meeting, which takes place at least once a year. The AGM takes decisions on all statutory matters, and these are binding on all shareholders and the Company. For voting on resolutions, each share confers one vote.

All shareholders registering in due time are entitled to participate in the Annual General Meeting. Shareholders who are not able to attend the AGM in person are entitled to have their voting rights exercised by a bank, a shareholder association, one of the representatives provided by TUI AG and acting on the shareholders' behalf in accordance with their instructions, or some other proxy of their own choosing. Shareholders also have the opportunity of authorising the representative provided by TUI AG via the web in the run-up to the AGM. Shareholders can, moreover, register for electronic dispatch of the AGM documents.

The invitation to the AGM and the reports and information required for voting are published in accordance with the provisions of the German Stock Corporation Act and provided in German and English on TUI AG's website. During the AGM, the presentations by the chairman of the Supervisory Board and the Executive Board members can be followed live over the Internet.

RISK MANAGEMENT

Good corporate governance entails the responsible handling of commercial risks. The Executive Board of TUI AG and the management of the TUI Group have comprehensive general and company-specific reporting and monitoring systems available to identify, assess and manage these risks. These systems are continually developed, adjusted to match changes in overall conditions and reviewed by the auditors. The Executive Board regularly informs the Supervisory Board about existing risks and changes to these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the effectiveness of the internal control and risk management systems and the internal auditing system, compliance and audit of the annual financial statements.

More detailed information about risk management in the TUI Group is presented in the Risk Report. It also contains the report on the accounting-related internal control and risk management system required in accordance with the German Commercial Code (sections 289 (5), 315 (2) no. 5 HGB).

Risk Report see page 33.

TRANSPARENCY

TUI provides immediate, regular and up-to-date information about the Group's economic situation and new developments to capital market participants and the interested public. The Annual Report and the Interim Reports are published within the applicable timeframes. The Company publishes press releases and ad hoc announcements, if required, on topical events and any new developments. Moreover, the company website at www.tuigroup.com provides comprehensive information on TUI Group and the TUI share.

The scheduled dates for the principal regular events and publications – such as the AGM, Annual Report and Interim Reports – are set out in a financial calendar. The calendar is published well in advance and made permanently accessible to the public on TUI AG's website.

DIRECTORS' DEALINGS

The Company was informed by Mr Friedrich Joussen of notifiable purchase and sale transactions of TUI AG shares or related financial instruments by directors (directors' dealings or managers' transactions) concerning financial year 2020. Details are provided on the Company's website.

Purchase and sales transactions by members of the boards are governed by the Group Manual Share Dealings by Restricted Persons, approved by the Executive Board and the Supervisory Board, alongside corresponding statutory provisions. In particular this stipulates an obligation to receive a clearance to deal for transactions with TUI AG's financial instruments by members of the Executive Board, the Supervisory Board and the Group Executive Committee as well as by persons on the insider list.

ACCOUNTING AND AUDITING

TUI AG prepares its consolidated financial statements and consolidated interim financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The statutory annual financial statements of TUI AG, which form the basis for the dividend payment, are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Executive Board, audited by the auditors and approved by the Supervisory Board. The interim report is discussed between the Audit Committee and the Executive Board prior to publication. The consolidated financial statements and the financial statements of TUI AG were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the auditors elected by the 2020 Annual General Meeting. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered the risk detection system. A review pursuant to Listing Rule 9.8.10 R (1) and (2) was carried out.

See audit opinion by the auditors on page 250.

The consolidated financial statement and management report as of 30 September 2020 was reviewed by the auditors. In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board or the audit committee about all findings and issues of importance for its tasks which come to the knowledge of the auditors during the performance of the audit. Furthermore, it was agreed with the auditors that they inform the Supervisory Board or the audit committee and note in the audit report if during the performance of the audit, any facts were identified that indicate an inaccuracy in the Declaration of Compliance regarding the recommendations of the DCGK issued by the Executive Board and Supervisory Board. There were no grounds to provide such information in the framework of the audit of financial year 2020.

Diversity concepts for the composition of the Executive Board and Supervisory Boards

DIVERSITY CONCEPT FOR THE COMPOSITION OF THE EXECUTIVE BOARD

The diversity concept for the composition of the Executive Board takes into account the following diversity aspects:

(a) Age
As a rule, the employment contracts of members of the Executive Board end once the standard retirement age for statutory retirement insurance has been reached (currently 67).

(b) Gender
The Executive Board should include one woman.

(c) Educational / professional background
The necessity for a variety of educational and professional backgrounds already arises from the obligation to manage the company in accordance with the law, the company's articles of association and its terms of reference. In addition, the Executive Board as a whole, through its individual members, should possess the following essential background qualities:

- management experience, some of which ideally has been acquired abroad, and intercultural competence for successful management and motivation of global teams;
- in-depth practical experience in stakeholder dialogue (i.e. with managers and employees, including their representative bodies, with shareholders and the public);
- experience in IT management and an understanding of digitalisation of vertically integrated value chains;
- profound experience in value-driven, KPI-based strategy development and implementation and corporate governance;
- profound knowledge of the intricacies and requirements of the capital market (shareholder management);
- knowledge of accounting and financial management (controlling, financing);
- in-depth understanding of and experience with change management.

GOALS OF THE DIVERSITY CONCEPT FOR THE COMPOSITION OF THE EXECUTIVE BOARD

The standard retirement age on the one hand enables incumbent members of the Executive Board to contribute their professional and life experience for the good of the company for as long a time as possible. On the other hand, adherence to the standard retirement age is intended to promote regular rejuvenation of the board.

Inclusion of both genders in Executive Board work is on the one hand an expression of the conviction of the Supervisory Board that mixed-gender teams lead to the same or better outcomes as teams with representation from only one gender. But it is also the logical continuation of the gender diversity measures implemented by the Executive Board within the wider company, which aim to increase the proportion of women in leadership roles. These measures are only to be applied and implemented in a credible manner if the Executive Board does not consist solely of male members ('proof of concept').

A variety of professional and educational backgrounds is necessary on the one hand to properly address the tasks and obligations of the law, the company's articles of association and its terms of reference. In addition, it is the view of the Supervisory Board that they are a guarantee of ensuring diverse perspectives on the challenges and associated approaches to overcoming them that are faced in the day-to-day work of the company. International management experience is of particular importance. Without such skill and experience with integrating, leading and motivating global teams, it is impossible to take into consideration the different cultural backgrounds of managerial staff and the workforce as a whole.

METHOD OF IMPLEMENTATION OF THE DIVERSITY CONCEPT FOR THE COMPOSITION OF THE EXECUTIVE BOARD

A key aspect of applying the diversity concept to the composition of the Executive Board is inclusion of the Supervisory Board within the corporate organisation, as is prescribed by law, the company's articles of association and its terms of reference. This ensures the Supervisory Board is familiar with the strategic, economic and actual situation of the company.

In its role as overseer of the management of the Executive Board, the Supervisory Board of TUI AG makes decisions on the allocation of business responsibilities within the Executive Board, appointments to the Executive Board and thus also workforce and succession planning within the Executive Board. As part of that workforce and succession planning, the Presiding Committee or the Supervisory Board itself regularly meets with the Executive Board or its members to discuss suitable internal succession candidates for Executive Board positions (emergency, medium-term and long-term scenarios). As part of these Supervisory Board and Committee meetings, or in preparation for them, members of the Supervisory Board have the opportunity to meet up with so-called high potentials within the Group in a professional and personal setting. The Presiding Committee and Supervisory Board make their own deliberations about these matters and also discuss them in the absence of the Executive Board. This includes evaluation and possible inclusion of external candidates for Executive Board positions in the selection process. In all of these deliberations, the above-mentioned diversity aspects of Executive Board appointments play a part in the decision-making of the Supervisory Board. The Supervisory Board also asks the Executive Board to report twice a year on current progress and implementation of family-friendly concepts (e.g. flexible work times and locations via, for instance, video-conferencing, part-time options, cultural change) and concrete measures for promotion of women (e.g. at least one woman on the final shortlist for any new or replacement appointments to roles within the senior leadership team).

RESULTS ACHIEVED IN FINANCIAL YEAR 2020

With effect from 15. July 2018, Ms Birgit Conix was appointed member of the Executive Board as second female Executive Board member. The target set by the Supervisory Board that at least one woman should be a member of the Executive Board has thus been exceeded in the reporting period. In connection with the leaving of Ms Birgit Conix from the Executive Board with effect from 31 December 2020, Mr Sebastian Ebel will take over the Finance Department from 1 January 2021. In addition, the Supervisory Board appointed Mr Peter Krueger as a member of the Executive Board with effect from 1 January 2021. In addition, the appointment of Mr David Burling was extended for a further three years by the respective Supervisory Board resolution (see overview of the Executive Board on page 104). It is the view of the Supervisory Board that Mr Ebel, Mr Burling and Mr Krueger among other things through their professional careers, their wide-ranging international experience and by virtue of their diverse professional histories and individual backgrounds, will contribute to the diversity of the Executive Board. For anyone interested in further information, the CVs of these and all other members of the Executive Board are available on the company website, as well as further details communicated about the appointment decisions of the Supervisory Board.

DIVERSITY CONCEPT FOR THE COMPOSITION OF THE SUPERVISORY BOARD

The diversity concept for the composition of the Supervisory Board takes into account the following diversity aspects: The terms of reference of the Supervisory Board of TUI AG stipulate a standard age limit of 68 for elections to the Supervisory Board. As well as the statutory gender quota (section 96 (2)(1) of the German Stock Corporation Act, (AktG) the Supervisory Board has set itself further goals in relation to its composition. These include e.g. the kind of international character and sector experience that diverse educational and professional backgrounds provide as well as a number of independent shareholder representatives. Application of the law about the codetermination rights of employees also contributes greatly to ensuring diverse educational and professional backgrounds within the Supervisory Board of TUI AG.

GOALS OF THE DIVERSITY CONCEPT FOR THE COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board is convinced that the diversity of its own composition sends an important signal both inside and outside the company. The age limit and standard membership term have the goal on the one hand of finding and retaining suitable candidates. Members of the board must possess sufficient professional experience and personal suitability for the position and have the necessary time available to perform the role. After familiarisation with the business model and the peculiarities of a vertically integrated company, the Supervisory Board considers the stability of board composition in the sense of continuity of corporate development to be equally important. On the other hand, the Supervisory Board should be looking at new approaches and new ideas on a regular basis, in order to further the continual development of the company and the business model. The Supervisory Board considers the age limit and standard membership term to be worthwhile instruments for achieving both goals.

Other goals in relation to composition (including international character and sector experience) reflect the demands placed on the advisory and oversight body and its role within a globally active Group of companies operating in a challenging competitive environment. Multicultural and international experience of corporate integration is equally as important for this as knowledge of the value drivers and success levers of the sector. In all of this, the effect and cultural features of the so-called stakeholder approach of a social market economy must be taken into account, which is also ensured on the Supervisory Board by the codetermination of employee representatives.

METHOD OF IMPLEMENTATION OF THE DIVERSITY CONCEPT FOR THE SUPERVISORY BOARD

Implementation of the goals pursued by the diversity concept is assured by the anchoring of its key components in law and in the company's terms of reference as well as the requirement for a Declaration of Compliance in accordance with section 161 of the German Stock Corporation Act (AktG) on Corporate Governance within the company. As far as the shareholder side of the Supervisory Board is concerned, the Nomination Committee ensures that the binding and voluntary targets for the composition of the Supervisory Board are met. As part of regularly conducted efficiency audits, the Supervisory Board also undertakes a self-evaluation process, which includes aspects of its composition.

RESULTS ACHIEVED IN FINANCIAL YEAR 2020

In the current financial year, no changes have been made to the diversity concept or the composition of the Supervisory Board. In accordance with the recommendation in point 5.4.1 (2) of the previous German Corporate Governance Code (version dated 7 February 2017) the Supervisory Board in its resolution of 14 September 2017 issued a competency profile for the composition of the board as a whole.

Since his election to the Supervisory Board at the 2018 Annual General Meeting, Dr Dieter Zetsche has made a very valuable contribution to the diversity of the Supervisory Board thanks to his extensive international experience and his extensive experience in the management of a major global corporation. He now contributes his knowledge and skills as Chairman of the Supervisory Board. With the election of Ms Ingrid-Helen Arnold and Ms Maria Garaña Corces as members of the Supervisory Board by the Annual General Meeting in February 2020, the Supervisory Board was enriched by extensive experience in the development of digital solutions and the structural repositioning of company, which is of significant value to us in light of the Markets and Domain Transformation. From the point of view of the Supervisory Board, there is currently no further need for action in relation to diversity. On the shareholder side, both genders are nearly balanced represented, (4 female, 6 male), and in terms of the board as whole, the proportion of women of 30% is in line with the statutory quota. With six different nationalities represented on the Supervisory Board, its composition can be described as international. The diversity of professional and educational backgrounds of the individual members of the board is also evident from the yearly updated CVs of Supervisory Board members published on the corporate website.

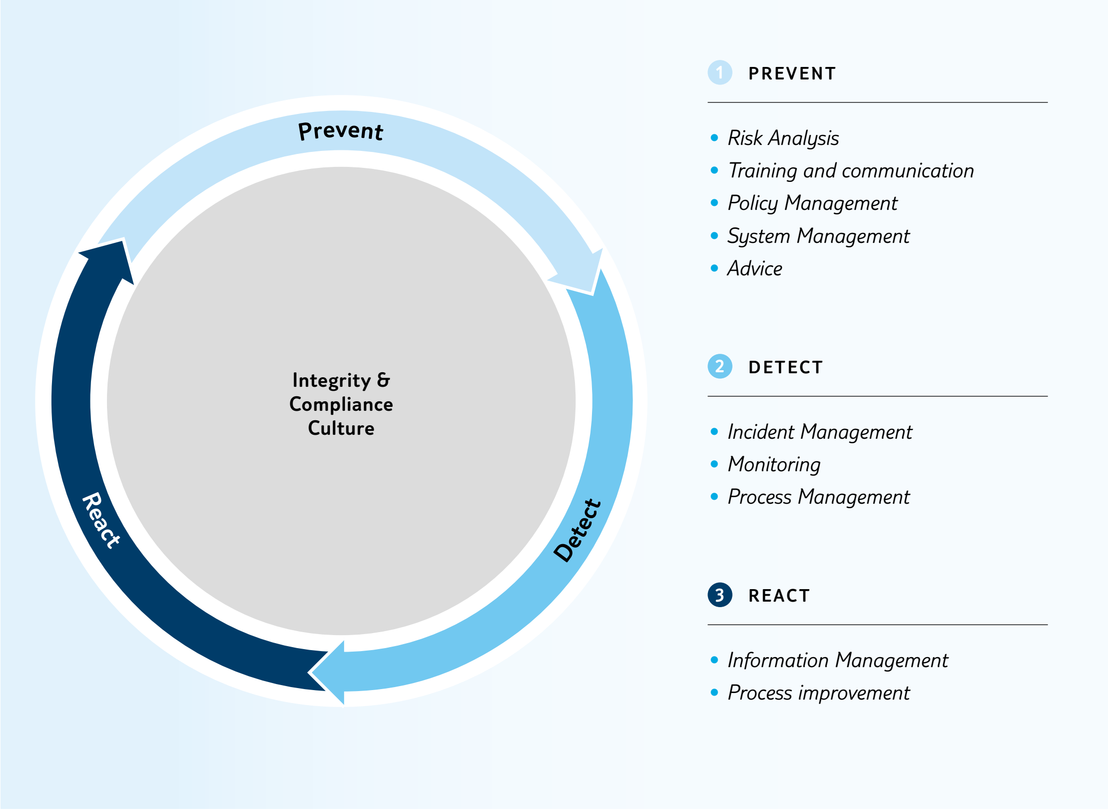
Integrity & Compliance

Anti-Corruption and Anti-Bribery

In implementing our business activities, we have to comply with a large number of national and international laws and rules as well as internal policies. Our Compliance Management System helps us comply with these. Its goals also include preventing misconduct and avoiding liability risks for the Company, its legal representatives, executives and employees and thereby protecting the reputation of the Company. It is a fundamental component in our commitment to entrepreneurial, environmental and socially responsible operations and management and an indispensable part of our corporate culture and Corporate Governance activities.

In the second half of the year, Integrity & Compliance activities were also affected by the COVID-19-crisis. For operational reasons, some measures such as training, surveys and communication were only carried out to a reduced extent or with a time delay. However, the ability of the Integrity & Compliance organisation to work was guaranteed at all times.

TUI Compliance Management System



COMPLIANCE MANAGEMENT SYSTEM

TUI Group's Compliance Management System is based on a risk management approach. It is built around three pillars: prevention, detection and reaction, which, in turn, comprise a large number of internal measures and processes.

The focus is on the legal sub-areas anti-corruption, fair competition, data protection and trade sanctions. Our Compliance Management System defines the set-up and regular operations as well as the documentation of roles, responsibilities and processes in these areas.

The Compliance Management System applies to TUI AG and all companies majority-owned, directly or indirectly, by TUI AG, whether domestic or foreign, and of any other shareholdings, where management control directly or indirectly lies with TUI AG ('Managed Group Companies'). Implementation of the Compliance Management System is recommended for companies where management control does not lie with TUI AG ('Non-Managed Group Companies'). The Compliance Management System has been designed to meet the requirements of Auditing Standard PS 980 of the German Institute of Auditors.

INTEGRITY & COMPLIANCE STRUCTURE

Our Compliance structure supports those responsible in their task of communicating values and rules and anchoring them in the Group. It ensures that Compliance requirements are implemented throughout the Group in different countries and cultures. TUI Group's decentralised Compliance structure includes Head Compliance Officers, whose role is to implement and support the requirements of the Integrity & Compliance team. Under the aegis of the Chief Compliance Officer, the Integrity & Compliance team works with the decentralised Compliance Officers to perform the following tasks at different management levels:

- Raising awareness of Integrity & Compliance and the relevant technical issues
- Achieving the goals of the Integrity Passport – TUI's Code of Conduct – and the Compliance Rules
- Providing training
- Advising managers and employees
- Securing the necessary exchange of information
- Monitoring new national and international legislation
- Providing regular, quarterly reports to the Group Executive Committee and annual reports to the Audit Committee of the Supervisory Board

In May 2020, the tasks of the existing Compliance Committee, which was chaired by the Chief Financial Officer and consisted of the HR Director, Chief Compliance Officer, the Heads of Group External Affairs & Communications, Group Audit and representatives of the Group Works Council and TUI's Europe Forum, were transferred to a new Compliance Committee set up by the Group Works Council. This move reflected the fact that most topics addressed by the Compliance Committee are subject to co-determination requirements so that the new approach enhances the efficiency of the discussions and decision-making. The regular members of the Compliance Committee of the Group Works Council are representatives of the Group Works Council, the Director Integrity & Compliance and, as appropriate, additional employer representatives. A TUI Europe Forum delegate is a permanent guest in the Working Group.

INTEGRITY & COMPLIANCE CULTURE

The Integrity & Compliance culture influences people's behaviour and their views about complying with the applicable rules. It therefore forms the basis for an effective Compliance Management System. Our culture reflects management's fundamental attitude and conduct and the role of the supervisory body, the 'tone from the top'. It is expressed, inter alia, in our corporate value 'Trusted', appealing to our employees' personal responsibility and their honesty and sincerity in handling customers, stakeholders and fellow employees.

INTEGRITY PASSPORT – TUI'S CODE OF CONDUCT

The Integrity & Compliance culture is strongly characterized by TUI's Integrity Passport, our Code of Conduct, which is binding for all employees, from Board members to trainees, and all managed Group companies. The name 'Integrity Passport' signals a shift in the Company's Compliance culture: away from a purely rule-based understanding of Compliance towards a culture of integrity values. The Integrity Passport serves as the guiding principle for our Executive Board, managements, executives and employees alike. It provides orientation in key areas of people's day-to-day work and in conflict situations: fair competition, no bribery and corruption, appropriate gifts and hospitality, protecting our business secrets, ensuring data protection, dealing with conflicts of interest, no insider trading, accurate books and records, preventing money laundering, trade restrictions, treating each other with respect, sustainability, public communication relating to TUI and how to raise a concern.

SUPPLIERS' CODE OF CONDUCT

The Integrity Passport is complemented by the Suppliers' Code of Conduct, which details TUI's ethical, social and legal expectations of its business partners.

Moreover, business partners are required by contract to observe all national and international anti-corruption laws applicable to the supplier relationship. This places our business relationship with our partners on a solid basis.

INTEGRITY & COMPLIANCE POLICY MANAGEMENT

The principles defined in the Integrity Passport are additionally implemeted via various Policies, Statements and Manuals reflecting the legal requirements. This is supported by our Group-wide Policy Management, developing the standards for Group-wide Policies and coordinating the involvement of relevant internal stakeholder groups, e. g. other departments and the works council. This approach is designed to provide TUI Group with a set of policies which are as complete and comprehensible as possible without seeking over-regulation. TUI Group's Compliance Policies offer guidance on a range of issues, including on appropriate conduct regarding gifts and hospitality, data protection, fair competition and compliance with trade sanctions.

INTEGRITY & COMPLIANCE – RISK ASSESSMENT

As a matter of principle, an annual risk assessment is prepared for the topics of protection of free and fair competition, prevention of corruption, data protection and dealing with trade sanctions, whereby the risks are assessed according to the criteria of probability of occurrence and possible extent of damage (including damage to reputation). The results of the Compliance risk identification process are used to derive corresponding risk-minimising measures. In the completed financial year, the focus was on improving controls and measures already implemented.

Risk analysis and prevention also includes the annual survey among legal representatives, executives and employees of TUI Group to identify potential conflicts of interest.

The survey carried out in the financial year under review in the UK was completed by 98 % of the respondents. The evaluation showed that potential conflicts of interest requiring further investigations existed for 9 % of the respondents. These conflicts of interest were subsequently eliminated, approved or monitored so that the required transparency was created.

DATA PROTECTION

Data protection remains important for the TUI Group. In financial year 2019, TUI Group implemented indicators to help measure compliance with data protection laws. These indicators measure observance of the legal time limit to respond to data access requests (2020: 99.9 %; 2019: 97 %) and the proportion of data privacy complaints which turn out to be legitimate (2020: 57 %; 2019: 21 %). These indicators are reported to the Group Executive Committee on a quarterly basis.

INTEGRITY & COMPLIANCE TRAINING

Training is a key element of TUI's Compliance Management System, with its focus on preventing misconduct, and a crucial component of TUI Group's Integrity & Compliance culture. It is carried out according to a graded concept: managers and staff at TUI have all benefited from face-to-face teaching and online programmes. Two online training programmes are mandatory for all employees and executives: one on the Integrity Passport, which explains integrity and the underlying corporate values, and one on data protection, which provides fundamental information on this topic. The online training on 'Fair Competition' launched in the completed financial year complements communication on the Group Policy already implemented. Moreover, individual companies and segments within TUI offered training schemes with their own specific focus, e. g. on anti-corruption, competition law or the appropriate handling of gifts and hospitality, to raise awareness of the risk challenges employees might face.

WHISTLEBLOWER SYSTEM: SPEAKUP LINE

TUI offers its managers and employees a Group-wide whistleblower system to enable serious infringements of laws or the policies anchored in TUI's Integrity Passport to be reported anonymously and without reprisals. This whistleblowing system is currently available to staff in 53 countries. All reports are consistently followed up in the interests of all stakeholders and the Company. Our top priority is to ensure confidentiality and handle information discreetly. Any incidents resulting from the use of the whistleblower system are reviewed and followed up by the Integrity & Compliance team, in some cases in conjunction with Group Audit.

In the completed financial year, a total of 50 reports (in 2019: 83 reports) were received through the SpeakUp Line. Apart from the SpeakUp Line, employees also used the opportunity to directly report infringements to their line managers, the Compliance contact in charge or the Compliance Mailbox, also available externally. A further 19 reports (in 2019: 21 reports) were received through these channels. They were followed up whenever there were any indications suggesting potential infringements of internal policies or the law. Out of the 69 reports (in 2019: 104 reports) submitted in total, 9 cases (in 2019: 32 cases) initially presented prima facie indications of a Compliance infringement, leading to further investigations, which in 5 cases (in 2019: 2 cases) resulted in disciplinary measures.

In the financial year under review, there were no infringements of a severe nature that would have given rise to a publication.

BUSINESS PARTNER SCREENING (DUE DILIGENCE PROCESS)

There is a risk of bribery and corruption because we operate in countries with a high corruption index. Moreover, it cannot be ruled out that TUI business partners may be subject to trade sanctions or be included in sanctions lists.

The Integrity & Compliance team therefore screens selected business partners upon request and on occasion with the support of an internet database provider. The process involves checking the names of business partners against international sanctions, terrorist and wanted persons lists. In the event of a match, we launch a range of measures, in extreme cases terminating the business relationship.

In financial year 2020, this process was used in particular to check business partners of Group Purchasing (hotel partners as the key business partner group) and other business partners in countries with a sanction or corruption risk against Compliance criteria. In critical cases, the business units cooperating with the business partners in question were briefed about the results of the review, enabling them to implement further security measures.

Remuneration Report (as part of the Management Report)*

The remuneration report outlines the remuneration of the members of the Executive Board of TUI AG as well as the remuneration of the members of its Supervisory Board in accordance with the Articles of Association. The remuneration report is based, in particular, on the recommendations of the German Corporate Governance Code (GCGC), the requirements of the German Commercial Code (HGB) and, to the extent practicable, the requirements of the UK Corporate Governance Code (UK CGC). Additionally, the remuneration report also contains the information required under section 162 German Stock Corporation Act (AktG) in the version implementing the Second Shareholders' Directive (ARUG II). TUI AG is thereby implementing the requirements for the remuneration report arising from the framework agreement on the grant of stabilisation measures that was entered into on 29 September 2020 with the German Economic Stabilisation Fund (Framework Agreement).

* This is a remuneration report also in accordance with section 162 German Stock Corporation Act (AktG).

TUI AG is a German stock corporation that is also listed on the London Stock Exchange (LSE). Where mandatory provisions regarding the governance of or legal requirements for a German stock corporation are affected, these are disclosed in this report and placed in context with the UK CGC, as required.

Remuneration of the Executive Board

SHAREHOLDERS' APPROVAL OF THE REMUNERATION SYSTEM

Following preparatory work in financial year 2019, in December 2019 the Supervisory Board of TUI AG approved a new remuneration system for the members of the Executive Board with retroactive effect from the beginning of financial year 2020, i. e. from 1 October 2019. The remuneration system in its revised form was also approved by the shareholders of TUI AG at the Annual General Meeting on 11 February 2020. In addition to the legal requirements, the recommendations of the GCGC in its version dated 7 February 2017 as well as the draft for a new version dated 9 May 2019 were taken into account for the review of the remuneration system.[1] In addition to that, the recommendations of the UK CGC as well as a diverging UK market practice are included respectively in the position described.[2] In view of the latest developments of the arrangement of the remuneration, the remuneration system for the members of the Executive Board of TUI AG has been revised and approved by the shareholders of TUI AG taking into account all aforementioned perspectives. The defined performance indicators aim to take into account the interests of all stakeholders and to create value for our providers of equity and external funding. In amending the remuneration system for the members of the Executive Board, the Supervisory Board was assisted by renowned, independent external advisory from PWC.

[1] It was too early to take into account the final version of the new GCGC, which was published in the Federal Gazette on 20 March 2020, during the review process. The Supervisory Board will consider the final version of the GCGC in the context of its resolution on the remuneration system of the members of the Executive Board and the presentation thereof to the Annual General Meeting in accordance with the AktG in the version incorporating ARUG II.
[2] This statement does not constitute a mandatory statement and is therefore not part of the audit.

Among other things, the amended remuneration system contained different performance targets for the annual performance-based remuneration ('JEV'). Furthermore, the long-term performance target Total Shareholder Return ('TSR') is omitted in the calculation for the Long Term Incentive Plan ('LTIP'). Moreover, the amended remuneration system now includes a malus and clawback clause to take into account especially the requirements of UK-based shareholders and the amended recommendations of the GCGC.

Although this is common practice in many companies applying the UK CGC, TUI AG was not obliged to an annual 'say on pay', i.e. the shareholders' vote on the remuneration system under the AktG in the version applicable prior to ARUG II. However, in order to meet the wishes of our domestic and foreign shareholders, the former chairman of the Supervisory Board of TUI AG has made the commitment to submit the remuneration system for the Executive Board voluntarily for a legally non-binding vote of the shareholders at the upcoming AGMs. During the AGM 2020, TUI AG received approval totalling 80.7 % of the votes. In the following remuneration report, the targets to be achieved retroactively for the past financial year 2020 are explained in more detail in order to enable stakeholders to gain an understanding of the underlying target achievements of the remuneration system.

Pursuant to the AktG in the version incorporating ARUG II, in future the Supervisory Board is required to present the remuneration system for approval whenever a material change is made, and at least every four years. The Supervisory Board is required to make such a presentation no later than at the first ordinary Annual General Meeting following 31 December 2020. The procedure voluntarily followed to date at TUI AG based on the UK CGC already largely corresponds to these new requirements.

GENERAL PRINCIPLES

Following a recommendation from the Presiding Committee, the Supervisory Board determines in accordance with section 87 (1) sentence 1 German Stock Corporation Act the remuneration of the individual members of the Executive Board. It also regularly reviews the remuneration system for the Executive Board.

For further remits of the Presiding Committee, please see the report of the Supervisory Board page 14.

The following principles, in particular, are taken into account in this regard:

- Clarity and transparency
- Economic position, performance and sustainable development of the company
- Tying shareholder interest to value increase and distribution of profits with corresponding incentives for Members of the Executive Board
- Ability to be competitive on the market for highly qualified Members of the Executive Board
- Appropriateness and conformity with tasks, responsibilities and success of each individual Executive Board member, including in the relevant environment of comparable international firms, and taking into account standard practice at other major German companies
- Tying a material portion of total remuneration to the achievement of ambitious, long-term performance targets
- Appropriate correlation between the levels of fixed remuneration and performance-based remuneration
- Appropriateness in horizontal and vertical comparison (see page 144)

Moreover, the remuneration system approved by the Supervisory Board at the end of 2019 contains a malus and clawback clause. Accordingly, in case of a serious violation on the part of the beneficiary of the principles contained in the Company's code of conduct or of the duty of care in the management of the Company during the assessment period of the respective variable remuneration components, the Company may reduce or completely cancel the amounts payable or recover these in whole or in part following payment. The Supervisory Board shall decide on this in each individual case at its due discretion and in particular take into account the severity of the violation and the amount of the resulting financial or reputational damage.

I REMUNERATION SYSTEM OF THE EXECUTIVE BOARD IN FINANCIAL YEAR 2020

In financial year 2020, the remuneration for the members of the Executive Board comprises: (1) a fixed remuneration; (2) an annual performance-based remuneration (Jahreserfolgsvergütung – JEV); (3) virtual shares of TUI AG in accordance with the Long Term Incentive Plan (LTIP); (4) fringe benefits and (5) pension entitlements.

Details are set out below:

1. FIXED REMUNERATION

Purpose and link to company strategy

In conjunction with the other remuneration components, the fixed remuneration forms the basis of being able to attract and retain highly-qualified members of the Executive Board who are needed to develop and implement company strategy.

The remuneration should be commensurate with the abilities, experience and tasks of the individual Executive Board member.

Procedure

In determining the fixed remuneration the Supervisory Board takes into account, in particular, the relevant and aforementioned general principles.

The fixed remuneration is paid in twelve equal instalments at the end of each month. If the service agreement begins or ends in the course of the financial year relevant for payment of the remuneration, the fixed annual remuneration will be paid pro rata for that year.

Again in financial year 2020, the remuneration was reviewed especially where when service agreements of Members of the Executive Board were extended. It can be adjusted or revised for the term of a new service agreement within the scope of the existing remuneration system for members of the Executive Board. A review of the remuneration can also take place during the term of a service agreement in particular if there is a change with respect to the tasks or responsibility of an Executive Board member.

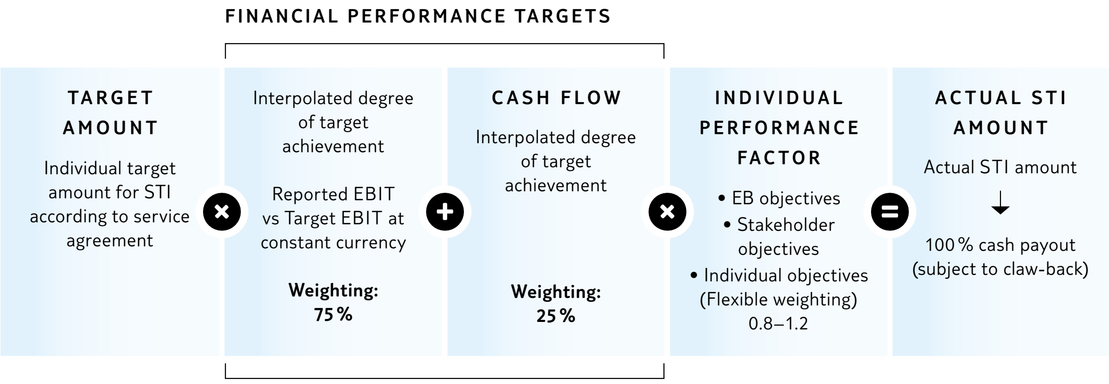
2. ANNUAL PERFORMANCE-BASED REMUNERATION (JEV)

Purpose and link to company strategy

The JEV is intended to motivate members of the Executive Board to achieve ambitious and challenging financial, operational and strategic targets throughout the financial year. The targets are reflective of the company strategy and aimed at increasing corporate value. In particular, the link to the EBIT means that the annual variable remuneration is coupled with the target achievement of a material group performance indicator in the respective financial year.

Description JEV

in %



Procedure

The JEV is calculated on the basis of two group performance indicators and an individual performance factor which is based on the individual performance of the member of the Executive Board, the performance of the overall Executive Board and the achievement of stakeholder targets. The performance period is the financial year of TUI AG.

An individual target amount (Target Amount) is agreed for each Executive Board member in their service agreement. Performance targets are Earnings Before Interest and Taxes (EBIT) at constant currency, and the free Cash Flow before dividends (Cash Flow), retroactively as of 1 October 2019. The target values for the one-year performance period for the EBIT and Cash Flow are set by Supervisory Board for the respective financial year.

The target achievement is calculated as follows:

2.1 EARNINGS BEFORE INTEREST AND TAXES (EBIT)

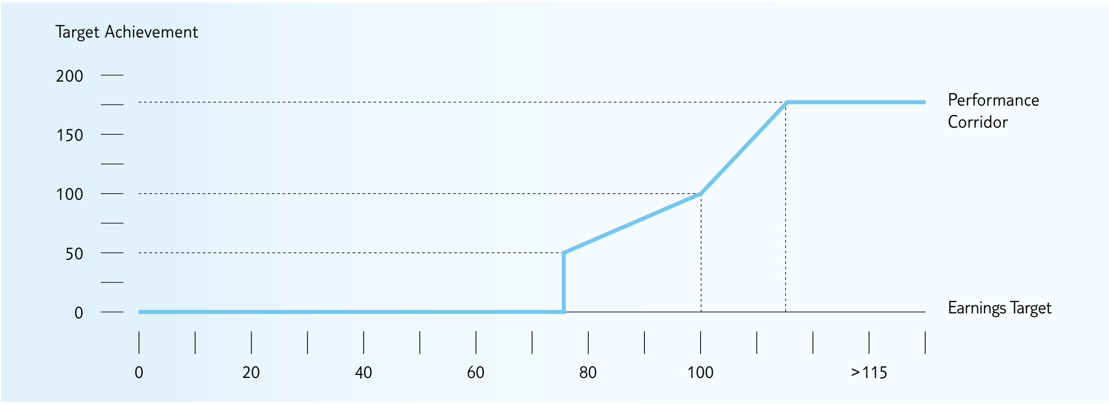
The EBIT is calculated on constant currency basis and is taken into account with a weighting of 75 %. With that the JEV includes one of the main key financial figures of TUI AG which are defined and published in the Annual Report. The adjustment for currency effects as defined and shown in the section Group performance indicators used in the Executive Board remuneration system makes it possible to measure the actual management performance without distortion from currency-induced translation effects.

- The EBIT component of the JEV must reach a threshold of at least 75 % of the earnings target (on a constant currency basis) (equals target achievement of 50 %), in order to be relevant for bonus purposes.
- The achievement of an earnings target of 100 % equals a target achievement of 100 %.
- Anything in excess of 115 % (on a constant currency basis) of the earnings target (corresponds to a target achievement of 180 %) is not included.

In the event of a quotient between 75 % and 100 %, linear interpolation will be used to determine the target achievement between 50 % and 100 %, and in the event of a quotient between 100 % and 115 %, linear interpolation will be used to determine the target achievement between 100 % and 180 %. The target achievement will be rounded to two decimal figures, as is customary in commercial practice.

Performance Corridor EBIT

in %



2.2 CASH FLOW

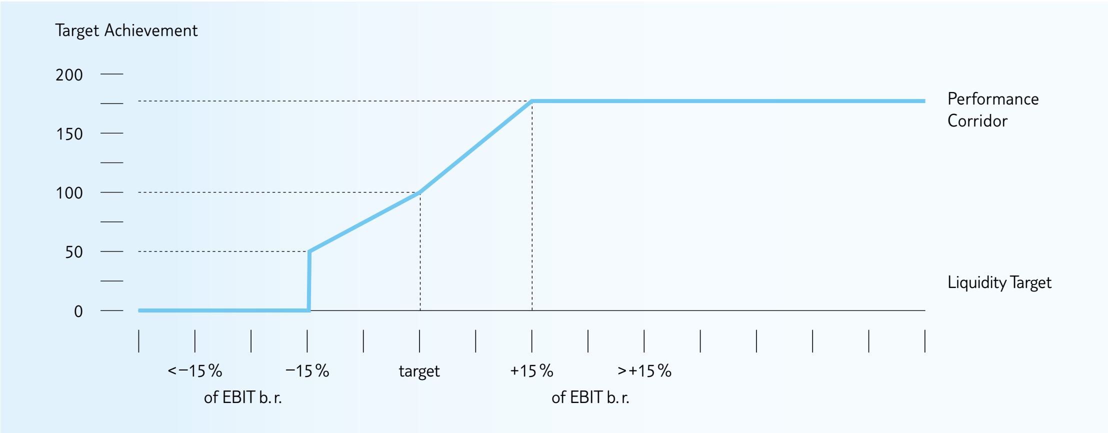
A cash flow is also included in the calculation as a second group performance indicator with a weighting of 25 %. For this purpose the free cash flow before dividends is calculated based on the unadjusted earnings before interest and taxes reported in the approved and audited consolidated accounts of the TUI Group (EBITA according to the approved and audited consolidated accounts of the TUI Group) on a constant currency basis plus the difference between amortisations and write-backs, plus the change to the so-called Working Capital, minus other non-cash earnings components, minus the earnings from companies measured according to the equity method, plus the dividends received by TUI AG from participating interests, minus taxes and interest paid, minus payments made to pension funds and minus net capex and investments. Working Capital includes short-term assets and liabilities that are not cash or cash equivalents ('cash'), income tax receivables or liabilities or derivative financial instruments. Furthermore, interest-bearing assets and liabilities as well as short-term provisions for pensions are not included.

The target achievement for the cash flow is based on the deviation from a target cash flow value, whereby the deviation in percent of the budgeted EBIT on budget rates for the respective financial year is calculated.

- The cash flow component of the JEV can deviate from the target cash flow value by –15 % of the budgeted EBIT on budget rates (corresponds to a target achievement of 50 %), in order to be relevant for bonus purposes.
- A deviation of 0 % from the target cash flow value equals a target achievement of 100 %.
- Anything in excess of a positive deviation from the target cash flow value of 15 % of the budgeted EBIT on budget rates (corresponds to a target achievement of 180 %) is not included.

In the event of a 'negative' deviation between –15 % and 0 %, linear interpolation will be used to determine the target achievement between 50 % and 100 %, and in the event of a 'positive' deviation between 0 % and 15 %, linear interpolation will be used to determine the target achievement between 100 % and 180 %. The target achievement will be rounded to two decimal figures, as is customary in commercial practice.

Performance Corridor Cash Flow to the Firm in %



The JEV further depends on an individual performance factor. The Supervisory Board shall determine the individual performance factor for the JEV (0.8 to 1.2) for each Executive Board member based on the achievement of three target categories: In addition to individual performance targets, this includes targets for the overall performance of the Executive Board and stakeholder targets. The Supervisory Board will establish the targets from these three categories and their relative weighting for each Executive Board member and financial year.

The value resulting from the multiplication of the respective target amount by the degree of target achievement for the EBIT and the cash flow and the individual performance factor will be paid out in the month of the approval and audit of the consolidated accounts of the TUI Group for the relevant financial year. If the service agreement begins or ends in the course of the relevant financial year, the claims for payment of the JEV will generally be pro rata.

In addition to that, in case of extraordinary events or developments, the Supervisory shall have the right to adjust the business plan terms at its due discretion. This allows for special situations that were not sufficiently factored into the targets previously set to be taken into account. However, this does not include generally unfavourable market developments. As a result of an extraordinary event, the Supervisory can increase or decrease the payout respectively. The limitation of the maximum target achievement for the group performance indicators EBIT and cash flow to 180 % respectively remains applicable.

Cap

The JEV payment will be capped at a maximum of 216 % of the target amount. As a result, there is an annual cap for the JEV and an individual cap for each member of the Executive Board, which is shown in the table on page 136.

In accordance with section 87 (1) sentence 3 clause 2 German Stock Corporation Act, the Supervisory Board is entitled to limit the amount of the JEV to allow for extraordinary circumstances (e. g. takeover of the company, sale of parts of the company, uncovering of hidden reserves, external influences).

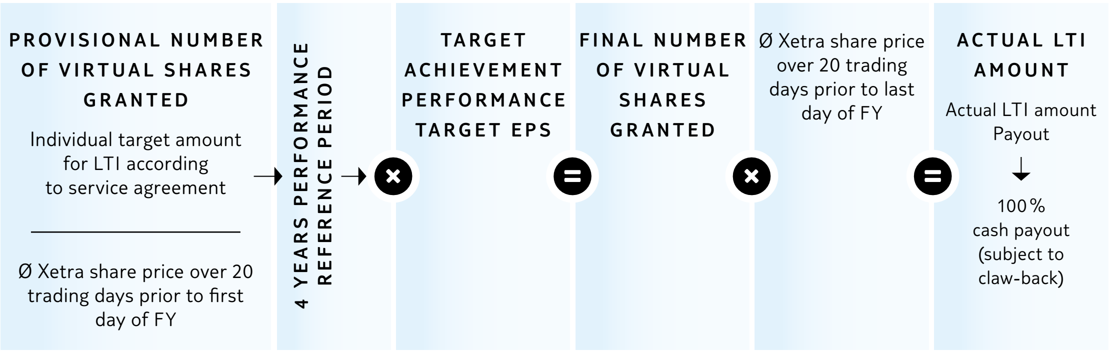
3. VIRTUAL SHARES ACCORDING TO THE LONG TERM INCENTIVE PLAN (LTIP)

3.1 FUNCTIONING OF THE CURRENT LONG TERM INCENTIVE PLAN (LTIP)

Purpose and link to company strategy

The long-term objective is to increase corporate and shareholder value by defining ambitious goals that are closely linked to the company's earnings, share price performance and dividends. This link to the Earnings per Share and the performance of the share price creates congruence between the interests and expectations of the shareholders and the Executive Board Remuneration. The four-year performance reference period also helps ensure that the acts of the Executive Board during the current financial year are also geared towards the company's long-term development.

Description LTIP



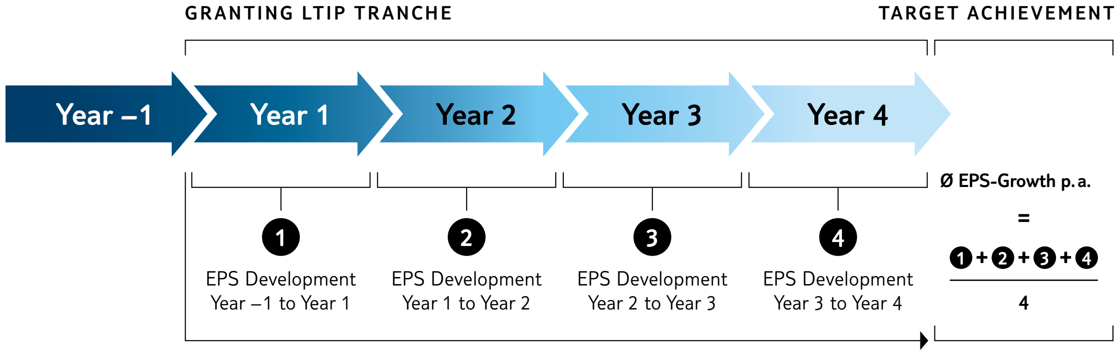
Procedure

The LTIP is a performance share plan based on virtual shares and is assessed over a period of four years (Performance Reference Period). Virtual shares are granted in annual tranches.

For members of the Executive Board, an individual target amount (Target Amount) is agreed in the service agreement. At the beginning of each financial year a provisional number of virtual shares, commensurate with the target amount, will be allocated to each member of the Executive Board. This will constitute the basis for the determination of the final performance-based payment for the tranche in question at the end of the respective performance reference period. To set this number, the target amount will be divided by the average Xetra price of TUI AG shares over the 20 trading days prior to the beginning of the performance reference period (1 October of each year). The claim to a payment only arises upon expiry of the performance reference period and depends on whether or not the respective performance target is achieved.

3.1.1 EARNINGS PER SHARE (EPS)

The relevant performance target for the LTIP is the average development of the Earnings per Share (EPS). The average over the four-year performance reference period is based on a pro forma underlying earnings per share from continuing operations as published in the Annual Report. The average development of the EPS p.a. (in percent) over the Performance Reference Period is calculated on the basis of four equally weighted annual amounts (in percent). An annual amount is in each case calculated as the ratio of the current EPS to the former EPS. The first annual amount is based on the first approved and audited consolidated accounts of the TUI Group in the Performance Reference Period and the last approved and audited consolidated accounts of the TUI Group prior to the start of the Performance Reference Period ("Initial EPS").

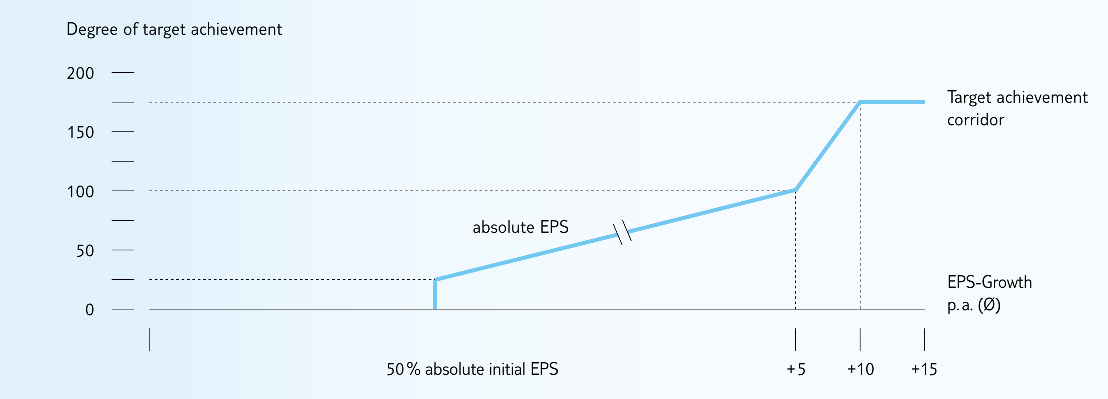


The target achievement for the average performance of the EPS p. a. based on the annual amounts is calculated as follows:

- An average absolute EPS value of less than 50 % of the absolute initial EPS value corresponds to a target achievement of 0 %.
- An average EPS value of 50 % of the absolute initial EPS value corresponds to a target achievement of 25 %.
- An average EPS value of 50 % or more of the absolute initial EPS value up to an average increase p.a. of 5 % corresponds to a target achievement of 25 % to 100 %.
- An average increase p.a. of 5 % corresponds to a target achievement of 100 %.
- An average increase p.a. of 5 % to 10 % corresponds to a target achievement of 100 % to 175 %.
- An average increase p.a. of more than 10 % corresponds to a target achievement of 100 %.

In the event of an average absolute EPS of 50 % or more of the absolute initial EPS up to an average increase p.a. of 5 %, linear interpolation will be used to determine the target achievement between 25 % and 100 %, and in the event of an average increase p.a. between 5 % and 10 % or more, linear interpolation will be used to determine the target achievement between 100 % and 175 %. The target achievement will be rounded to two decimal figures, as is customary in commercial practice.

Target achievement corridor EPS in %



If the previous year's EPS is below €0.50 the Supervisory Board will, for each subsequent financial year within the performance reference period, redefine absolute target values for the EPS as well as minimum and maximum values for determining the percentage target achievement.

To determine the final number of virtual shares, the degree of target achievement as at the date of the expiry of the performance reference period is multiplied by the provisional number of virtual shares. The payout is obtained by multiplying the final number of virtual shares by the average XETRA price of TUI AG shares over the last 20 trading days of the respective performance reference period (until 30 September of every year). The amount established in this way will be paid out in the month of the approval and audit of the consolidated accounts of the TUI Group for the financial year in question. If the service agreement begins or ends during the financial year that is relevant for the grant of the LTIP, the claim to payout of the LTIP is generally calculated on a pro rata basis.

In the event of a capital increase from company funds, the provisional number of virtual shares shall increase in proportion to the total nominal amount of the share capital. In the event of a capital reduction without repayment of contributions, the provisional number of virtual shares shall decrease in proportion to the total nominal amount of the share capital. If TUI AG performs a capital increase against contributions, a capital reduction with repayment of contributions or any other capital or structural measure affecting the share capital that results in a more than minor effect on the value of the TUI share, the provisional number of virtual shares shall be adjusted accordingly. The Supervisory Board shall decide on the adjustment at its due discretion in order to neutralise positive and negative effects of the capital or structural measures on the value of the virtual shares in a reasonable manner. These provisions apply accordingly if the payment of an unusually high surplus dividend affects the share price.

Cap

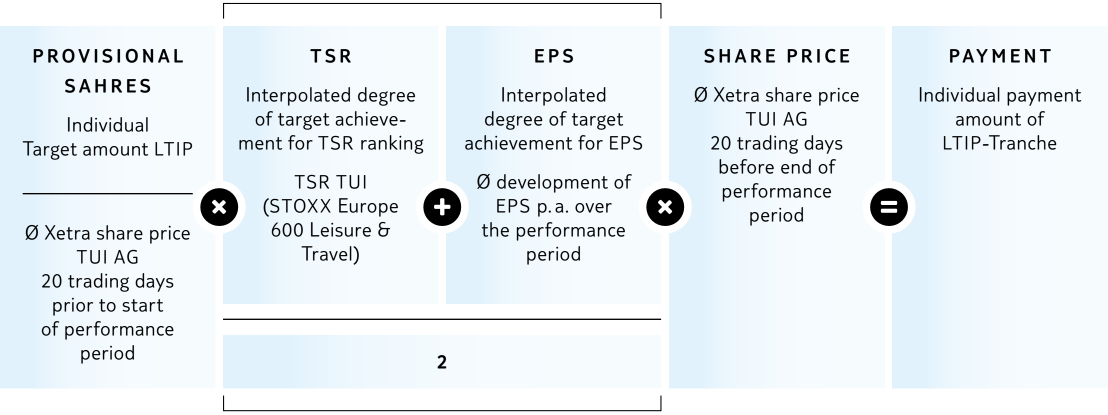
The maximum LTIP-payout is capped at 240 % of the individual target amount for each performance reference period. As a result, there is an annual cap for the LTIP and an individual cap for each member of the Executive Board, which is shown in the table on page 136. In accordance with section 87 (1) sentence 3 clause 2 AktG, the Supervisory Board is further entitled to limit the amount of the LTIP to allow for extraordinary circumstances (e. g. company takeovers, sale of parts of the company, uncovering of hidden reserves, external influences).

3.2 FUNCTIONING OF THE EXISTING LONG TERM INCENTIVE PLAN (LTIP)

3.2.1 LTIP TRANCHES FROM FINANCIAL YEAR 2018 AND 2019

Prior to the amendment of the remuneration system applicable from financial year 2020 onwards, on 11 February 2018 the AGM approved what was at that point a new remuneration system with retroactive validity from 1 October 2017, which applied during financial year 2018 and 2019 accordingly. Within the four-year performance reference period, the respective provisions concerning the LTIP tranches granted in financial year 2019 continue to apply.

Description



Procedure

The LTIP is a performance share plan based on virtual shares and assessed over a period of four years (Performance Reference Period). Virtual shares are granted in annual tranches.

An individual target amount (Target Amount) is agreed for members of the Executive Board in their service agreement. At the beginning of each financial year, a provisional number of virtual shares, commensurate with the target amount, will be set. This constitutes the basis for the determination of the final performance-based payment at the end of the respective performance reference period. To establish this number, the target amount is divided by the average Xetra price of TUI AG shares over the 20 trading days prior to the beginning of the performance reference period (1 October of each year). A claim to a payment only arises upon expiry of the performance reference period and depends on whether or not the respective performance target is achieved.

3.2.1.1 TOTAL SHAREHOLDER RETURN (TSR)

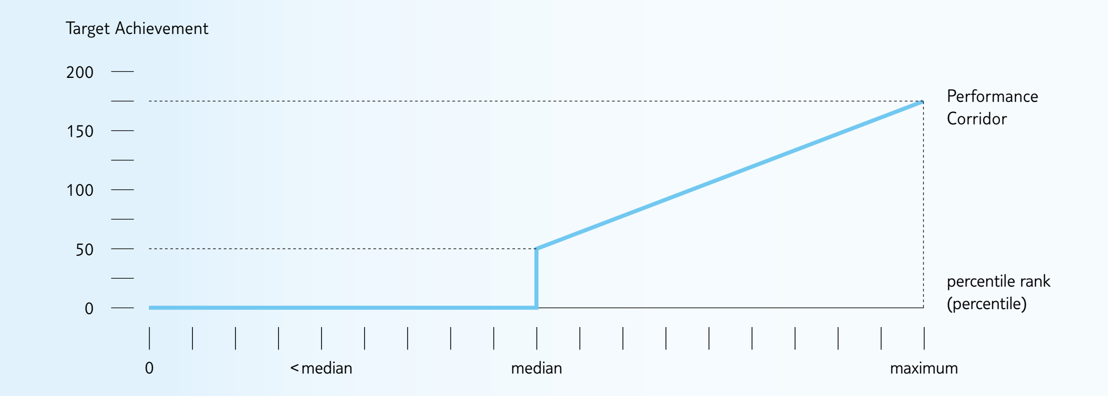
The relevant performance target for determining the amount of the payout after the performance reference period is the development of the Total Shareholder Return (TSR) of TUI AG in relation to the development of the TSR of the STOXX Europe 600 Travel & Leisure Index (Index). The relative TSR is being considered with a weighting of 50 %. The degree of target achievement is being determined depending on the TSR-value of TUI AG compared to the TSR-value of the companies belonging to the Index over the performance reference period. To determine the relative TSR of TUI AG the respective established TSR-value and those of the comparable companies are sorted in descending order. The relative TSR of TUI AG is expressed as a percentile (percentile rank).

Thereby the TSR is the aggregate of all share price increases plus the gross dividends paid over the performance reference period. The data for the observation of the development of the TSR-values of TUI AG and the Index is provided by a reputable data provider (e.g. Bloomberg, Thomson Reuters). The reference to determine the ranking is the composition of the Index on the last day of the respective performance reference period. The values for companies that were not listed over the entire performance reference period will be factored in on a pro rata basis. The level of target achievement (in percent) for the relative TSR of TUI AG based on the percentile is calculated as follows:

- A percentile below the median corresponds to a target achievement of 0 %.
- A percentile equivalent to the median corresponds to a target achievement of 100 %.
- A percentile equivalent to the maximum value corresponds to a target achievement of 175 %.

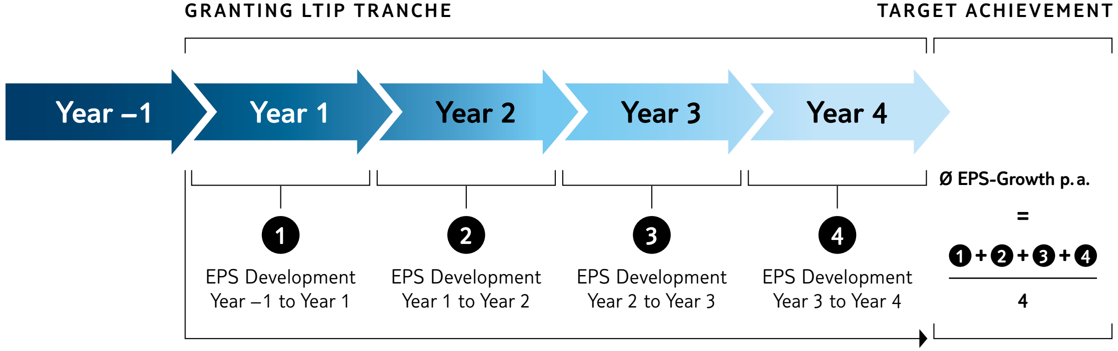
In the event of a percentile between the median and the maximum value, linear interpolation will be used to determine the target achievement between 100 % and 175 %. The target achievement will be rounded to two decimal figures as is customary in commercial practice.

TSR target achievement corridor up to and including FY 2019 in %



3.2.1.2 EARNINGS PER SHARE (EPS)

Furthermore, the average performance of the Earnings per Share (EPS) p. a. as additional group performance indicator with a weighting of 50 % is taken into account for the LTIP. The average view over the four-year performance reference period is based on a pro forma underlying earnings per share from continuing operations as published in the Annual Report. The average development of the EPS p.a. (in percent) over the Performance Reference Period is calculated on the basis of four equally weighted annual amounts (in percent). An annual amount is in each case calculated as the ratio of the current EPS to the former EPS. The first annual amount is based on the first approved and audited consolidated accounts of the TUI Group in the Performance Reference Period and the last approved and audited consolidated accounts of the TUI Group prior to the start of the Performance Reference Period ("Initial EPS").

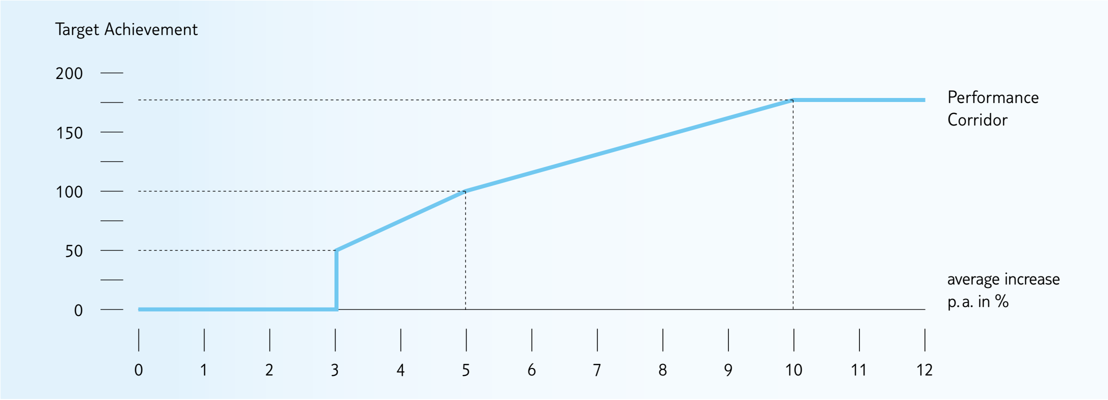


The target achievement for the average development of the EPS p. a. based on the annual amounts is calculated as follows:

- An average increase p. a. of less than 3 % corresponds to a target achievement of 0 %.
- An average increase p. a. of 3 % corresponds to a target achievement of 25 %.
- An average increase p. a. of 5 % corresponds to a target achievement of 100 %.
- An average increase p. a. of 10 % or more corresponds to a target achievement of 175 %.

In the event of an average increase p. a. between 3 % and 5 % linear interpolation will be used to determine the target achievement between 25 % and 100 % and in the event of an average increase p. a. between 5 % and 10 % or more, linear interpolation will be used to determine the target achievement between 100 % and 175 %. The target achievement will be rounded as well to two decimal figures as is customary in commercial practice.

Performance Corridor EPS up to and including FY 2019 in %



If the previous year's EPS is below €0.50 the Supervisory Board will, for each subsequent financial year, redefine absolute target values for the EPS as well as minimum and maximum values for determining the percentage target achievement.

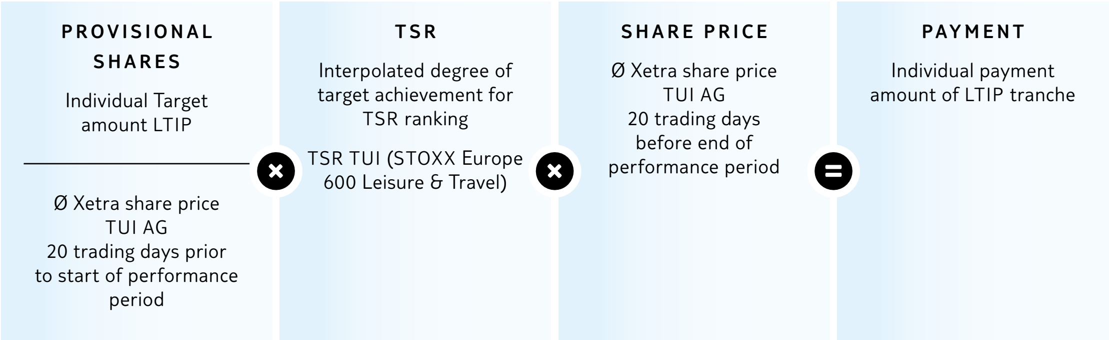
The degree of target achievement (in percent) is calculated as the average of the respective target achievements for the performance targets relative TSR of TUI AG and EPS. To determine the final number of virtual shares the degree of target achievement at the date of the expiry of the performance reference period is being multiplied with the provisional number of virtual shares. The payout is obtained by the multiplication of the final number of virtual shares with the average XETRA price of TUI AG shares over the last 20 trading days in the respective performance reference period (until 30 September of every year). If the service agreement begins or ends during the financial year relevant for the granting of the LTIP the claim to payout of the LTIP is in general calculated on a pro rata basis. In the event of a capital increase by the company, the provisional number of virtual shares shall increase to the same extent as the total nominal amount of the share capital. In the event of a capital reduction without repayment of contributions, the provisional number of shares shall decrease to the same extent as the total nominal amount of the share capital. If TUI AG performs a capital increase against contributions, a capital reduction with repayment of contributions or any other capital or structural measure affecting the share capital and resulting a not negligible influence on the value of the TUI share, the provisional number of virtual shares shall be adapted accordingly. The Supervisory Board shall decide on the adaption at its equitable discretion in order to neutralize positive and negative effects of the capital or structural measure on the value of the virtual shares in a reasonable manner. These provisions apply accordingly of the payment of an unusually high surplus dividend has influence on the share price.

3.2.2 LTIP TRANCHE FROM FINANCIAL YEAR 2017

For those members of the Executive Board whose service agreements already existed prior to financial year 2018, the remuneration system applicable prior to 1 October 2017 continued to apply in parallel in financial year 2020 with respect to the LTIP. This related only to the tranche allocated in financial year 2017. Because of the four-year performance reference period, this tranche is essentially due for payout at the end of financial year 2020.[3]

[3] However, the active members of the Executive Board waived the payment of the LTIP tranche allocated in FY 2017 (cf. page 127 of the Annual Report).

Description



Procedure

The LTIP is a performance share plan based on virtual shares and is assessed over a period of four years (Performance Reference Period). Virtual shares are granted in annual tranches.

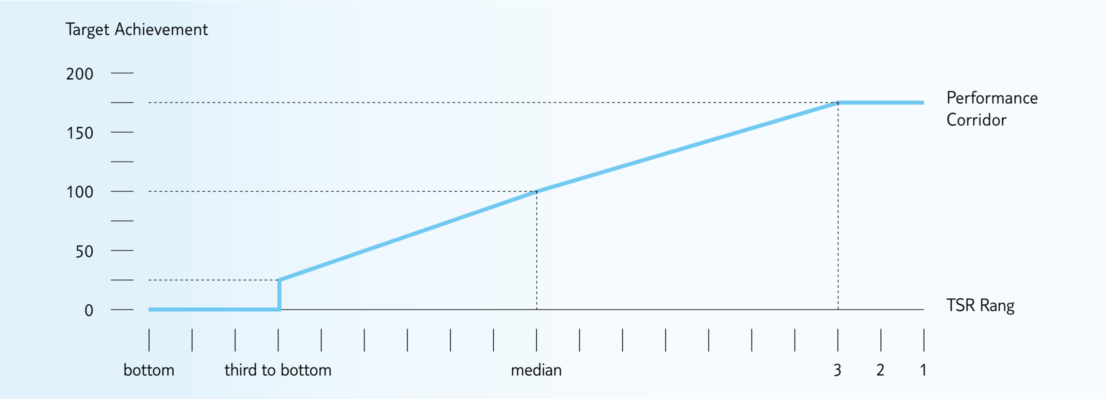
An individual target amount (Target Amount) was agreed for Members of the Executive Board in their service agreement. At the beginning of each financial year, a provisional number of virtual shares, commensurate with the target amount, was set. This constituted the basis for the determination of the final performance-based payment for the tranche in question at the end of the respective performance reference period. To set this number, the target amount was divided by the average Xetra price of TUI AG shares over the 20 trading days prior to the beginning of the performance reference period (1 October of each year). The claim to a payment only arose upon expiry of the performance reference period and depended on whether or not the respective performance target was achieved.

The performance target for determining the amount of the final payout at the end of the performance reference period was the performance of the Total Shareholder Return (TSR) of TUI AG relative to the development of the TSR of the STOXX Europe 600 Travel & Leisure (Index), whereby the ranking of the TUI AG TSR in relation to the index companies was monitored over the entire performance reference period. The TSR was the aggregate of all share price increases plus the gross dividends paid over the performance reference period. Data from a reputable data provider (e.g. Bloomberg, Thomson Reuters) was used for the purpose of establishing the TSR values for TUI AG and the index. The reference for the purpose of determining the rankings was the composition of the index on the last day of the performance reference period. The values for companies that were not listed over the entire performance reference period were factored in on a pro rata basis. The level of target achievement was established as follows depending on the ranking of the TSR of TUI AG relative to the TSR values of the index companies over the performance reference period:

- TSR value of TUI AG equivalent to the bottom and second to bottom value of the index corresponded to a target achievement of 0 %.
- TSR value of TUI AG equivalent to the third to bottom value of the index corresponded to a target achievement of 25 %.
- TSR value of TUI AG equivalent to the median of the index corresponded to a target achievement of 100 %.
- TSR value of TUI AG equivalent to the third to top, second to top or top value of the index corresponded to a target achievement of 175 %.

For performance between the third to bottom and the third to top rank, linear interpolation was used to determine the level of target achievement at between 25 % and 175 %. The degree of target achievement was be rounded to two decimal places, as is customary in commercial practice. For details on the target achievement of the LTIP tranche for financial year 2017, see page 131 of the Annual Report.

Performance Corridor TSR up to and including FY 2017 in %



To determine the final number of virtual shares, the degree of target achievement was multiplied by the provisional number of virtual shares on the final day of the performance reference period. The payout was determined by multiplying the final number of virtual shares by the average Xetra price of TUI AG shares over the 20 trading days prior to the end of the performance reference period (30 September of each year). The payout calculated in this way was generally due in the month of the approval of the annual accounts of TUI AG for the fourth financial year of the performance reference period and was paid out in cash. If the service agreement begins or ends in the course of the financial year relevant for the grant of the LTIP, the claims for payment of the same will generally be pro rata.

3.3 DEVELOPMENT OF AGGREGATE VIRTUAL SHARES OF CURRENT MEMBERS OF THE EXECUTIVE BOARD IN FINANCIAL YEAR 2020

	Number
Granting in FY20[1]	
Friedrich Joussen	185,410.0
David Burling	93,212.0
Birgit Conix	93,212.0
Sebastian Ebel	93,212.0
Dr Elke Eller	88,146.0
Frank Rosenberger	77,508.0
Decrease in FY20[2]	
Friedrich Joussen	119,741.0
David Burling	40,453.0
Sebastian Ebel	40,453.0
Dr Elke Eller	33,981.0
Frank Rosenberger	18,204.0

[1] Subject to the section 'Restrictions on remuneration due to the framework contract with the economic stabilisation fund'
[2] The decrease corresponds to the number of the virtual shares granted for the tranche ending in FY 2020. Payment was waived, page 129.

3.4 EXPENDITURE OF AWARDING VIRTUAL SHARES FOR THE LTIP IN FINANCIAL YEAR 2020 TO CURRENT MEMBERS OF THE EXECUTIVE BOARD IN ACCORDANCE WITH IFRS 2 IN FINANCIAL YEAR 2020

Expenditure for granting of virtual shares in FY 2020 acc. to IFRS 2

€ '000	**Part of total expenditure FY 2020**	Part of total expenditure FY 2019
Friedrich Joussen	–1,190.4	–2,777.4
David Burling	–687.3	–695.8
Birgit Conix	–243.2	29.0
Sebastian Ebel	–607.2	–751.6
Dr Elke Eller	–681.3	–529.0
Frank Rosenberger	–384.1	–151.6
Total	**–3,793.5**	**–4,876.4**

The table shows the individual amounts of the total expenditure arising from the addition to the provisions to be formed pro rata according to IFRS 2 for all of the LTIP tranches to be granted during the term of the respective service agreements. Pursuant to IFRS 2, there are provisions totalling € 2,083.9 k (previous year: € 5,877.4 k) to cover entitlements under TUI AG's LTIP for current Members of the Executive Board.

In accordance with IFRS, there are provisions totalling € 146 k for Horst Baier, who retired from the Executive Board at the end of 30 September 2018, of which € 47 k will be recognised as liabilities (previous year: liabilities of € 0.0 k).

The provisions as well as the liabilities take into account the Executive Board's voluntary waiver of payout of variable remuneration components in financial year 2020 explained further on page 129.

4. FRINGE BENEFITS

Purpose and link to company strategy

Fringe benefits offered should be competitive on the market for highly qualified members of the Executive Board in order to be able to attract and retain candidates who are a good match for the company. Further, the members of the Executive Board should enjoy an attractive working environment.

Procedure

Members of the Executive Board receive the following fringe benefits:

- Reimbursement of business travel expenses in accordance with TUI AG's general business travel guidelines; if applicable.
- Twice each financial year, the reimbursement of substantiated (e. g. by invoices) costs of a trip or individual components of a trip that take place at essentially the same time (flight, transfer in destination area, accommodation including holiday houses and apartments, cruise, rental car, round trip), from the ranges of a provider in which TUI AG holds a majority participation (section 16 German Stock Corporation Act), without any limitation as to type of holiday, category or price. Accompanying spouses / partners shall be granted a 50 % discount for these benefits, whereas accompanying own children and accompanying children of spouses / partners shall be granted a 100 % discount on the regular price of the aforementioned vacations until they no longer have a claim to a child allowance or a comparable state benefit pursuant to a foreign legal order. A discount of 75 % (50 % for accompanying spouses / partners, accompanying children meeting the requirements mentioned before) will be granted for flights (seat-only business of an airline in which TUI AG holds a majority participation pursuant to section 16 German Stock Corporation Act) that are not part of a trip.
- A suitable company car with driver or alternatively a car allowance of € 1.5 k gross per month.
- Insurance cover is provided in line with the agreements applicable in Germany and the United Kingdom. This is offered as follows:

TUI AG provides an accident insurance for Mr Joussen, Ms Conix, Mr Ebel, Dr Eller and Mr Rosenberger to the customary extend and pays the respective insurance contributions for the term of the service agreements. The coverage amounts for Mr Joussen and Mr Ebel to € 1,534 k and for Dr Eller, Mr Burling, Ms Conix and Mr Rosenberger to € 1,500 k for death and for Mr Joussen and Mr Ebel to € 3,218 k and for Dr Eller, Mr Burling, Ms Conix and Mr Rosenberger to € 3,150 k for full disablement. Furthermore TUI AG pays an allowance towards health and long-term care insurance in the amount that would be payable for an employee but no more than half of the respective insurance premium for Mr Joussen, Mr Baier, Ms Conix, Mr Ebel, Dr Eller and Mr Rosenberger.

Insofar as this is permitted by law, Mr Burling remains a beneficiary of the UK term life, vocational disability and health insurance programs at the expense of TUI AG.

TUI AG also takes out criminal law protection insurance that provides cover for the members of the Executive Board regarding criminal and misdemeanour proceedings, if these proceedings are based on an act or a failure to act in the exercise of their duties for TUI AG. TUI AG also takes out a suitable financial liability insurance policy (D&O insurance) coverage for the members of the Executive Board to cover possible claims brought under private law on the basis of statutory liability provisions against one or more of the members of the Executive Board by a third party or the company for damages for a breach of duty committed in the exercise of their duties. The D&O insurance provides for a deductible of 10 % of the damage up to 150 % of the fixed annual remuneration.

Amount

The value of the company car, free holidays and insurance benefits which every member of the Executive Board receives annually is taken into account within the scope of the maximum remuneration listed on page 136 as fringe benefits.

5. PENSION BENEFITS

Purpose and link to company strategy

Highly-qualified members of the Executive Board who are needed to develop and implement company strategy are to be acquired and retained. The pension benefits should be competitive on the market for highly qualified members of the Executive Board and should provide them with a corresponding level of benefits in their retirement.

Procedure

Benefits in the form of pensions are paid to former members of the Executive Board if they reach the predefined age limit or are permanently incapacitated. The members of the Executive Board are not entitled to receive transition payments upon leaving the Executive Board, with the exception of Mr Ebel who has an acquired right to receive transition payments under a legacy contract.

With regard to pension entitlements, different principles apply to Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenberger on the one hand and Ms Conix and Mr Burling on the other hand due to the legacy systems in Germany, Belgium and the UK.

Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenberger are entitled to pensions in line with the pension commitments granted to members of the Executive Board of TUI AG. These members of the Executive Board receive, on an annual basis, a contractually agreed amount that is paid into an existing pension account for the respective Executive Board member. The contributions to the company pension scheme of Mr Joussen, Mr Ebel and Dr Eller carry an interest rate established in the pension commitment. The interest rate stands at 5 % p. a. The annual interest for Mr Rosenberger's contributions to the company pension scheme is established by the company at its reasonable discretion in such a way that it does not exceed 5 % p. a. The beneficiary may choose between a one-off payment, payment by instalments or pension payments. The amounts agreed on in the service agreements of the aforementioned members of the Executive Board are:

- Mr Joussen: € 454.5 k per year. Mr Joussen becomes eligible for payment of the pension upon reaching the age of 62.
- Mr Ebel: € 207.0 k per year. Mr Ebel becomes eligible for payment of the pension upon reaching the age of 62.
- Dr Eller: € 230.0 k per year. Dr Eller becomes eligible for payment of the pension upon reaching the age of 63.
- Mr Rosenberger: € 230.0 k per year. Mr Rosenberger becomes eligible for payment of the pension upon reaching the age of 63.

Should Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenberger retire from TUI AG before the normal retirement date due to an ongoing occupational disability, they will receive an occupational disability pension until they are able to work again, but at most until they reach the normal retirement date.

Under certain circumstances, spouses, partners or cohabitants of the members of the Executive Board will, should the respective Executive Board member die, receive a survivor's pension worth 60 % of the pension for their lifetime or until remarriage. Children of members of the Executive Board will, should the respective Executive Board member die, receive an orphan's pension, paid no longer than until they reach the age of 27 at the latest. Children who have lost one parent will receive 20 % of the pension, and those who have lost both parents will receive 25 %. This claim is subject to the prerequisite that the child meets the requirements set out in section 32 (3), (4), sentence 1 nos. 1 to 3 and (5) German Income Tax Act (Einkommensteuergesetz).

Mr Burling receives a fixed annual amount of € 225.0 k paid out in cash for his pension.

Ms Conix receives a fixed annual amount of € 230.0 k paid out in cash for her pension.

5.1 PENSION RESERVES FOR THE CURRENT MEMBERS OF THE EXECUTIVE BOARD IN ACCORDANCE WITH THE PENSION COMMITMENTS OF TUI AG

The pension commitments for active members of the Executive Board pursuant to IAS 19 stood at € 16,649.6 k. as at 30 September 2020 (previous year: € 16,226.0 k). Thereof € 5,721.7 k (previous year: € 6,085.8 k) was attributable to claims that Mr Ebel had accrued in the course of his service for the TUI Group up to 31 August 200. The remining claims are allocated as follows:

Pension of current Executive Board members under TUI AG Pension scheme

€ '000	Addition to / reversal from pension provisions		Net present value	
	2020	2019	**30 Sep 2020**	30 Sep 2019
Friedrich Joussen	215.9	1,182.4	4,948.6	4,732.7
Sebastian Ebel	118.6	506.8	2,183.8	2,065.2
Dr Elke Eller	249.3	505.2	1,781.2	1,531.9
Frank Rosenberger	203.8	698.9	2,014.2	1,810.4
Total	**787.6**	**2,893.3**	**10,927.8**	**10,140.2**

In accordance with the provisions of commercial law, the pension commitments for active members of the Executive Board stood at € 13,105.9 k (previous year: € 11,158.1 k); thereof € 4,105.8 k (previous year:

€ 3,693.9 k) are attributable to claims that Mr Ebel had accrued in the course of his service for the TUI Group up to 31 August 2006.

As regards the pension commitments of Mr Ebel, Dr Eller and Mr Rosenberger, corresponding assets were transferred in each case to a trustee on a fiduciary basis in line with the contractual agreement in order to finance the pension rights and to secure in case of a security event.

5.2 PENSION PAYMENTS MADE TO PAST MEMBERS OF THE EXECUTIVE BOARD

In financial year 2020, the total pension payments to former members of the Executive Board and their surviving dependents totalled € 6,055.3 k (previous year: € 6,016.0 k). In financial year 2020, € 874.1 k thereof was allocated to Michael Frenzel, who stood down from the Executive Board on 31 March 2014, and € 910.3 k to Horst Baier, who left on 30 September 2018.[4] The remaining payments are allocated to past members of the Executive Board and their surviving dependents who left the Executive Board of TUI AG more than ten years ago. Pension provisions for former members of the Executive Board and their dependents amounted as at the balance sheet date to € 73,483.7 k (previous year: € 79,767.9 k) as measured in accordance with IAS 19, not including Mr Ebel's claims in the amount of € 5,721.7 k (previous year: € 6,085.8 k), which he accrued up to 31 August 2006 in the course of his service for the TUI Group.

[4] Further, in FY 2020 Mr Baier received a payment from the LTIP totalling € 47 k. Thereafter the relative share of the pension payment will be approx. 95.1 % of the remuneration granted to him in FY 2020.

According to commercial law provisions, the pension obligations for former members of the Executive Board and their surviving dependents amounted to € 65,552.6 k (previous year: € 67,102.1 k), not including Mr Ebel's claims in the amount of € 4,105.8 k (previous year: € 3,693.9 k) which he accrued up to 31 August 2006 during the course of his service for the TUI Group.

6. REMUNERATION CAPS

The following caps apply to the remuneration (remuneration components and total remuneration) payable to members of the Executive Board for a financial year. It has to be noted that if the contractually agreed cap of the total remuneration is exceeded, the LTIP will be reduced accordingly.

Remuneration caps

€ '000	Fixed remuneration[1]	JEV	LTIP	Maximum total remuneration[2]
Friedrich Joussen	1,100.0	2,743.2	4,392.0	7,500.0
David Burling	680.0	1,080.0	2,208.0	3,500.0
Birgit Conix	680.0	1,188.0	2,208.0	3,500.0
Sebastian Ebel	680.0	1,080.0	2,208.0	3,500.0
Dr Elke Eller	680.0	1,177.2	2,208.0	3,500.0
Frank Rosenberger	600.0	1,004.4	1,836.0	3,500.0

[1] Fixed amount, no cap applied
[2] Contractually fixed cap for overall remuneration (incl. fixed remuneration, JEV, LTIP, pension payments and fringe benefits). If contractually agreed cap for overall remuneration is exceeded, LTIP-payout will be reduced proportionately.

Remuneration caps were retained for financial year 2020 without a remuneration components being reduced.

7. PAYMENTS IN CASE OF PREMATURE DEPARTURE OF AN EXECUTIVE BOARD MEMBER

The payments to be made to a member of the Executive Board on the premature termination of his or her service agreement without good cause are in principle limited in the service agreement of Mr Joussen to an amount equal twice their annual remuneration. In the service agreements of Ms Conix and Mr Rosenberger it has been agreed that payments in the event of premature termination without good cause may not – in case of premature termination during the first year after the coming into force of the service agreement – exceed the amount equal twice their annual remuneration and – in case of premature termination after the end of the first year of the service agreement – exceed the amount on an annual remuneration (severance pay cap).

In the service agreements of Mr Burling, Mr Ebel and Dr Eller it has been agreed that payments due to premature termination of the respective service agreement without good cause shall not exceed the amount of an annual remuneration (severance pay cap).

For any member of the Executive Board, payments upon premature termination shall not cover more than the remaining term of the service agreement. The severance payment is calculated based on the target direct remuneration (fixed remuneration, target amount for JEV and target amount for LTIP) of the expired financial year and, if relevant, the expected target remuneration for the current financial year, provided that the application of 4.2.3. paragraph 4 sentence 3 GCGC in the version dated 7 February 2017 does not result in a lesser sum. If the service agreement is terminated extraordinarily without notice no payments will be made to the members of the Executive Board.

If the appointment of a member of the Executive Board is revoked, the respective service agreement will also be terminated. If the revocation is not made for a reason that at the same time constitutes good cause for a termination of the service agreement without notice, the service agreement shall come to an end on expiry of a phase-out period. This phase-out period is generally twelve months. A phase-out period of 24 months has been agreed with Mr Joussen.

In cases of premature termination of the service agreement, the annual performance-based remuneration (JEV) and payments according to the LTIP will be managed as follows:

- JEV:
  - If the company terminates the service agreement without notice before the end of the one-year performance reference period for good cause attributable to the beneficiary or if the beneficiary terminates the service agreement without good cause, the claim to the JEV for the performance reference period in question will be forfeited and no alternative remuneration or compensation will be paid.
  - In all other cases of premature termination of the service agreement before the end of the one-year performance reference period, the JEV will be paid on a pro rata basis.
- LTIP:
  - If the company terminates the service agreement without notice before the end of the respective performance reference period for good cause attributable to the Executive Board member, or if the Executive Board member terminates the service agreement without good cause, all claims under the LTIP will lapse for all tranches not yet paid and no alternative remuneration or compensation will be paid.
  - If the service agreement ends before the expiry of the performance reference period for other reasons, the claims under the LTIP will be maintained for tranches not yet paid. The tranche of the current financial year will be reduced on a pro-rata basis. The payout will be calculated in the same way as in the case of a continuation of the service agreement.

It has been agreed with Mr Joussen and Mr Burling that as of 1 June 2022 they may unilaterally resign from their roles as members of the Executive Board with three months' notice to 30 September 2022, whereby the JEV and LTIP will be paid out as contractually agreed and will not lapse. Should Mr Joussen or Mr Burling exercise this right of resignation, the respective service agreement will come to an end at the close of a phase-out period of 24 or nine months respectively.

In connection with a termination of an Executive Board member's service agreement, in particular subsequent to a termination of the service agreement, regardless of by which party, or the conclusion of a termination agreement, TUI AG shall be entitled to release the respective Executive Board member in full or in part from his or her obligation to perform work subject to continued payment of the remuneration. Such release shall initially be irrevocable for the period of any still outstanding holiday entitlement, which shall hereby be deemed exhausted. The release shall subsequently be maintained until the service agreement ends. The release shall be revocable in the event that questions exist in connection with the winding-up of the service relationship or temporary work becomes necessary for business reasons. This shall not affect the remainder of the service agreement.

The service agreements of the members of the Executive Board do not contain change of control clauses.

II RESTRICTIONS ON REMUNERATION DUE TO THE FRAMEWORK AGREEMENT WITH THE ECONOMIC STABILISATION FUND

Description

On 29 September 2020 TUI AG concluded a framework agreement with the German Economic Stabilisation Fund concerning the grant of stabilisation measures, which stipulates various requirements for the remuneration of the members of the Executive Board during the utilisation of stabilisation measures. Accordingly, as at 31 December 2019 each serving member may not receive any remuneration in excess of this member of the Executive Board's basic remuneration as at 31 December 2019 unless at least 75 % of the stabilisation measure has been repaid (taking account of any consolidated remuneration in the event of a dual appointment with another group company). The framework agreement further stipulates that for as long as it takes advantage of the stabilisation measure, TUI AG will not accord to members of the Executive Board 'bonuses, other variable or comparable remuneration components or special payments in the form of share packages, gratuities or other special forms of remuneration alongside their fixed remuneration, other remuneration components and benefits conferred at the company's discretion or settlements that are not required by law, taking account of any consolidated remuneration'.

For members of the Executive Board who was appointed a member of the Executive Board at the point at which the stabilisation measure was granted or thereafter, the cap shall be equivalent to the basic remuneration of members of the Executive Board of the same level of responsibility as at 31 December 2019.

Procedure

TUI AG has agreed corresponding amendments to the service agreements of all members of the Executive Board that bring the benefits generally agreed under the remuneration system in line with the restrictions on remuneration agreed with the economic stabilisation fund.

By way of corresponding amendments to the service agreements and the waivers agreed by the members of the Executive Board, TUI AG is deviating from the remuneration system in place for financial year 2020 in respect of the fixed remuneration, the annual performance-related remuneration and the Long Term Incentive Plan. This deviation is in the interest of TUI AG and is a condition for TUI AG being able to take advantage of the stabilisation measures in accordance with the German Economic Stabilisation Fund Act as need be. Otherwise, there were no other deviations from the remuneration system currently in effect in financial year 2020.

III. OVERVIEW: INDIVIDUAL REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD

1. PARTIAL WAIVER OF REMUNERATION BY THE MEMBERS OF THE EXECUTIVE BOARD FOR FINANCIAL YEAR 2020

In the course of the first application for state support as a result of the dramatic impact of the COVID-19-pandemic on the business of the Group, all members of the Executive Board declared a voluntary waiver of 30 % of their fixed remuneration for the months of April and May 2020 to the Group. Due to special national measures, Mr Burling waived a further 30 % of his fixed remuneration for the months June and July 2020.

Additionally, in August 2020, the members of the Executive Board have notified KfW of a voluntary waiver of all payouts from the JEV and LTIP variable remuneration elements. In fact, the LTIP tranches that expired as at 30 September 2020 would have resulted in the following payouts for the members of the Executive Board:

- Friedrich Joussen: € 103 k
- David Burling: € 34.8 k
- Sebastian Ebel: € 34.8 k
- Dr Elke Eller: € 29.2 k
- Frank Rosenberger: € 15.7 k

Furthermore, since March 2020 none of the members of the Executive Board has made use of their right to reimbursement of holiday trips which they are entitled to according to their service agreements.

2. INDIVIDUAL REMUNERATION OF THE MEMBERS OF THE MEMBERS OF THE EXECUTIVE BOARD FOR FINANCIAL YEAR 2020 (PURSUANT TO SECTION 314 (1), NO. 6 (A) GERMAN COMMERCIAL CODE)

The amount for the LTIP shown in the following table corresponds to the fair value of the LTIP tranches of the respective member of the Executive Board at the grant date within the meaning of section 314 (1) no. 6a sentence 1 German Commercial Code (HGB) in accordance with the provisions of the HGB covering the entire term of the respective service agreement. Conversely, the values of the fixed remuneration and the JEV reflect the remuneration paid for financial year 2020.

Remuneration of individual Executive Board members granted by TUI AG for FY 2020 (acc. to section 314, paragraph 6 lit a of the German Commercial Code)

€ '000	Fixed remuneration[1]	JEV	LTIP	**Total 2020**	Total 2019
Friedrich Joussen	1,081.3	0.0	9,750.7	10,832.0	1,134.8
David Burling	638.0	0.0	3,675.3	4,313.3	709.1
Birgt Conix	664.2	0.0	0.0	664.2	682.1
Sebastian Ebel	664.0	0.0	0.0	664.0	680.0
Dr Elke Eller	680.4	0.0	0.0	680.4	3,967.9
Frank Rosenberger	588.0	0.0	2,737.4	3,325.4	669.4
Total	**4,315.9**	**0.0**	**16,163.4**	**20,479.3**	
Previous year	4,592.8	0.0	3,250.5	7,843.3	

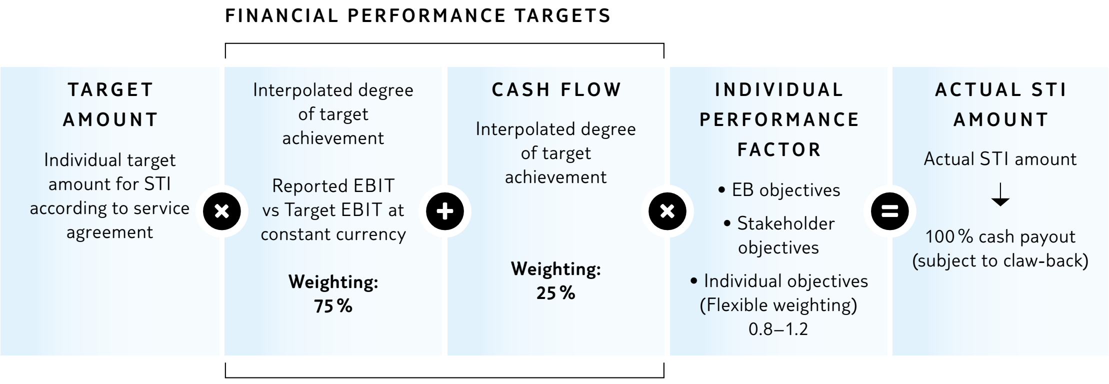
[1] Incl. fringe benefits (without insurances from group contracts), taking into account the voluntary waiver of all members of the Executive Board of 30 % of their fixed remuneration for April and May as well as a further 30 % for the months June to September for Mr Burling due to national measures in UK.

3. TARGET ACHIEVEMENT

The following describes how the performance criteria are applied in financial year 2020 and how the targets for the variable remuneration components were achieved.

The multiplication of the target amounts by the weighted degrees of target achievement for EBIT and the Cash Flow and the individual performance factor results in the amount paid to member of the Executive Board as JEV.

Description JEV

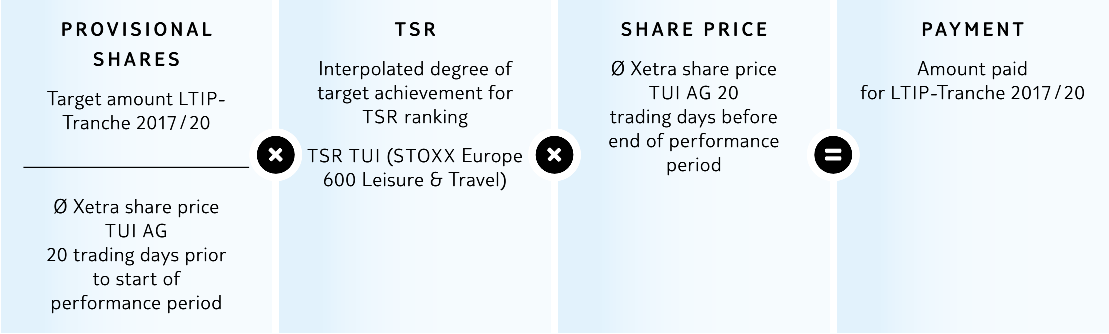


The targets set by the Supervisory Board for EBIT and Cash Flow are based on the annual operating plan and are in line with the financial communication.

Against the background of the group-wide transformation process, the Supervisory Board decided at the beginning of the financial year to waive individual targets in favour of targets for the overall Executive Board with regard to the individual performance factor. Thus, the execution of the transformation by reducing the complexity of the IT system landscape as well as of the operative side and by expanding the digital platform across all source markets has been an essential part of the target-setting. The Supervisory Board has defined engagement-targets that are closely connected to this and include especially the retention and engagement of employees and leadership as well as an extensive change management process. Furthermore, the members of the Executive Board have been given ambitious sustainability targets, which entail the reduction of environmental impacts of holidaymakers as well as the strengthening of the positive impact of tourism in the respective destinations.

Because of the waiver that was voluntarily announced by the members of the Executive Board, the Supervisory Board did not set the target achievement for the EBIT and the Cash Flow. The effects of the COVID-19-pandemic, which in the interim have seen a cessation of operative business and have resulted in a significant liquidity bottleneck, have resulted in a situation where, despite a strong booking position at the start of the financial year and massive cost-saving measures, a situation has arisen where none of the performance targets could have been achieved in financial year 2020.

The Supervisory Board further did not set the individual performance factor. Despite the immense work effort that the exceptional challenges of financial year 2020 have demanded from the members of the Executive Board, they have shown outstanding engagement and commitment and at the same time kept the focus on the targets agreed upon. After intense consideration and despite the voluntary waiver, the Supervisory Board has established, that within the realms of the technical and operational possibilities, the targets have been met satisfactorily and partly even ahead of schedule.



The provisions of the remuneration system that was replaced as at 1 October 2017 would have been relevant for a payout of the LTIP tranche 2017/20 (page 117). The LTIP tranche was granted on the basis of TUI AG's average share price of € 12.36. At the end of the performance period, TUI AG's average share price was € 3.44. Due to the degree to which the TSR ranking of TUI AG was achieved compared with the TSR values of the STOXX Europe 600 Travel & Leisure companies over the performance reference period, the LTIP achieved a target of 25 %. Due to the voluntarily declared waiver, there is, however, no payment from the LTIP in financial year 2020 to the current members of the Executive Board.

4. ADDITIONAL INFORMATION

As in the previous year, no loans or advances were granted to the members of the Executive Board in financial year 2020.

For her activities – which were approved by the Supervisory Board of TUI AG – in supervisory boards or comparable domestic and foreign supervisory bodies of companies (cf. section 125 (1) sentence 5 AktG) to be set up in accordance with statutory requirements which are not carried out on the basis of a shareholding of TUI AG in the companies concerned, Dr Eller received € 33.9 k from K+S AG and acquired a claim amounting to €80.6 k there. For his mandate on the Supervisory Board of SIXT SE, Mr Joussen received €100.0 k in financial year 2020. Mr Ebel received remuneration of €7.5 k for his Supervisory Board mandate at BRW Beteiligungs AG and €20 k from TCT GmbH. This remuneration was not offset against the Executive Board remuneration paid by TUI AG.

5. REMUNERATION AWARDED IN FINANCIAL YEAR 2020

Pursuant to clause 4.2.5, annex tables 1 and 2 GCGC in the version of 7 February 2017, the following table shows the remuneration awarded by TUI AG pursuant to the former version of the GCGC. However, the underlying recommendations for the information contained in such tables on the 'remuneration awarded' within the meaning of the former version of the GCGC ceased to apply when the revised GCGC came into effect on 20 March 2020. Similarly, the AktG in the version incorporating ARUG II does not contain a continuing requirement to include such information in the remuneration report. To provide our shareholders with a better comparison with the information from previous years and to maintain the level of transparency achieved to date, the Executive Board and the Supervisory Board have decided to again include voluntary information within the meaning of the former version of the GCGC 'remuneration awarded' in the remuneration report for financial year 2020. The 'remuneration awarded' within the meaning of the former version of the GCGC is not equivalent to the 'remuneration awarded and owed' within the meaning of section 162 (1) sentence 1 AktG:

- 'Remuneration awarded' within the meaning of the former version of the GCGC includes, without taking account of the point of payment, all remuneration components granted to a member of the Executive Board within the financial year at least on the merits and the (future) amount of which can at least be estimated.
- Conversely, 'remuneration awarded and owed' within the meaning of section 162 (1) sentence 1 AktG only denotes remuneration that has been de facto received in the financial year or remuneration that according to the explanatory memorandum (BT-Drs. 19/9739, p. 111) 'is owed under legal categories, but has not (previously) been received'.

5.1 REMUNERATION AWARDED PURSUANT TO GCGC (FORMER VERSION)

The table of 'remuneration awarded' in accordance with the former version of the GCGC shows the amount awarded in each financial year. At the time of grant, the LTIP tranches are measured at fair value as at 1 October 2019. This was determined by multiplying the respective target amount of the members of the Executive Board by a fair value factor of 0.78 per euro.

Remuneration awarded in accordance with the former version of the DCGK

	Friedrich Joussen CEO, since 14 February 2013[1]				**David Burling** Member of the Executive Board, since 1 June 2016				**Birgit Conix** Member of the Executive Board, since 15 July 2018			
€ '000	2019	**2020**	2020 (min.)	2020 (max.)	2019	**2020**	2020 (min.)	2020 (max.)	2019[2]	**2020**	2020 (min.)	2020 (max.)
Fixed remuneration	1,100.0	1,100.0	1,100.0	1,100.0	680.0	680.0	680.0	680.0	680.0	680.0	680.0	680.0
Fringe benefits[2]	52.8	36.3	36.3	36.3	29.1	26.1	26.1	26.1	20.1	18.2	18.2	18.2
Total	**1,152.8**	**1,136.3**	**1,136.3**	**1,136.3**	**709.1**	**706.1**	**706.1**	**706.1**	**700.1**	**698.2**	**698.2**	**698.2**
JEV	1,270.0	1,270.0	0.0	2,743.2	500.0	500.0	0.0	1,080.0	550.0	550.0	0.0	1,188.0
LTIP												
LTIP (2019–2022)	2,122.8				1,067.2				1,067.2			
LTIP (2020–2023)		1,427.4	0.0	4,392.0		717.6	0.0	2,208.0		717.6	0.0	2,208.0
Total	**4,545.6**	**3,833.7**	**1,136.3**	**8,271.5**	**2,276.3**	**1,923.7**	**706.1**	**3,994.1**	**2,317.3**	**1,965.8**	**698.2**	**4,094.2**
Pension/service costs[3]	635.7	628.3	628.3	628.3	225.0	225.0	225.0	225.0	230.0	230.0	230.0	230.0
Total remuneration[4]	**5,181.3**	**4,462.0**	**1,764.6**	**7,500.0**	**2,501.3**	**2,148.7**	**931.1**	**3,500.0**	**2,547.3**	**2,195.8**	**928.2**	**3,500.0**

Remuneration awarded in accordance with the former version of the DCGK

	Sebastian Ebel Member of the Executive Board, since 12 December 2014				**Dr Elke Eller** Member of the Executive Board/Labour Director, since 15 October 2015				**Frank Rosenberger** Member of the Executive Board, since 1 January 2017			
€ '000	2019[3]	**2020**	2020 (min.)	2020 (max.)	2019	**2020**	2020 (min.)	2020 (max.)	2019	**2020**	2020 (min.)	2020 (max.)
Fixed remuneration	680.0	680.0	680.0	680.0	680.0	680.0	680.0	680.0	600.0	600.0	600.0	600.0
Fringe benefits[2]	18.0	18.0	18.0	18.0	55.4	34.4	34.4	34.4	87.4	18.0	18.0	18.0
Total	**698.0**	**698.0**	**698.0**	**698.0**	**735.4**	**714.4**	**714.4**	**714.4**	**687.4**	**618.0**	**618.0**	**618.0**
JEV	500.0	500.0	0.0	1,080.0	545.0	545.0	0.0	1,177.2	465.0	465.0	0.0	1,004.4
LTIP												
LTIP (2019–2022)	1,067.2				1,009.2				887.4			
LTIP (2020–2023)		717.6	0.0	2,208.0		678.6	0.0	2,088.0		596.7	0.0	1,836.0
Total	**2,265.2**	**1,915.6**	**698.0**	**3,986.0**	**2,289.6**	**1,938.0**	**714.4**	**3,979.6**	**2,039.8**	**1,679.7**	**618.0**	**3,458.4**
Pension/service costs[3]	288.9	285.9	285.9	285.9	360.6	356.7	356.7	356.7	416.5	408.8	408.8	408.8
Total remuneration[4]	**2,554.1**	**2,201.5**	**983.9**	**3,500.0**	**2,650.2**	**2,294.7**	**1,071.1**	**3,500.0**	**2,456.3**	**2,088.5**	**1,026.8**	**3,500.0**

[1] Joint-CEO since 9 February 2016; member of the Executive Board since 15 October 2012
[2] Without insurances from group contracts
[3] For Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenberger service costs acc. to IAS19; for Mr Burling and Mrs Conix payments for pension contribution
[4] If contractually agreed cap for overall remuneration is exceeded, LTIP-payout is reduced proportionaly

The following overview of the total remuneration awarded to the members of the Executive Board in financial year 2020 illustrates the distribution of the individual remuneration components in relation to each other. It has to be emphasised that the share of variable components of the total remuneration awarded is quite considerable: The LTIP accounts for 41 % of the total remuneration awarded, the JEV accounts for 21 %. It can be stated that variable components account for 62 % of the total remuneration awarded to the members of the Executive Board.

5.2 'REMUNERATION AWARDED AND OWED' WITHIN THE MEANING OF SECTION 162 (1) SENTENCE 1 AKTG

Pursuant to section 162 (1) sentence 1, sentence 2 no. 1 AktG, all fixed and variable remuneration components should be specified that were 'awarded and owed' to the individual members of the Executive Board in financial year 2020. This information largely corresponds to the information previously reported as 'inflow' within the meaning of the former version of the GCGC.

Remuneration paid in accordance with the former version of the DCGK and "awarded and owed remuneration" pursuant to section 162 (1) sentence 1 AktG

	Friedrich Joussen CEO, since 14 February 2013[1]				**David Burling** Member of the Executive Board, since 1 June 2016				**Birgit Conix** Member of the Executive Board, since 15 July 2018			
€ '000	2019	2019[2]	**2020**	**2020[2]**	2019	2019[2]	**2020**	**2020[2]**	2019	2019[2]	**2020**	**2020[2]**
Fixed remuneration[3]	1,100.0	61.5 %	1,045.0	61.1 %	680.0	72.8 %	611.9[4]	70.9 %[4]	680.0	73.1 %	646.0	72.2 %
Fringe benefits[5]	52.8	3.0 %	36.3	2.0 %	29.1	3.1 %	26.1	3.0 %	20.1	2.2 %	18.2	2.0 %
Total	**1,152.8**	**64.5 %**	**1,081.3**	**63.1 %**	**709.1**	**75.9 %**	**638.0**	**73.9 %**	**700.1**	**75.3 %**	**664.2**	**74.2 %**
JEV	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %
LTIP												
LTIP (2016 – 2019)	0.0	0.0 %	0.0		0.0	0.0 %	0.0		0.0	0.0 %	0.0	
LTIP (2017 – 2020)	0.0		0.0	0.0 %	0.0		0.0	0.0 %	0.0		0.0	0.0 %
Others	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %
Claw Back according to § 162 para. 1 sen. 2 no. 4 AktG[6]	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %
Total	**1,152.8**	**64.5 %**	**1,081.3**	**63.2 %**	**709.1**	**75.9 %**	**638.0**	**73.9 %**	**700.1**	**75.3 %**	**664.2**	**74.3 %**
Pension / service costs[7]	635.7	35.5 %	628.3	36.8 %	225.0	24.1 %	225.0	26.1 %	230.0	24.7 %	230.0	25.7 %
Total remuneration	**1,788.5**	**100.0 %**	**1,709.6**	**100.0 %**	**934.1**	**100.0 %**	**863.0**	**100.0 %**	**930.1**	**100.0 %**	**894.2**	**100.0 %**

[1] Joint-CEO until 9 February 2016; member of the Executive Board since 15 October 2012

[2] The percentages specified here refer to the 'awarded and owed' remuneration components in the respective financial year acc. to section 162 (1) sentence 1 AktG. They thus include all remuneration components actually paid in the respective financial year, regardless for which financial year they have been paid to the members of the Executive Board. The percentages specified here are therefore not comparable to the percentages in the description of the remuneration system acc. to section 87a (1) No3 AktG which will be presented to the Annual General Meeting together with this remuneration report. The percentages indicated in the remuneration system correspond to the respective target values

[3] Taking into account the voluntary waiver of 30 % of fixed remuneration for the months April and May 2020

[4] Taking into account the additional voluntary waiver of 30 % of fixed remuneration for the months June and July 2020 due to national measures in UK

[5] Without insurance from group contracts

[6] The service contracts of the members of the Executive Board include – in accordance with the remuneration system adopted by the Supervisory Board in December 2019 – a malus and clawback provision. In financial year 2020 TUI AG has not made use of this provision.

[7] For Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenbeger service costs acc. to IAS 19 and therefor not 'awarded and owed' remuneration' within the meaning of section 162 (1) sentence 1 AktG. For Mr Burling and Mrs Conix payments for pension contribution and therefor part of 'awarded and owed' remuneration in the meaning of section 162 (1) sentence 1 AktG

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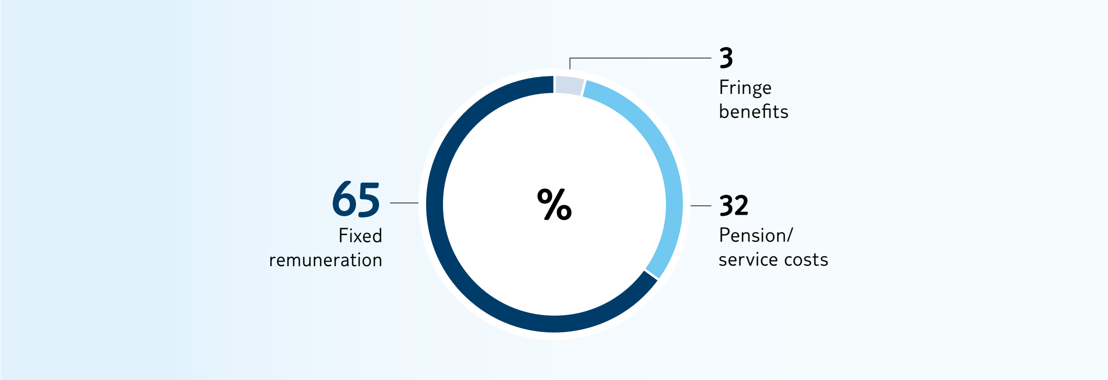
Remuneration paid in accordance with the former version of the DCGK and "awarded and owed remuneration" pursuant to section 162 (1) sentence 1 AktG

	Sebastian Ebel Member of the Executive Board, since 12 December 2014				**Dr Elke Eller** Member of the Executive Board / Labour Director, since 15 October 2015				**Frank Rosenberger** Member of the Executive Board, since 1 January 2017			
€ '000	2019	2019[2]	**2020**	**2020[2]**	2019	2019[2]	**2020**	**2020[2]**	2019	2019[2]	**2020**	**2020[2]**
Fixed remuneration[3]	680.0	68.9 %	646.0	68.0 %	680.0	62.0 %	646.0	62.3 %	600.0	54.4 %	570.0	57.2 %
Fringe benefits[5]	18.0	1.8 %	18.0	1.8 %	55.4	5.1 %	34.4	3.3 %	87.4	7.9 %	18.0	1.8 %
Total	**698.0**	**70.7 %**	**664.0**	**69.9 %**	**735.4**	**67.1 %**	**680.4**	**65.6 %**	**687.4**	**62.3 %**	**588.0**	**59.0 %**
JEV	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %
LTIP												
LTIP (2016–2019)	0.0	0.0 %	0.0		0.0	0.0 %	0.0		0.0	0.0 %	0.0	
LTIP (2017–2020)	0.0		0.0	0.0 %	0.0		0.0	0.0 %	0.0		0.0	0.0 %
Others	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %
Claw Back according to § 162 para. 1 sen. 2 no. 4 AktG[6]	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %
Total	**698.0**	**70.7 %**	**664.0**	**69.9 %**	**735.4**	**67.1 %**	**680.4**	**65.6 %**	**687.4**	**62.3 %**	**588.0**	**59.0 %**
Pension / service costs[7]	288.9	29.3 %	285.9	30.1 %	360.6	32.9 %	356.7	34.4 %	416.5	37.7 %	408.8	41.0 %
Total remuneration	**986.9**	**100.0 %**	**949.9**	**100.0 %**	**1,096.0**	**100.0 %**	**1,037.1**	**100.0 %**	**1,103.9**	**100.0 %**	**996.8**	**100.0 %**

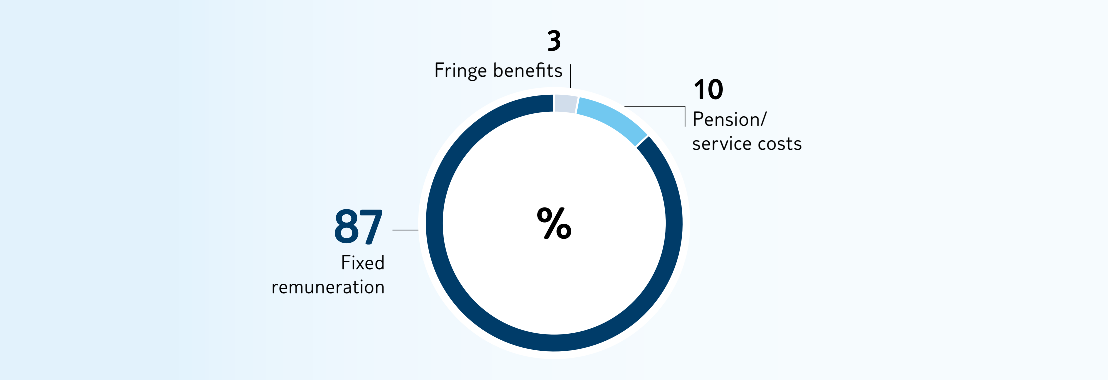
[1] Joint-CEO until 9 February 2016; member of the Executive Board since 15 October 2012.
[2] The percentages specified here refer to the 'awarded and owed' remuneration components in the respective financial year acc. to section 162 (1) sentence 1 AktG. They thus include all remuneration components actually paid in the respective financial year, regardless for which financial year they have been paid to the members of the Executive Board. The percentages specified here are therefore not comparable to the percentages in the description of the remuneration system acc. to section 87a (1) No3 AktG which will be presented to the Annual General Meeting together with this remuneration report. The percentages indicated in the remuneration system correspond to the respective target values.
[3] Taking into account the voluntary waiver of 30 % of fixed remuneration for the months April and May 2020.
[4] Taking into account the additional voluntary waiver of 30 % of fixed remuneration for the months June to September 2020 due to national measures in UK.
[5] Without insurance from group contracts.
[6] The service contracts of the members of the Executive Board include – in accordance with the remuneration system adopted by the Supervisory Board in December 2019 – a malus and clawback provision. In financial year 2020 TUI AG has not made use of this provision.
[7] For Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenbeger service costs acc. to IAS 19 and therefor not 'awarded and owed' remuneration' within the meaning of section 162 (1) sentence 1 AktG. For Mr Burling and Mrs Conix payments for pension contribution and therefor part of 'awarded and owed' remuneration in the meaning of section 162 (1) sentence 1 AktG.

Looking at the remuneration paid in accordance with former version of the DCGK as well as the "awarded and owed remuneration" in the meaning of section 161 (1) sentence 1 AktG" it becomes clear that there is no inflow from variable remuneration components for the current[1] members of the Executive Board:

Remuneration paid in accordance with the former version of the DCGK of the Executive Board as a whole



"Awarded and owed remuneration" pursuant to section 162 (1) sentence 1 AktG



5.3 OTHER PAYMENTS / BENEFITS FOR PAST MEMBERS OF THE EXECUTIVE BOARD

Mr Baier, who left the Executive Board of TUI AG on 30 September 2018, is entitled to a payout from the LTIP tranche from financial year 2017 that expired as of 30 September 2020. The entitlement amount to € 47 k[2] and will be paid in December 2020.

5.4 COMPARATIVE VIEW OF THE ANNUAL CHANGES TO THE REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD WITH EARNINGS PERFORMANCE AND THE AVERAGE REMUNERATION OF TUI AG EMPLOYEES[3]

The following table shows a comparison of the percentage change of the remuneration of the members of the Executive Board with the earnings performance of TUI AG and the average remuneration of the employees on FTE basis over the last five financial years. The remuneration of the members of the Executive Board contained in the table depicts the amounts actually received in the respective financial year. For current members of the Executive Board for financial year 2020, these values correspond to values presented in the table 'Awarded and owed remuneration pursuant to section 162 (1) sentence 1 AktG' (page 133 – 134 of the Annual Report). Where members of the Executive Board only received pro rata remuneration in the individual financial years, e. g. due to starting during the year, the remuneration for this financial year shall be projected for the full year in order to ensure comparability.

[1] See page 128 of the Annual Report for details on past members.
[2] Further, in FY 2020 Mr Baier received pension payments totalling € 910.3 k. Thereafter the relative share of the LTIP will total approx. 4.9 % of the remuneration granted to him in FY 2020.
[3] The following section is a mandatory disclosure in accordance with section 162 (1) sentence 2 no. 2 AktG in connection with section 26j (2) sentence 2 EGAktG and is in accordance with section 162 (3) sentence 2 AktG not subject to the financial report audit.

The earnings performance is generally depicted using the performance of the annual result of TUI AG pursuant to section 275 (2) no. 17 HGB. [Because the remuneration of the members of the Executive Board is also substantially dependent on the performance of Group indicators, the performance of the underlying EBITA reported in the consolidated accounts of the TUI Group is also specified.]

The comparison of the development of the average remuneration of the employees is based on the average remuneration of the staff of TUI AG. As the employee and remuneration structures are varied within the subsidiaries, in particular in terms of overseas employees, it is expedient to rely solely on the staff of TUI AG for the comparison of the development of the average remuneration. This comparison group was also used for the review of the appropriateness of the remuneration of the members of the Executive Board. This took into account the remuneration of all employees, including managerial employees within the meaning of section 5 (3) German Works Constitution Act (BetrVG). Any additional remuneration received by employees as members of the Supervisory Board of TUI AG was disregarded. To ensure comparability, the remuneration of part-time employees was rounded up to FTE.

Comparison of annual change to Executive Board remuneration according to section 162 (1) no. 2 AktG

Annual change (in %)	2020 vs. 2019
Executive Board remuneration[1]	
Friedrich Joussen	–5 %
David Burling	–15 %
Birgit Conix	–5 %
Sebastian Ebel	–5 %
Dr Elke Eller	–5 %
Frank Rosenberger	–5 %
Horst Baier (CFO until 30 September 2018)[2]	10 %
Michael Frenzel (CEO until 31 March 2014)[3]	1 %
Earnings performance	
Annual result (TUI AG)[4]	
EBITA (Group)[5]	
Average employee remuneration on FTE basis	
Company employees	–2 %

[1] "Remuneration awarded and owed" within the meaning of section 162 (1) sentence 1 AktG (fixed remuneration, JEV, LTIP, fringe benefits and fixed annual pension payment for Ms Conix and Mr Burling; "received values")
[2] In FY 2019 Mr Baier received a payment from his pension plan, in FY 2020 he received a payment from his pension plan and from the LTIP tranche 2017–2020.
[3] In FY 2019 and 2020 Mr Frenzel received payments from his pension plan.
[4] Annual result within the meaning of section 275 (2) no. 17 HGB
[5] Underlying EBITA of the TUI Group

REVIEW OF APPROPRIATENESS OF THE REMUNERATION AND PENSIONS OF MEMBERS OF THE EXECUTIVE BOARD

Following the end of financial year 2020, the Supervisory Board carried out the annual review of the remuneration and pensions of Members of the Executive Board for financial year 2020. It concluded that the level of the Executive Board remuneration and pensions are appropriate from a legal point of view within the meaning of section 87 (1) German Stock Corporation Act.

The Supervisory Board also regularly makes use of external advisors when assessing the appropriateness of the remuneration and pensions of Members of the Executive Board. This involves assessing the level and structure of the remuneration of Members of the Executive Board in relation to the remuneration of senior management and the workforce as a whole (vertical comparison) from an outside perspective. In addition to a status quo review, the vertical comparison also takes into account how this relationship changes over time. Secondly, the remuneration level and structure are assessed based on the position of TUI AG in a peer market (horizontal comparison). The peer market consists of a combination of DAX and MDAX companies that are within the scope of the German Stock Corporation Act (AktG), that are companies of similar sectors or that have similar core attributes and that are similar in terms of size (horizontal comparison). In addition to the fixed remuneration, the horizontal comparison also covers the short- and long-term remuneration components as well as the amount of company pension.

Companies for the assessment of the appropriateness of Executive Board remuneration*

Company	Stock market segment	Company	Stock market segment
Adidas AG	Dax	Hugo Boss AG	MDax
alstria office REIT-AG	Mdax	Infineon Technologies AG	Dax
Aurubis AG	Mdax	innogy SE	MDax
BASF SE	Dax	K+S AG	MDax
Bayer AG	Dax	KION GROUP AG	MDax
Bechtle AG	MDax	LANXESS AG	MDax
Beiersdorf AG	Dax	LEG Immobilien AG	MDax
Brenntag AG	Dax	Merck KGaA	Dax
Carl Zeiss Meditec AG	MDax	METRO AG	MDax
Continental AG	Dax	MorphoSys AG	MDax
Covestro AG	Dax	MTU Aero Engines AG	MDax
Daimler AG	Dax	Nemetschek SE	MDax
Delivery Hero AG	Dax	NORMA Group SE	MDax
Deutsche Euroshop AG	MDax	OSRAM Licht AG	MDax
Deutsche Lufthansa AG	Dax	ProSiebenSat.1 Media SE	MDax
Deutsche Post AG	Dax	Rheinmetall AG	MDax
Deutsche Telekom AG	MDax	RWE AG	Dax
Deutsche Wohnen AG	MDax	SAP SE	Dax
Drillisch AG	MDax	Sartorius AG	MDax
Dürr AG	MDax	Scout24 AG	MDax
E.ON SE	Dax	Siemens AG	Dax
Evonik Industries AG	MDax	Siltronic AG	MDax
Evotec AG	MDax	Software AG	MDax
Fielmann AG	MDax	Symrise AG	MDax
Fraport AG	MDax	TAG Immobilien AG	MDax
freenet AG	MDax	Telefónica Deutschland Holding AG	MDax
Fresenius Medical Care AG & Co KGaA	Dax	ThyssenKrupp AG	Dax
Fresenius SE & Co KGaA	Dax	Uniper SE	MDax
Fuchs Petrolub SE	MDax	United Internet AG	MDax
GEA Group AG	MDax	Volkswagen AG	Dax
Gerresheimer AG	MDax	Vonovia SE	Dax
HeidelbergCement AG	Dax	Wacker Chemie AG	MDax
Henkel AG & Co KGaA	Dax	Wirecard AG	Dax
HOCHTIEF AG	MDax	Zalando SE	MDax

* This date-related table is a disclosure in accordance with section G.3 of the GCGC in the version dated 16 December 2019 and is not subject to the financial report audit.

Against the background of the voluntary waiver of parts of the fixed remuneration as well as all variable remuneration components, no corresponding expert opinion was commissioned on the appropriateness of the level of remuneration for members of the Executive Board for financial year 2020. As in financial year 2019 the remuneration was significantly below that of financial year 2018, the appropriateness of which was in turn also examined and confirmed. The amount of the remuneration received, which for financial year 2020 consists of fixed remuneration, fringe benefits and pension contributions only, was largely known after the Annual General Meeting, which voted on the remuneration system in financial year 2020.

Remuneration of the Supervisory Board

The provisions and remuneration of members of the Supervisory Board are derived from section 18 of TUI AG's Articles of Association, which have been made permanently accessible to the public on the internet. The remuneration of the Supervisory Board is reviewed at appropriate intervals. In this regard the expected time required for the relevant duties and experience in companies of a similar size, industry and complexity are taken into account.

Objective and reference to the corporate strategy

Highly-qualified Supervisory Board members are to be acquired and retained. This will foster the efficiency of the work of the Supervisory Board and the long-term performance of TUI AG.

Procedure

Besides reimbursement of their expenses, which include the revenue tax due on their emoluments, the members of the Supervisory Board receive a fixed remuneration of € 90.0 k per financial year, payable upon completion of the financial year. The chairman shall receive three times, and his deputies twice, the fixed remuneration of a Supervisory Board member.

An additional fixed remuneration of € 42.0 k is paid for membership of committees (e. g. the presiding committee, the audit committee and the strategy committee, but not the nomination committee). As a result of the successful completion of the integration of TUI AG and the former TUI Travel PLC, the integration committee was dissolved as planned in December 2016, which has already been described in the Annual Report 2017. The chairman of the audit committee shall receive three times, and the chairman of the strategy committee twice, this remuneration. This remuneration is also paid out at the end of the respective financial year.

The members of the Supervisory Board receive no further remuneration components and no fringe benefits. In all cases the remuneration relates to a full financial year. For parts of a financial year and for short financial years the remuneration shall be paid on a pro-rata basis.

The members of the Supervisory Board and the committees receive an attendance fee of € 1.0 k per meeting, regardless of the form the meeting takes.

Moreover, the members of the Supervisory Board are included in a financial liability insurance policy (D&O insurance) taken out in an appropriate amount by the company in its own interests. The relevant insurance premiums are paid by the company. There is a deductible for which the Supervisory Board members can take out their own private insurance.

Cap

There is no need to set a cap for the remuneration of the Supervisory Board because the remuneration for the Supervisory Board members does not consist of variable but solely of fixed components. This also applies under the new stipulations of the AktG in the version incorporating ARUG II. These new stipulations provide for the determination of a maximum remuneration expressly only for the Members of the Executive Board, but not the members of the Supervisory Board.

1. REMUNERATION OF THE SUPERVISORY BOARD AS A WHOLE

Against the background of the impact of the COVID-19-pandemic and the economic implications on the business of the company, the members of the Supervisory Board voluntarily waived 30 % of their fixed remuneration pursuant to section 18 para 1 of the Articles of Association in the version of 11 February 2020 for the months April to September.

Remuneration of the Supervisory Board as a whole

€'000	**2020**	2019
Fixed remuneration	1,853.4	2,158.1
Long-term variable remuneration	0.0	252.9
Remuneration for committee memberships	1,064.0	1,084.4
Attendance fees	418.0	354.0
Remuneration for TUI AG Supervisory Board mandate	3,335.4	3,849.4
Remuneration for Supervisory Board mandates in the Group	37.3	40.6
Total	**3,372.7**	**3,890.0**

In addition, travel and other expenses totalling € 182.8 k (previous year: € 188.4 k) were reimbursed. Total remuneration of the Supervisory Board members, including reimbursement of travel and other expenses, thus amounted to € 3,555.5 k (previous year: € 4,078.4 k).

Individual remuneration of Supervisory Board in FY 2020

	Fixed remuneration[1] € '000	in %	Remuneration for committee € '000	in %	Attendance fee € '000	in %	Remuneration for Supervisory Board mandates in the Group € '000	in %	**Total**
Dr Dieter Zetsche (Chairman)	229.5[2]	58.9	126.0	32.3	34.0	8.7			389.5
Frank Jakobi (Deputy Chairman)	166.5	57.6	93.8[3]	32.4	29.0	10.0			289.3
Peter Long (Deputy Chairman)	153.0[2]	50.0	126.0	41.2	27.0	8.8			306.0
Ingrid-Helen Arnold[4]	44.0	81.5			10.0	18.5			54.0
Andreas Barczewski	76.5	47.4	42.0	26.0	21.0	13.0	21.8	13.5	161.3
Peter Bremme	76.5	54.8	42.0	30.1	21.0	15.1			139.5
Prof. Dr Edgar Ernst	76.5	28.4	168.0	62.3	25.0	9.3			269.5
Wolfgang Flintermann	76.5	84.5			14.0	15.5			90.5
María Garaña Corces[4]	44.0	83.0			9.0	17.0			53.0
Angelika Gifford	76.5	41.0	84.0	45.0	26.0	13.9			186.5
Valerie Gooding[5]	32.8	59.5	15.3	27.8	7.0	12.7			55.1
Stefan Heinemann[7]	12.3	86.0			2.0	14.0			14.3
Dr Dierk Hirschel	76.5	54.8	42.0	30.1	21.0	15.1			139.5
Janis Kong[5]	32.8	59.5	15.3	27.8	7.0	12.7			55.1
Vladimir Lukin	76.5	63.1	26.8[6]	22.1	18.0	14.8			121.3
Coline McConville	76.5	55.2	42.0	30.3	20.0	14.4			138.5
Alexey Mordashov	76.5	42.6	84.0	46.8	19.0	10.6			179.5
Michael Pönipp	76.5	45.6	51.8[3]	30.9	24.0	14.3	15.5	9.2	167.8
Carola Schwirn	76.5	84.5			14.0	15.5			90.5
Anette Strempel	76.5	54.4	42.0	29.9	22.0	15.7			140.5
Ortwin Strubelt[8]	67.5	44.9	63.0	41.9	20.0	13.3			150.5
Joan Trían Riu	76.5	84.5			14.0	15.5			90.5
Stefan Weinhofer	76.5	84.5			14.0	15.5			90.5
Total	**1,853.4**		**1,064.0**		**418.0**		**37.3**		**3,372.7**

[1] Taking account of a voluntary waiver of 30 % of the fixed remuneration for the months April to September 2020
[2] Taking account of an additional voluntary waiver of 30 % of the remuneration as Chairman / deputy Chairman for the months April to September 2020
[3] Pro rated view of the committee remuneration from 7 July 2020
[4] Pro rated view of all remuneration components from 11 February 2020
[5] Pro rated view of all remuneration components up to 11 February 2020
[6] Pro rated view of the committee remuneration from 11 February 2020
[7] Pro rated view of all committee remuneration from 21 July 2020
[8] Pro rated view of all remuneration components up to 30 June 2020

3. COMPARATIVE VIEW OF THE ANNUAL CHANGES TO THE REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD WITH EARNINGS PERFORMANCE AND THE AVERAGE REMUNERATION OF TUI AG EMPLOYEES [1]

The following table shows a comparison of the percentage change of the remuneration of the members of the Supervisory Board with the earnings performance of TUI AG and the average remuneration of the employees on FTE basis over the last five financial years. The remuneration of the members of the Supervisory Board contained in the table depicts the amounts actually received in the respective financial year. For current members of the Supervisory Board for financial year 2020, these values correspond to values presented in the table 'Awarded and owed remuneration pursuant to section 162 (1) sentence 1 AktG' (page 135 of the Management Report). Where members of the Supervisory Board only received pro rata remuneration in the individual financial years, e.g. due to starting during the year, the remuneration for this financial year shall be projected for the full year in order to ensure comparability. If any members of the Supervisory Board previously belonged to the Executive Board of TUI AG and received remuneration as a result, this is not taken into account in the comparative view.

[1] The following section is a mandatory disclosure in accordance with section 162 (1) sentence 2 no. 2 AktG and is in accordance with section 162 (3) sentence 2 AktG not subject to the financial report audit.

The earnings performance is generally depicted using the performance of the annual result of TUI AG pursuant to section 275 (2) no. 17 HGB. Because the remuneration of the members of the Supervisory Board is also substantially dependent on the performance of Group indicators, the performance of the underlying EBITA reported in the consolidated accounts of the TUI Group is also specified.

The comparison of the development of the average remuneration of the employees is based on the average remuneration of the staff of TUI AG. As the employee and remuneration structures are varied within the subsidiaries, in particular in terms of overseas employees, it is expedient to rely solely on the staff of TUI AG for the comparison of the development of the average remuneration. This comparison group was also used for the review of the appropriateness of the remuneration of the members of the Executive Board. This took into account the remuneration of all employees, including managerial employees within the meaning of section 5 (3) German Works Constitution Act (BetrVG). Any additional remuneration received by employees as members of the Supervisory Board of TUI AG was disregarded. To ensure comparability, the remuneration of part-time employees was rounded up to FTE.

Comparison of annual change to Supervisory Board remuneration according to section 162 (1) no. 2 AktG

Annual change (in %)	2020 vs. 2019
Supervisory Board remuneration[2]	
Dr Dieter Zetsche[3]	+71 %
Frank Jakobi	+0 %
Peter Long	–8 %
Ingrid Arnold[4]	n. a.
Andreas Barzcewski	–15 %
Peter Bremme	–5 %
Prof. Dr Edgar Ernst	–6 %
Wolfgang Flintermann	–10 %
María Garaña Corces[4]	n. a.
Angelika Gifford[5]	12 %
Valerie Gooding[6]	–8 %
Stefan Heinemann[4]	n. a.
Dr Dierk Hirschel	–15 %
Janis Kong[6]	–6 %
Vladimir Lukin[7]	21 %
Coline McConville	–16 %
Alexey Mordashov	–8 %
Michael Pönipp	–7 %
Carola Schwirn	–21 %
Anette Strempel	–14 %
Ortwin Strubelt[6]	–11 %
Joan Trían Riu[8]	–10 %
Stefan Weinhofer	–10 %
Earnings performance	
Annual result (TUI AG)[9]	–1,994 %
EBITA (Group)[10]	–440 %
Average employee remuneration on FTE basis	
Company employees	–2 %

[2] "Remuneration awarded and owed" within the meaning of section 162 (1) sentence 1 AktG (fixed remuneration and variable remuneration in FY 2019 where applicable; "received values")
[3] Only Chairman of the Supervisory Board from 23 May 2019 in FY 2019, therefor increased remuneration only as of 23 May 2019.
[4] No entry as appointed as a new member of the Supervisory Board in FY 2020
[5] Only a member of the Presiding Committee since 23 May 2019 in FY 2019, thus increased remuneration as of 23 May 2019.
[6] Rounded up to full-year values for FY 2020 due to departure during the year
[7] Rounded up to full-year values for FY 2019 due to appointment during the year, since 12 Feb. 2020 member of the Audit Committee and thus higher remuneration as of 12 Feb. 2020
[8] Rounded up to full-year values for FY 2019 due to appointment during the year
[9] Annual result within the meaning of section 275 (2) no. 17 HGB 2019: € 120 k; 2020: € – 2,272.6 k
[10] Underlying EBITA of the TUI Group 2019: € 893.3 k; 2020: € – 3,032.8 k

Apart from the work performed by the employees' representatives pursuant to their contracts, none of the members of the Supervisory Board provided any personal services such as consultation or agency services for TUI AG or its subsidiaries in financial year 2020 and thus did not receive any additional remuneration arising out of this.

4

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of TUI Group
for the period from 1 Oct 2019 to 30 Sep 2020

€ million	Notes	2020	2019 adjusted*
Revenue	(1)	7,943.7	18,928.1
Cost of sales	(2)	9,926.1	17,489.4
Gross loss / profit		**–1,982.4**	**1,438.7**
Administrative expenses	(2)	1,017.3	987.1
Other income	(3)	574.4	21.3
Other expenses	(3)	15.2	22.5
Impairment of goodwill	(12)	68.1	–
Impairment of financial assets	(40)	180.6	4.5
Financial income	(4)	35.3	119.7
Financial expenses	(5)	321.7	171.4
Share of result of joint ventures and associates	(6)	–193.3	297.5
Impairment of net investments in joint ventures and associates	(6)	34.5	–
Earnings before income taxes		**–3,203.3**	**691.6**
Income taxes (expense [+], income [–])	(7)	–64.2	159.6
Group loss / profit		**–3,139.1**	**532.1**
Group loss / profit attributable to shareholders of TUI AG	(8)	–3,148.4	416.4
Group profit attributable to non-controlling interest	(9)	9.4	115.7

* For further information, please refer to the section 'Restatement of comparative periods'.

Earnings per share

€	Notes	2020	2019
Basic and diluted loss / earnings per share	(10)	**–5.34**	**0.71**

Statement of Comprehensive Income of TUI Group
for the period from 1 Oct 2019 to 30 Sep 2020

€ million	Notes	2020	2019 adjusted*
Group loss / profit		**–3,139.1**	**532.1**
Remeasurements of defined benefit obligations and related fund assets		25.5	–19.9
Other comprehensive income of companies measured at equity that will not be reclassified		–51.6	–36.2
Fair value loss / gain on investments in equity instruments designated as at FVTOCI		–27.7	2.2
Income tax related to items that will not be reclassified	(11)	–15.2	26.3
Items that will not be reclassified to profit or loss		**–69.0**	**–27.6**
Foreign exchange differences		–185.9	96.7
Foreign exchange differences outside profit or loss		–187.0	96.7
Reclassification		1.1	–
Cash flow hedges		–316.1	–340.0
Changes in the fair value		–65.0	6.6
Reclassification		–251.1	–346.6
Other comprehensive income of companies measured at equity that may be reclassified		13.0	0.8
Changes in the measurement outside profit or loss		13.0	0.8
Income tax related to items that may be reclassified	(11)	73.3	79.5
Items that may be reclassified to profit or loss		**–415.7**	**–163.0**
Other comprehensive income		**–484.7**	**–190.6**
Total comprehensive income		**–3,623.8**	**341.5**
attributable to shareholders of TUI AG		–3,580.4	215.9
attributable to non-controlling interest		–43.4	125.6

* For further information, please refer to the section 'Restatement of comparative periods'.

Statement of financial Position of TUI Group as at 30 Sep 2020

€ million	Notes	30 Sep 2020	30 Sep 2019 adjusted*
Assets			
Goodwill	(12)	2,914.5	3,009.2
Other intangible assets	(13)	553.5	710.7
Property, plant and equipment	(14)	3,462.5	5,810.7
Right-of-use assets	(15)	3,227.9	–
Investments in joint ventures and associates	(16)	1,186.7	1,507.6
Trade and other receivables	(17), (40)	402.4	60.9
Derivative financial instruments	(40)	7.4	43.9
Other financial assets	(40)	10.6	43.0
Touristic payments on account	(18)	149.9	180.4
Other non-financial assets	(19)	423.2	369.9
Income tax assets		9.6	9.6
Deferred tax assets	(20)	299.6	202.0
Non-current assets		**12,647.8**	**11,947.9**
Inventories	(21)	73.2	114.7
Trade and other receivables	(17), (40)	486.3	876.4
Derivative financial instruments	(40)	88.9	303.8
Other financial assets	(40)	14.9	31.1
Touristic payments on account	(18)	555.5	865.4
Other non-financial assets	(19)	113.4	131.5
Income tax assets		70.9	155.7
Cash and cash equivalents	(22), (40)	1,233.1	1,741.5
Assets held for sale	(23)	57.2	50.0
Current assets		**2,693.4**	**4,270.2**
Total assets		**15,341.1**	**16,218.1**

* For further information, please refer to the section 'Restatement of comparative periods'.

Statement of financial Position of TUI Group as at 30 Sep 2020

€ million	Notes	30 Sep 2020	30 Sep 2019 adjusted*
Equity and liabilities			
Subscribed capital	(24)	1,509.4	1,505.8
Capital reserves	(25)	4,211.0	4,207.5
Revenue reserves	(26)	– 6,168.8	– 2,259.2
Equity before non-controlling interest		**– 448.4**	**3,454.2**
Non-controlling interest	(28)	666.5	711.4
Equity		**218.1**	**4,165.6**
Pension provisions and similar obligations	(29)	983.6	1,035.6
Other provisions	(30)	912.1	775.0
Non-current provisions		**1,895.7**	**1,810.6**
Financial liabilities	(31), (40)	3,691.7	2,457.6
Lease liabilities	(31), (40)	2,712.6	–
Derivative financial instruments	(40)	44.0	59.1
Other financial liabilities	(32), (40)	7.2	15.6
Other non-financial liabilities	(34)	198.4	100.1
Income tax liabilities		61.3	70.9
Deferred tax liabilities	(20)	192.7	226.9
Non-current liabilities		**6,908.1**	**2,930.3**
Non-current provisions and liabilities		**8,803.7**	**4,740.9**
Pension provisions and similar obligations	(29)	31.4	32.4
Other provisions	(30)	390.3	361.9
Current provisions		**421.6**	**394.3**
Financial liabilities	(31), (40)	577.3	224.6
Lease liabilities	(31), (40)	687.3	–
Trade payables	(40)	1,611.5	2,830.5
Derivative financial instruments	(40)	274.8	157.1
Other financial liabilities	(32), (40)	422.0	89.6
Touristic advance payments received	(33)	1,770.1	2,911.2
Other non-financial liabilities	(34)	447.8	519.3
Income tax liabilities		82.4	81.9
Current liabilities		**5,873.2**	**6,814.1**
Liabilities related to assets held for sale	(35)	24.5	103.1
Current provisions and liabilities		**6,319.3**	**7,311.6**
Total equity, liabilities and provisions		**15,341.1**	**16,218.1**

* For further information, please refer to the section 'Restatement of comparative periods'.

Statement of Changes in Group Equity of the TUI Group for the period from 1 Oct 2019 to 30 Sep 2020

€ million	Subscribed capital (24)	Capital reserves (25)	Other revenue reserves	Foreign exchange differences	Financial assets at FVTOCI	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (26)	Equity before non-controlling interest	Non-controlling interest (28)	Total
Balance as at 30 Sep 2018	**1,502.9**	**4,200.5**	**–1,156.3**	**–1,273.6**	**–**	**0.5**	**353.9**	**12.9**	**–2,062.6**	**3,640.8**	**634.8**	**4,275.6**
Adoption of IFRS 9	–	–	6.3	–	–	–0.5	–	–	5.8	5.8	–	5.8
Balance as at 1 Oct 2018	**1,502.9**	**4,200.5**	**–1,150.0**	**–1,273.6**	**–**	**–**	**353.9**	**12.9**	**–2,056.8**	**3,646.6**	**634.8**	**4,281.4**
Dividends	–	–	–423.3	–	–	–	–	–	–423.3	–423.3	–52.5	–475.8
Share-based payment schemes	–	–	5.0	–	–	–	–	–	5.0	5.0	–	5.0
Issue of employee shares	2.9	7.0	–	–	–	–	–	–	–	9.9	–	9.9
First-time consolidation	–	–	–	–	–	–	–	–	–	–	3.5	3.5
Group profit for the year (adjusted)	**–**	**–**	**416.4**	**–**	**–**	**–**	**–**	**–**	**416.4**	**416.4**	**115.7**	**532.1**
Foreign exchange differences	–	–	9.2	83.6	1.5	–	–8.3	0.6	86.6	86.6	10.1	96.7
Financial assets at FVTOCI	–	–	–	–	2.2	–	–	–	2.2	2.2	–	2.2
Cash flow hedges	–	–	–	–	–	–	–340.0	–	–340.0	–340.0	–	–340.0
Remeasurements of defined benefit obligations and related fund assets	–	–	–19.9	–	–	–	–	–	–19.9	–19.9	–	–19.9
Other comprehensive income of joint ventures and associates	–	–	–35.2	–	–	–	–	–	–35.2	–35.2	–0.2	–35.4
Taxes attributable to other comprehensive income	–	–	26.3	–	–	–	79.5	–	105.8	105.8	–	105.8
Other comprehensive income	**–**	**–**	**–19.6**	**83.6**	**3.7**	**–**	**–268.8**	**0.6**	**–200.5**	**–200.5**	**9.9**	**–190.6**
Total comprehensive income (adjusted)	–	–	396.8	83.6	3.7	–	–268.8	0.6	215.9	215.9	125.6	341.5

Table continues on next page

Continued from previous page

Statement of Changes in Group Equity of the TUI Group for the period from 1 Oct 2019 to 30 Sep 2020

€ million	Subscribed capital (24)	Capital reserves (25)	Other revenue reserves	Foreign exchange differences	Financial assets at FVTOCI	Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (26)	Equity before non-controlling interest	Non-controlling interest (28)	**Total**
Balance as at 30 Sep 2019	**1,505.8**	**4,207.5**	**–1,171.5**	**–1,190.0**	**3.7**	**–**	**85.1**	**13.5**	**–2,259.2**	**3,454.1**	**711.4**	**4.165.5**
First-time adoption of IFRS 16	–	–	–13.7	–	–	–	–	–	–13.7	–13.7	–	–13.7
Balance as at 1 Oct 2019	**1,505.8**	**4,207.5**	**–1,185.2**	**–1,190.0**	**3.7**	**–**	**85.1**	**13.5**	**–2,272.9**	**3,440.4**	**711.4**	**4,151.8**
Dividends	–	–	–318.1	–	–	–	–	–	–318.1	–318.1	–0.2	–318.3
Share-based payment schemes	–	–	2.9	–	–	–	–	–	2.9	2.9	–	2.9
Issue of employee shares	3.6	3.5	–	–	–	–	–	–	–	7.1	–	7.1
Effects from acquisitions on non-controlling interests	–	–	–0.3	–	–	–	–	–	–0.3	–0.3	–1.3	–1.6
Group profit/loss for the year	**–**	**–**	**–3,148.5**	**–**	**–**	**–**	**–**	**–**	**–3,148.5**	**–3,148.5**	**9.4**	**–3,139.1**
Foreign exchange differences	–	–	–6.1	–136.0	0.1	–	9.4	–0.7	–133.3	–133.3	–52.6	–185.9
Financial assets at FVTOCI	–	–	–	–	–27.7	–	–	–	–27.7	–27.7	–	–27.7
Cash flow hedges	–	–	–	–	–	–	–316.2	–	–316.2	–316.2	0.1	–316.1
Remeasurements of defined benefit obligations and related fund assets	–	–	25.5	–	–	–	–	–	25.5	25.5	–	25.5
Other comprehensive income of joint ventures and associates	–	–	–38.3	–	–	–	–	–	–38.3	–38.3	–0.3	–38.6
Taxes attributable to other comprehensive income	–	–	–15.2	–	–	–	73.3	–	58.1	58.1	–	58.1
Other comprehensive income	**–**	**–**	**–34.1**	**–136.0**	**–27.6**	**–**	**–233.5**	**–0.7**	**–431.9**	**–431.9**	**–52.8**	**–484.7**
Total comprehensive income	–	–	–3,182.6	–136.0	–27.6	–	–233.5	–0.7	–3,580.4	–3,580.4	–43.4	–3,623.8
Balance as at 30 Sep 2020	**1,509.4**	**4,211.0**	**–4,683.3**	**–1,326.0**	**–23.9**	**–**	**–148.4**	**12.8**	**–6,168.8**	**–448.4**	**666.5**	**218.1**

Cash flow Statement of TUI Group for the period from 1 Oct 2019 to 30 Sep 2020

€ million	Notes	**2020**	2019 adjusted*	Variance
Group loss / profit		–3,139.1	532.1	–3,671.2
Depreciation, amortisation and impairment (+) / write-backs (–)		1,573.5	509.4	1,064.2
Other non-cash expenses (+) / income (–)		313.4	–256.1	569.5
Interest expenses		305.6	167.7	137.9
Dividends from joint ventures and associates		7.1	244.6	–237.5
Profit (–) / loss (+) from disposals of non-current assets		–564.3	–5.3	–559.0
Increase (–) / decrease (+) in inventories		33.1	–3.1	36.2
Increase (–) / decrease (+) in receivables and other assets		627.9	–207.9	835.8
Increase (+) / decrease (–) in provisions		74.1	–58.3	132.4
Increase (+) / decrease (–) in liabilities		–2,003.2	191.8	–2,195.0
Cash outflow / cash inflow from operating activities	(42)	**–2,771.9**	**1,114.9**	**–3,886.8**
Payments received from disposals of property, plant and equipment and intangible assets		109.9	182.0	–72.1
Payments received / made from disposals of consolidated companies (less disposals of cash and cash equivalents due to divestments)		689.3	–52.4	741.7
Payments received from the disposals of other non-current assets		79.1	7.7	71.4
Payments made for investments in property, plant and equipment and intangible assets		–587.0	–987.0	400.0
Payments made for investments in consolidated companies (less cash and cash equivalents received due to acquisitions)		–40.8	–242.3	201.5
Payments made for investments in other non-current assets		–88.6	–49.4	–39.2
Cash inflow / cash outflow from investing activities	(43)	**161.8**	**–1,141.4**	**1,303.2**
Payments made for acquisition of own shares		–1.0	–0.4	–0.7
Payments received from the issuance of employee shares		7.1	9.9	–2.8
Payments made for interest increase in consolidated companies		–1.6	–	–1.6
Dividend payments				
TUI AG		–318.1	–423.3	105.2
subsidiaries to non-controlling interest		–0.6	–52.2	51.6
Payments received from the raising of financial liabilities		3,372.4	52.5	3,319.9
Payments made for redemption of loans and financial liabilities		–81.4	–110.1	28.7
Payments made for principal of lease liabilities		–612.4	–122.3	–490.1
Interest paid		–251.9	–117.9	–134.0
Cash inflow / cash outflow from financing activities	(44)	**2,112.5**	**–763.8**	**2,876.3**
Net change in cash and cash equivalents		**–497.6**	**–790.3**	**292.7**
Development of cash and cash equivalents	(45)			
Cash and cash equivalents at beginning of period		**1,747.6**	**2,548.0**	**–800.3**
Change in cash and cash equivalents due to exchange rate fluctuations		–17.0	–10.1	–6.9
Net change in cash and cash equivalents		–497.6	–790.3	292.7
Cash and cash equivalents at end of period		**1,233.1**	**1,747.6**	**–514.5**
of which included in the balance sheet as assets held for sale		–	6.1	–6.1

* For further information, please refer to the section 'Restatement of comparative periods'.

NOTES

Principles and Methods underlying the Consolidated Financial Statements

General

The TUI Group and its major subsidiaries and shareholdings operate in tourism.

TUI AG, based in Karl-Wiechert-Allee 4, Hanover is the TUI Group's parent company and a listed corporation under German law. The Company is registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580). The shares in the company are traded on the London Stock Exchange and the Hanover and Frankfurt Stock Exchanges.

These consolidated financial statements of TUI AG were prepared for the financial year 2020 comprising the period from 1 October 2019 to 30 September 2020. Where any of TUI's subsidiaries have different financial years, financial statements were prepared as at 30 September in order to include these subsidiaries in TUI AG's consolidated financial statements.

The Executive Board and the Supervisory Board have submitted a Declaration of Compliance with the German Corporate Governance Code required pursuant to section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the general public on the Company's website (www.tuigroup.com).

The consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are indicated in million euros (€m). Due to the utilisation of rounded amounts there may be minor rounding differences in total and percentages.

The consolidated financial statements were approved for publication by TUI AG's Executive Board on 9 December 2020.

Accounting principles

DECLARATION OF COMPLIANCE

Pursuant to Regulation EEC No. 1606/2002 of the European Parliament and Council, TUI AG's consolidated financial statements as at 30 September 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. Moreover, the commercial-law provisions listed in section 315e (1) of the German Commercial Code (HGB) were also observed in preparing the consolidated financial statements.

The accounting and measurement methods and the explanatory information and Notes to these annual financial statements for financial year 2020 are generally consistent with those followed in preparing the previous consolidated financial statements for financial year 2019, with the exception of the initial application of new or amended standards, as outlined below.

NEWLY APPLIED STANDARDS

Since the beginning of financial year 2020, TUI has adopted the following mandatory standards and interpretations amended or newly issued by the IASB and endorsed by the EU.

New applied standards in FY 2020

Standard	Applicable from	Amendments	Impact on financial statements
IFRS 16 Leases	1 Jan 2019	IFRS 16 replaces the current IAS 17 and its interpretations. For lessees, there is no longer the requirement to classify into finance and operating leases. Instead all leases are accounted for according to the so-called 'Rights of Use' approach. In the statement of financial position a lessee is to recognise an asset for the right to use the leased item and a liability for the future lease payments. There are optional exemptions for short-term leases (< 12 months) and so-called small-ticket leases. For lessors, the accounting stays largely unchanged. Lessors will continue to classify leases in accordance with the criteria transferred from IAS 17. In addition, IFRS 16 includes several other new requirements, in particular a new definition of a lease, on sale and leaseback transactions and the accounting for subleases.	The new standard has significant effects on TUI Group's financial statements. The effects are explained below.
IFRIC 23 Uncertainty over Income Tax Treatments	1 Jan 2019	The interpretation complements the rules of IAS 12 on the accounting for actual and deferred taxes to clarify the accounting for uncertainties over income tax treatments and transactions by taxation authorities or fiscal courts.	Not material.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 Jan 2019	The amendments clarify that the impairment rules of IFRS 9 apply to long-term interests in associates and joint ventures that, in substance, form part of the net investment in the associate or joint venture to which the equity method is applied. Nevertheless, (as a second step) these long-term interests will have to be taken into account when the IAS 28 loss allocations are ad-justed to the value of the long-term interests.	Not material.
Various Improvements to **IFRS (2015–17)**	1 Jan 2019	The various amendments from the annual improvement project 2015–2017 cycle affect minor changes to IFRS 3, IFRS 11, IAS 12 and IAS 23.	Not material.
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	1 Jan 2019	Where an amendment, curtailment or settlement of a defined benefit plan occurs, the amendments require a company to use updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	Not material.

IFRS 16

The changes in lessee accounting for leases resulting from the adoption of IFRS 16 have a significant impact on all parts of the Interim Financial Statements and the presentation of TUI Group's statement of financial position, net assets and earnings position.

For further general information on the accounting for leases since 1 October 2019, please refer to the section 'Accounting and measurement methods'.

As a lessor, TUI Group's transition to IFRS 16 has not resulted in any changes in the accounting for existing leases, with the following exception. Due to the reclassification of existing subleases based on the right-of-use assets in the sublease in relation to the head lease, three contracts have been reclassified as finance leases and receivables of € 47.3 m have been capitalised.

Regarding the options and practical expedients available to lessees, TUI Group has decided:

- to present the right-of-use assets and lease liabilities separately in the statement of financial position.
- to use the recognition and measurement exceptions for short-term leases (with terms of 12 months or less) and for leases of low value assets. The lease payments associated with those leases are recognised as an expense in functional costs either on a straight-line basis over the lease term or another systematic basis.
- For some asset classes, in particular for vehicle and IT leases as well as for leases of hotel capacity, to not separate lease components from non-lease components when accounting for contracts that contain lease components and non-lease components.

TUI has also elected to use the option for lessees and lessors not to apply the new standard to leases of intangible assets.

TUI Group initially applies IFRS 16 as at 1 October 2019 using the modified retrospective approach and in accordance with the transition guidance. Using that method, the prior year's comparative period is not restated. The effect of the transition is reported directly in equity as at 1 October 2019.

Regarding the new definition of a lease, the option to grandfather existing leases is not used in transitioning to IFRS 16. The new rules are thus applied to all contracts existing as at 1 October 2019 falling within the scope of IFRS 16, regardless of whether TUI Group contractually operates as the lessee or lessor. In the context of the purchasing of mixed touristic accommodation services the contracting over the majority of a hotel's room capacity is identified as a lease component if TUI Group contractually commits to the supplier to the guaranteed fixed purchase of more than 90 % of a hotel's total capacity for a period of more than twelve months and no contract-exempt return of allotments for self-distribution by the hotelier is agreed and hence an irrevocable payment obligation exists.

In transitioning to the new standard, TUI Group applies the following practical expedients for lessees:

- For leases already classified as operating leases under IAS 17, the lease liability is carried at the amount of the present value of the future lease payments, determined using the incremental borrowing rate, as at 1 October 2019. The weighted average incremental borrowing rate was 4.99 %. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for the amount of existing lease prepayments and accrued rent.
- For leases with a remaining term of less than one year at the date of initial application, TUI Group does not recognise any right-of-use assets and lease liabilities, in line with exercising the exception for short-term leases with lease terms of twelve months or less.
- Initial direct costs are not included in the initial measurement of the right-of-use asset as at the date of initial adoption.
- Hindsight is used in determining the lease term of contracts containing options to extend or terminate the lease.
- At the date of initial adoption, the right-of-use assets are not tested for impairment. Instead, the right-of-use assets are adjusted by the amount of any provisions for onerous leases existing as at 30 September 2019 recognised in the statement of financial position.

In transitioning to IFRS 16, right-of-use assets of € 2,390.3 m and lease liabilities of € 2,368.6 m were recognised for the first time on the balance sheet as at 1 October 2019. The table below shows a reconciliation of other financial commitments from rental and lease agreements as at 30 September 2019 to the opening balance of the lease liabilities as at 1 October 2019:

Reconciliation of IFRS 16 lease liabilities

€ million	
Financial obligations from operating leases as at 30 September 2019	**2,744.7[1]**
Recognition exception for short-term leases	– 34.6
Recognition exception for leases of low value items	– 5.9
Changes due to new definition of a lease	81.8
Changes due to assessment of renewal or termination options	178.6
Payments for non-lease components and intangible assets	–73.2
Total payment obligations from operating leases	**2,891.4**
Discounting	522.8
Present value of new IFRS 16 lease liabilities as at 1 October 2019	**2,368.6[2]**
Finance lease liabilities as at 30 September 2019	1,495.2
Other financial liabilities from finance leases as at 30 September 2019	4.7
Carrying amount of IFRS 16 lease liabilities as at 1 October 2019	**3,868.5[2]**

[1] Prior year adjusted by € 83.6 m.
[2] Thereof € 7.0 m carried in liabilities related to assets held for sale under IFRS 5.

In transitioning to IFRS 16, the carrying amounts of the assets and liabilities from finance leases existing as at 30 September 2019 are reclassified to right-of-use assets and lease liabilities as at 1 October 2019.

In total, the initial application of IFRS 16 results in the following adjustments to the statement of financial position as at 1 October 2019:

Effects of the first-time adoption of IFRS 16 on the financial position of TUI Group as at 1 Oct 2019

€ million	Carrying amount IAS 17 30 Sep 2019	Adoption of IFRS 16	Carrying amount IFRS 16 1 Oct 2019
Assets			
Other intangible assets	710.7	–13.7	697.0
Property, plant and equipment	5,810.7	–1,451.6	4,359.1
Right-of-use assets	–	3,831.6	3,831.6
Trade and other receivables	60.9	36.7	97.6
Touristic payments on account	180.4	– 8.4	172.0
Non-current assets	**11,947.9**	**2,394.6**	**14,342.5**
Trade and other receivables	876.4	10.6	887.0
Touristic payments on account	865.4	– 86.5	778.9
Assets held for sale	50.0	7.0	57.0
Current assets	**4,270.2**	**– 68.9**	**4,201.2**
Total assets	**16,218.1**	**2,325.7**	**18,543.7**

Effects of the first-time adoption of IFRS 16 on the financial position of TUI Group as at 1 Oct 2019

€ million	Carrying amount IAS 17 30 Sep 2019	Adoption of IFRS 16	Carrying amount IFRS 16 1 Oct 2019
Equity and liabilities			
Revenue reserves	– 2,259.2	–13.7	– 2,272.9
Equity before non-controlling interest	**3,454.2**	**–13.7**	**3,440.4**
Equity	**4,165.6**	**–13.7**	**4,151.8**
Other provisions	775.0	2.1	777.1
Non-current provisions	**1,810.6**	**2.1**	**1,812.7**
Financial liabilities	2,457.6	–1,364.7	1,092.9
Lease liabilities	–	3,061.2	3,061.2
Other financial liabilities	15.6	– 4.7	10.9
Deferred tax liabilities	226.9	– 0.4	226.5
Non-current liabilities	**2,930.3**	**1,691.4**	**4,621.7**
Non-current provisions and liabilities	**4,740.9**	**1,693.5**	**6,434.4**
Other provisions	361.9	– 3.5	358.4
Current provisions	**394.3**	**– 3.5**	**390.8**
Financial liabilities	224.6	–130.5	94.1
Lease liabilities	–	800.3	800.3
Trade payables	2,830.5	– 24.7	2,805.8
Other non-financial liabilities	519.3	– 2.7	516.6
Current liabilities	**6,814.1**	**642.4**	**7,456.6**
Liabilities related to assets held for sale	103.1	7.0	110.1
Current provisions and liabilities	**7,311.6**	**645.9**	**7,957.5**
Total equity and liabilities	**16,218.1**	**2,325.7**	**18,543.7**

Going concern reporting according to the UK Corporate Governance Code

TUI Group covers its daily working capital requirements through cash, bank balances and bank loans. As at 30 September 2020, TUI Group's net debt (financial debt plus lease liabilities less cash and cash equivalents and less short-term interest-bearing investments) totalled € 6,420.9 m (as at 30 September 2019 € 909.7 m).

Net debt in particular rose due to the increase in lease liabilities recognised in the statement of financial position due to the initial application of IFRS 16. In the wake of transitioning to IFRS 16, the definition of TUI Group's net debt was adjusted. From financial year 2020, the liabilities from finance leases under IAS 17, previously included in financial liabilities, are carried as lease liabilities according to IFRS 16 alongside the liabilities from leases classified as operating leases under IAS 17. The prior year's numbers were not restated.

Net debt

€ million	30 Sep 2020	30 Sep 2019	Var. in %
Financial debt	4,269.0	2,682.2	+ 59.2
thereof finance leases (IAS 17)	–	1,495.2	n. a.
Lease liabilities (IFRS 16)	3,399.9	–	n. a.
Cash and cash equivalents	1,233.1	1,741.5	– 29.2
Short-term interest-bearing investments	14.9	31.1	– 52.1
Net debt	**– 6,420.9**	**– 909.7**	**– 605.8**

The increase in net debt is also a consequence of the worldwide travel restrictions to contain COVID-19, which had a strong negative impact on the Group's earnings and liquidity development from the end of the second quarter onwards.

The TUI Group was initially forced to discontinue its entire travel program due to the travel restrictions associated with the COVID-19-pandemic. Despite a certain resumption of business from May 2020, the travel business was subject to permanent restrictions, in particular due to different and changing travel restrictions in source markets and destinations. Due to increasing COVID-19 infection figures, these travel restrictions were again extended to almost all destinations relevant for the TUI Group in autumn 2020.

Due to the reasons described above, the TUI Group had a liquidity requirement in financial year 2020 that was significantly higher than the cash inflows resulting from current operations and the existing unused credit lines, despite the initiated savings measures. In order to close these liquidity gaps, additional credit lines totaling € 2.85 billion were granted in addition to the cost-cutting and payment deferral measures initiated within the Group and regional support measures in various countries. The additional credit line was made available via KfW Bank (KfW) using the existing revolving credit lines of € 1.8 billion and € 1.05 billion as part of two stabilization packages with the support of the German government. In addition, the Economic Stabilization Fund (WSF) subscribed to a warrant bond in the amount of € 150 million in October 2020. The financing commitments of € 1.8 billion available as of September 30, 2020 were fully utilized as of the balance sheet date.

On 27 March 2020 TUI AG received the approval of the German government for a bridging loan of € 1.8 bn from KfW in the framework of the state COVID 19 programmes. The loan was intended to cushion the effects of the COVID-19-pandemic until normal business operations can be resumed. The KfW loan was used to increase TUI AG's existing revolving credit facility with its banks. The contract was signed by the banking consortium of the existing RCF facility on 8 April 2020.

The KfW loan of € 1.8 bn has various tranches with different maturities and is subject to the fulfillment of certain conditions. In addition to compliance with the general rules of the KfW programme, one of the conditions of the KfW loan is that TUI AG does not make a resolution on a dividend payment during the term of the bridging loan. In a first step, the credit line will be reduced to € 1.3 bn on 1 April 2021. If TUI refinances its 2016 / 21 bond before 31 July 2021 or transfers the remaining € 1.3 bn credit liability to non-government lenders by that date, the remaining € 1.3 bn credit facility will be available until 20 July 2022. Otherwise, its term will end on October 15, 2021.

The RCF and the new KfW credit facility are also subject to compliance with certain financial covenants for debt coverage and interest coverage. The review of these covenants is currently suspended. Tests of the covenants will be resumed in September 2021. The tests will be based on the last four reported quarters prior to September 2021. We expect our results for these reporting quarters to continue to be impacted by the COVID-19-pandemic. As a result, we may not meet our financial targets. We are therefore seeking a suspension of the covenants (so-called 'covenant holiday') for the testing period ending September 30, 2021 and beyond under the RCF.

On 12 August 2020 TUI AG and KfW concluded an agreement to increase the KfW tranche of the existing Revolving Credit Facility (RCF) committed in April 2020 by € 1,050.0 m to € 2,850.0 m. The remaining RCF counterparties have agreed to this amendment. Their interest in RCF is not affected by the amendment and remains at € 1,750.0 m, of which € 215.0 m relates to a revolving credit facility. Utilization of the additional credit facility was initially dependent on TUI AG issuing a € 150.0 m equity linked bond to the Economic Stabilization Fund (WSF) and on the creditors of the bond maturing in October 2021 agreeing to a change in the terms and conditions of the bond so that TUI AG no longer has to maintain a certain interest coverage ratio. Both conditions for raising additional funds from the RCF increase were met in October 2020.

The warrant bond was issued to the Economic Stabilization Fund on October 1, 2020. The warrant bond has a term of six years and bears interest of 9.5 % per annum. After repayment and termination of the above-mentioned top-up amount of € 1,050.0 m, TUI AG has an ordinary termination right. Separable warrants were issued with the bond. The option price per share was set at the minimum amount of € 2.56 (rounded). The options have a term of 10 years and can be converted into TUI AG shares at any time.

In addition to the restrictions under the existing KfW loan, such as a waiver of dividend payments and a restriction of share buy-backs, the stabilization measure of the WSF is subject to further restrictions, among others with regard to investments in other companies as long as the WSF remains invested. Also, the remuneration of Executive Board members is subject to restrictions.

Effective October 16, 2020, the changes in the terms and conditions of the € 300.0 m bond due in October 2021 became effective. This means that TUI AG's obligation to maintain a certain interest coverage ratio until the maturity date is suspended. To this end, interest rates were increased to 9.5 % p.a. as of 1 October 2020. From April 1, 2021, an additional quarterly interest payment of 2.0 % of the outstanding nominal amount of the bond is due. Finally, TUI AG undertakes to redeem the Bonds prematurely in full or in part using certain additional funds raised by TUI AG, provided that these funds total at least € 150.0 m. The raising of funds in the framework of state subsidies or support measures, leasing agreements and sale and leaseback agreements are excluded from this provision.

The TUI Group is currently still affected by the negative financial impact of the COVID-19-pandemic. At the time of publication of this report (10 December 2020) it is not foreseeable when the travel restrictions will be lifted again and when we will be able to resume our travel program in full. In particular, it is not possible at this point in time to reliably predict how quickly a nationwide vaccination against the coronavirus can be carried out and when drugs will be available for the treatment of COVID-19 disease. Also a change in booking behavior cannot be excluded at this time.

Taking into account the financing lines still available and the low expected cash inflows in the winter season 2020 / 21 due to the pandemic, there is a risk that the TUI Group would probably no longer have sufficient financial resources to continue its business operations without further support measures or the sale of non-current assets in the short term if there is no increase in new travel bookings and the associated customer advance payments in the first calendar quarter of 2021. Overall, there is a risk that the TUI Group will not be able to continue its business operations without further external support measures and to realize its assets and service its liabilities in the normal course of business.

In order to continue to have sufficient financial resources even in the absence of an increase in new travel bookings and the associated advance payments, TUI AG has agreed with Unifirm Ltd., a syndicate of underwriting banks, KfW and the Economic Support Fund (Wirtschaftsstabilisierungsfonds – WSF) on a further financing package of € 1.8 bn for TUI. A corresponding term sheet was signed on December 2, 2020. The corresponding contracts for the individual components of the term sheet had not yet been signed at the time of publication of this report. The continuation of the Company's business operations thus depends in particular on TUI's ability to successfully implement the measures introduced in the financing package.

The package includes

- a capital increase with subscription rights of approx. € 509 m;
- a silent participation convertible into shares of TUI by the WSF of € 420 m;
- a non-convertible silent participation by the WSF of € 280 m;
- a state guarantee of € 400 m, or, alternatively, a respective increase of the non-convertible silent participation by the WSF; and
- an additional credit facility by KfW of € 500 m, and a prolongation of an existing credit facility by KfW until July 2022.

The financing package strengthens TUI's position and provides it with liquidity reserves in this volatile market environment. It also balances out the presumed travel restrictions until the beginning of the 2021 summer season. The package became necessary due to the increasing travel re-strictions caused by the rising number of infections and the associated more short-term booking behaviour of some customers.

This further financing package supplements the existing financing measures of the Federal Republic of Germany in the form of a KfW credit line at a total of € 2.85 bn and a WSF warrant bond of € 150 m with option rights for approx. 58.7 m shares.

The financing package includes a WSF financing measure in the form of a silent participation without a participation in losses generated by TUI, which can be converted into shares of TUI, in the amount of € 420 m (Silent Participation I), and a further silent participation with a participation in losses generated by TUI of € 280 m (Silent Participation II).

The conversion price for the WSF in respect of the Silent Participation I is € 1.00 per share. In case of a conversion of the Silent Participation I the WSF will obtain a participation in TUI of not more than 25 % plus one share.

The agreement on the silent participations is, inter alia, subject to the approval of the European Commission under state aid rules, the granting of the necessary merger control approvals (where there is a prohibition on implementation) and the implementation of the other components of the financing package.

In addition, KfW has undertaken – subject to market standard conditions – to participate in a further secured credit line of € 200 m and to grant a prolongation of a portion of the existing KfW credit line. The prolongation relates to a part of the existing KfW credit line of € 500 m, which would have otherwise ceased to be available on 1 April 2021 and which will after the prolongation have the same maturity as the rest of the existing KfW credit line. The agreement on the participation by KFW is, inter alia, subject to the implementation of the other components of the financing package.

The financing package also provides for a reduction of TUI's share capital from € 2.56 per share to € 1.00 per share (without merging shares), followed by a capital increase by means of a rights issue of approx. 509 m shares. The reduction of the share capital, the capital increase and the conversion rights of the WSF under the Silent Participation I are to be resolved at an extraordinary general meeting of TUI in January 2021. The subscription price shall be € 1.07 per share, implying net proceeds after fees and expenses of approx. € 509 m. As TUI's largest single shareholder, holding approx. 24.89 % of the shares, Unifirm Ltd. has irrevocably committed to exercise its subscription rights in this capital increase (the Confirmed Acquisition Declaration).

The remainder of the capital increase will be safeguarded through underwriting commitments, subject to certain terms and conditions. In this respect, Unifirm Ltd. has undertaken, in addition to its Confirmed Acquisition Declaration, and if the current shareholders do not subscribe to their new share entitlements, that it will (i) subscribe for further newly issued shares up to a total stake of 36 %, where this is possible without making a mandatory offer to the other shareholders of TUI based on an exemption from BaFin under the German Securities and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG) (the Conditional Commitment), and (ii) otherwise subscribe for further newly issued shares up to a total stake of 29.9 % (the Unconditional Underwriting Commitment). The remaining part of the capital increase will be secured through a market standard underwriting by a banking syndicate, subject to terms and conditions in line with market practice for similar transactions, also as far as the aforementioned exemption for Unifirm Ltd. should not be granted by BaFin.

The proceeds of the capital increase will be used to repay € 300 m senior notes of TUI (due in October 2021) and so will provide a significant contribution to the extension of TUI's maturity profile. The remaining amount of the capital increase, and more generally the financing package, is intended to strengthen TUI's liquidity or to be used for general corporate purposes.

The financing measure shall also include a guarantee credit facility in the amount of € 400 m. The guarantee credit facility will be supported by a state guarantee, potentially including the federal states. It is intended to enable access to funds currently deposited for socalled cash collaterals by replacing the cash collaterals with guarantees. As an alternative, the Silent Participation II of the WSF will be increased.

In addition to the restrictions under the existing KfW loan, such as TUI's waiver of dividend payments and a restriction on share buy-backs, the silent participations by the WSF come with further restrictions, including relating to investments in other companies as long as the WSF remains invested. In addition, to the extent permitted by law, the Executive Board and the Supervisory Board shall ensure that two persons nominated by the WSF become members of the Supervisory Board of TUI.

Depending on the imminent availability of vaccines against COVID-19, TUI expects a significant reduction in current travel restrictions, and thus a significant further improvement in its working capital and liquidity situation. We continue to work on different demand scenarios for the coming seasons.

These initiated measures to strengthen liquidity depend in particular on the approval of the Extraordinary General Meeting on January 5, 2021, for the rights issue described above as well as the approval of these measures by the EU. The Executive Board of TUI AG assumes that all necessary consents and approvals will be granted and that the planned financing measures can be implemented in time.

We also assume that we will not be able to meet the financial targets as of September 30, 2021 from the existing and increased RCF. TUI's solvency is therefore at risk if a further suspension of compliance with the covenants for the test period ending on September 30, 2021 and beyond is not achieved. In addition, the KfW loans (both tranches) and the initial Revolving Credit Facility in the total amount of € 4.6 bn must be refinanced in the 2022 financial year. Due to the uncertainty regarding future business development, there is a risk that refinancing on the banking and capital markets is probably not possible and that further government support measures may be necessary.

The Executive Board believes that the successful implementation of the measures described above is likely. Due to the dependence of the TUI Group's solvency on the additional financing measures, the fact that certain conditions still have to be met for the successful implementation of the financing measures, risks with regard to the refinancing of the external loans as well as the uncertainty regarding the future development due to the COVID 19 pandemic, there are significant doubts about the TUI Group's ability to continue its business operations. Insofar, this is a material uncertainty regarding the continuation of the Group's business activities.

On the basis of the assumptions described above, we expect that, despite the existing risks, the TUI Group currently has and will continue to have sufficient funds, resulting from both borrowing and operating cash flows, to meet its payment obligations for the foreseeable future and to ensure the going concern principle accordingly.

In accordance with provision 30 of the UK Corporate Governance Code, the Executive Board confirms that, in its opinion, it is appropriate to prepare the consolidated financial statements on a going concern basis.

Restatement of comparative periods

Due to the increasing digitalisation of the tour operator business, the IT costs incurred by Markets & Airlines will no longer be fully shown as administrative expenses from this financial year onwards, but also as cost of sales on a pro rata basis for the functional areas. This will improve the presentation of the impact of the digital transformation of our business model in the income statement.

In addition, the definition of cost of sales was changed so that costs incurred for the management of the hotel in the destinations were also shown as cost of sales. In contrast, the costs of the hotel holdings are now shown in full as administrative expenses. This presentation takes greater account of the operational character of the hotels in the destinations.

As a result, the cost of sales for the financial year increases, while the gross profit and administrative expenses decrease accordingly. The previous year's figures for the above-mentioned items were adjusted by € 232.0 m in each case to enhance comparability of the periods.

In previous years, touristic payments on account, for which TUI has acted as an agent, amounted to € 46.5 m, the same amount has been accounted for trade liabilities and other financial liabilities. As these amounts should be presented net instead of gross, the previous year's figures were adjusted by € 46.5 m.

Further immaterial prior year adjustments to the income statement as well as the adjustments of the prior-year figures in the statement of the financial position are based on adjustments to purchase price allocations finalised partly at 30 September 2019 and 30 September 2020.

Principles and methods of consolidation

PRINCIPLES

The consolidated financial statements include all significant subsidiaries directly or indirectly controlled by TUI AG. Control exists where TUI AG has power over the relevant activities, is exposed to variable returns or has rights to the returns, and has the ability to affect those variable returns through its power over the investee.

Generally, the control is exercised by means of a direct or indirect majority of voting rights. If the TUI Group holds less than the majority of voting rights in a shareholding, it may exercise control due to contractual or similar agreements, as in the case of the participation in the RIUSA II Group. Due to the contractual agreements between the shareholders and the framework agreements with TUI Group as well as the considerable importance of tour operation for the economic success of RIUSA II Group, TUI Group is able to exercise a controlling influence on decisions about the most relevant activities and consequently the amount of returns. TUI Group is subject to variable returns from RIUSA II Group, in particular due to dividend payments and fluctuations in the value of the stake itself. RIUSA II Group is therefore consolidated although TUI Group only holds a 50 % equity stake.

In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Consolidation of subsidiaries starts from the date TUI gains control. When TUI ceases to control the corresponding companies, they are removed from the group of consolidated companies.

The consolidated financial statements are prepared from the separate or single-entity financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and usually audited or reviewed by auditors.

Associates for which the TUI Group is able to exert significant influence over the financial and operating policy decisions within these companies are accounted for using the equity method. Generally, significant influence is assumed if TUI AG directly or indirectly holds voting rights of 20 to less than 50 per cent.

Stakes in joint ventures are also measured using the equity method. A joint venture is a company managed jointly by the TUI Group with one or several partners based on a contractual agreement, in which the parties that jointly exercise control have rights to the company's net assets. Joint ventures also include companies in which the TUI Group holds a majority or minority of voting rights but in which decisions about the relevant activities may only be taken on an unanimous basis due to contractual agreements.

The dates on which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in a manner consistent with that applied to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This affects 37 companies with a financial year from 1 January to 31 December, four companies with a financial year from 1 November to 31 October and two companies with a financial year from 1 April to 31 March of the following year.

GROUP OF CONSOLIDATED COMPANIES

In financial year 2020, the consolidated financial statements included a total of 277 subsidiaries. The table below presents changes in the number of companies since 1 October 2019.

Development of the group of consolidated companies* and the Group companies measured at equity

€ million	Consolidated subsidiaries	Associates	Joint ventures
Balance at 30 Sep 2019	**288**	**21**	**30**
Additions	5	–	1
Incorporation	2	–	–
Acquisition	1	–	1
Expansion of business operations	2	–	–
Change in ownership stake	1	–	–1
Disposals	17	2	–
Liquidation	2	–	–
Sale	7	2	–
Merger	8	–	–
Balance at 30 Sep 2020	**277**	**19**	**30**

* Excl. TUI AG

TUI AG's direct and indirect subsidiaries, associates and joint ventures are listed under Other Notes – TUI Group Shareholdings.

39 subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies are of minor significance to the presentation of a true and fair view of the financial position and performance of the Group.

Acquisitions – Divestments

ACQUISITIONS OF THE CURRENT FINANCIAL YEAR

In financial year 2020, companies were acquired for a total consideration of € 42.6 m, comprised of deferred purchase price payments worth € 1.2 m and cash consideration worth € 41.4 m.

Summary presentation of acquisitions

Name and headquarters of the acquired company	Business activity	Acquirer	Date of acquisition	Acquired share %	Consideration transferred in € million
Kybele Turizm Yatırım San. Ve Tic. A. Ş., Istanbul, Turkey	Accommodation Service	TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret A. Ş.	16.1.2020	100 %	39.9
Emder Hapag-Lloyd Reisebüro GmbH & Co. KG, Emden	Travel Agent	TUI Deutschland GmbH	24.3.2020	50 %	0.1
Six Travel Agencies in Germany	Travel Agent	TUI Deutschland GmbH	1.11.2019 – 2.1.2020	n. a.	2.4
One Travel Agency in Belgium	Travel Agent	TUI Belgium Retail N. V.	1.10.2019	n. a.	0.2
Total					**42.6**

The acquisitions of travel agencies in Germany and Belgium in financial year 2020 were carried out as asset deals – i. e. no shares were acquired – and qualified as business combinations under IFRS 3. The goal of these acquisitions is to increase the footprint in the German and Belgian markets.

Due to the acquisition of the interests in Emder Hapag-Lloyd Reisebüro GmbH & Co. KG, Emden, the 50 % stake previously held by TUI Group was increased to 100 %. The goal of the transaction is to increase TUI Group's earnings potential. The investment, previously classified as a joint venture measured at equity, was measured at fair value through profit and loss. In the framework of the remeasurement of the stake at the date of acquisition, a loss of € 1.8 m was carried in the share of result of joint ventures and associates. Below, these acquisitions are jointly presented as 'travel agencies'.

In line with TUI Group's growth strategy, the goal of the acquisition of Kybele Turizm Yatırım San. Ve Tic. A. Ş., Istanbul, Turkey, is to secure accommodation capacity in the holiday destination of Turkey and increase TUI Group's earnings potential.

Reconciliation to goodwill as at the date of first-time consolidation

€ million	Kybele Turizm Yatırım San. Ve Tic. A.Ş.	Travel Agencies
Consideration transferred	39.9	2.7
Net Assets at fair value	5.2	0.8
Goodwill	**34.7**	**1.9**

The purchase price allocation for the acquisitions in financial year 2020 are finalised and no other intangibles were identified. The difference between consideration transferred and the acquired net asset at fair value have been capitalised as goodwill. Goodwill primarily constitutes a part of the future earnings potential. The goodwill related to Kybele Turizm Yatırım San. Ve Tic. A.Ş., Istanbul, Turkey, has been allocated the segment Hotels & Resorts. Goodwill capitalised in the reporting period includes an amount of €2.1 m expected to be tax-deductible.

Statement of financial position as at the date of first-time consolidation

€ million	Kybele Turizm Yatırım San. Ve Tic. A.Ş.	Travel Agencies
Assets		
Other intangible assets	0.8	0.7
Property, plant and equipment	46.3	–
Non-current assets	**47.1**	**0.7**
Inventories	0.1	–
Trade and other receivables	18.2	–
Other assets	0.5	0.1
Cash and cash equivalents	0.1	0.5
Equity and liabilities		
Deferred tax liabilities	8.0	–
Other provisions	1.8	0.2
Financial liabilities	35.4	–
Other liabilities	15.6	0.3
Equity	**5.2**	**0.8**
attributable to shareholders of TUI AG	5.2	0.8

There were no impairment charges with regard to trade and other receivables.

Revenue and profit contribution of newly acquired entities

€ million	Kybele Turizm Yatırım San. Ve Tic. A.Ş.
Revenue from first-time consolidation	–
Loss from first-time consolidation	–1.1
Pro-Forma revenue from 1 Oct 2019 until 30 Sep 2020	3.8
Pro-Forma loss from 1 Oct 2019 until 30 Sep 2020	–14.9

The other acquired companies would only have delivered immaterial revenue and profit contributions even if they had already been included in consolidation as at 1 October 2019.

No acquisitions were made after the reporting date.

ACQUISITIONS OF THE PRIOR FINANCIAL YEAR

As at 31 March 2020, the purchase price allocation for Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A.Ş., Antalya, Turkey, already acquired in financial year 2019, was finalised as follows:

Impact of changes in purchase price allocations and adjustments of financial position of Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A.Ş. on TUI Group's statement of financial position

€ million	Fair value at date of acquisition (31 May 2019)	Adjustment	Fair value at date of first-time consolidation
Assets			
Goodwill	–	21.5	21.5
Property, plant and equipment	104.5	–27.6	76.9
Fixed assets	**104.5**	**–6.1**	**98.4**
Other assets	1.6	–	1.6
Equity and liabilities			
Deferred tax liabilities	16.2	–6.1	10.1
Other provisions	0.4	–	0.4
Financial liabilities	18.5	–	18.5
Other liabilities	14.4	–	14.4
Equity	**56.6**	**–**	**56.6**

In addition, the adjustments made also resulted in a reduction in the cost of sales of €0.3 m and an increase in income taxes of €0.1 m in the prior year.

As of 30 September 2020, the purchase price allocation for Renco (Zanzibar) Limited, Unguja, Tanzania, – meanwhile renamed into Gemma Limited – acquired in the second half of financial year 2019, was finalised without having any impact on the statement of financial position.

DIVESTMENTS

On 1 October 2019, the two specialist tour operators Berge & Meer and Boomerang in the Central Region segment, presented as held for sale, were sold to GENUI Zwölfte Beteiligungsgesellschaft mbH for €128.3 m. The divestment of the companies generated a gain of €90.2 m, carried in Other income. This gain comprises income from the reclassification of amounts previously carried in Other comprehensive income outside profit and loss. The disposal was realised for the most part tax-free.

Condensed balance sheet of 'Berge & Meer' and 'Boomerang Reisen' as at 1 Oct 2019*

€ million	1 Oct 2019
Assets	
Goodwill	24.0
Property, plant and equipment and intangible assets	4.2
Other non-current assets	0.9
Trade receivables	72.1
Other current assets	36.8
Cash and cash equivalents	6.1
	144.1
Provisions and liabilities	
Non-current liabilities	5.3
Current provisions	0.3
Trade payables	29.4
Touristic advance payments received	53.5
Other current liabilities	20.4
	108.9

* On a stand-alone basis

In addition, Wolters Reisen GmbH in the Central Region segment was sold on 20 December 2019 to E-Domizil GmbH for €6.3 m. The transaction includes the disposal of €1.7 m allocated goodwill. The disposal was realised for the most part tax-free.

At the beginning of July 2020, Hapag-Lloyd Kreuzfahrten GmbH was sold to the joint venture TUI Cruises GmbH for €837.4 m. The purchase price consists €706.2 m already paid in the financial year and €71.1 m financial receivables from TUI Cruises. In addition, the amount includes the assignment of financial liabilities owed to Hapag-Lloyd Kreuzfahrten GmbH by TUI AG to TUI Cruises GmbH in the amount of €60.2m. Hapag-Lloyd Kreuzfahrten had been part of the Cruises segment and the leading provider of luxury and expedition cruises in German-speaking markets. The divestment of the company generated a gain of €475.6 m, carried under Other income. In accordance with the accounting option exercised, the gain on disposal arising from the divestment was determined in accordance with IFRS 10, by which the gain was not reduced by the proportion which TUI Group holds in the joint venture. This gain includes income from the reclassification of amounts previously carried in Other comprehensive income outside profit and loss. The disposal was realised tax-free to a large extent, or was able to be offset against TUI AG tax losses carried forward.

Condensed balance sheet of 'Hapag-Lloyd Kreuzfahrten' as at 1 July 2020

€ million	1 July 2020
Assets	
Other intangible assets and property, plant and equipment	687.8
Trade and other receivables	7.9
Derivative financial instruments	10.2
Right-of-use assets	7.2
Income tax assets	12.6
Inventories	9.1
Touristic payments on account	17.8
Other non-financial assets	8.2
Cash and cash equivalents	55.4
Other assets	0.1
	816.3
Provisions and liabilities	
Financial liabilities	344.8
Trade payables	8.0
Derivative financial instruments	15.6
Touristic advance payments received	79.5
Deferred tax liabilities	10.0
Pension provisions and similar obligations	19.8
Other financial liabilities	16.8
Other non-financial liabilities	11.6
Lease liabilities	7.2
Other provisions and liabilities	7.6
	520.9

FOREIGN EXCHANGE TRANSLATION

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rates at the date of the transaction. Any gains and losses resulting from the execution of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at the foreign exchange rate at the date of the transaction are shown in the income statement, with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

The annual financial statements of companies are prepared in the respective functional currency. The functional currency of a company is the currency of the primary economic environment in which the company operates.

Where subsidiaries prepare their financial statements in functional currencies other than the Euro, being the Group's reporting currency, the assets and liabilities are translated at the rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments of the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the rate of exchange applicable at the balance sheet date. The items of the income statement and hence the result for the year shown in the income statement are translated at the average rate of the month in which the respective transaction takes place.

Differences arising on the translation of the annual financial statements of foreign subsidiaries are reported outside profit and loss and separately shown as foreign exchange differences in the consolidated statement of changes in equity. When a foreign company or operation is sold, any foreign exchange differences previously included in equity outside profit and loss are recognised as a gain or loss from disposal in the income statement through profit and loss.

Translation differences relating to non-monetary items with changes in their fair values eliminated through profit and loss (e. g. equity instruments measured at their fair value through profit and loss) are included in the income statement. In contrast, translation differences for non-monetary items with changes in their fair values taken to equity (e. g. financial assets at FVTOCI) are included in revenue reserves.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the completed financial year, nor in the previous year.

The translation of the financial statements of foreign companies measured at equity follows the same principles for adjusting carrying amounts and translating goodwill as those used for consolidated subsidiaries.

NET INVESTMENT IN A FOREIGN OPERATION

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, essentially constitute part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised in other comprehensive income. TUI Group has granted loans of this type in particular to hotel companies in North Africa and Turkey.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
1 € equivalent	**30 Sep 2020**	30 Sep 2019	**2020**	2019
Sterling	0.91	0.89	0.88	0.88
US dollar	1.17	1.09	1.12	1.13
Swiss franc	1.08	1.08	1.07	1.12
Swedish krona	10.53	10.71	10.58	10.50

CONSOLIDATION METHODS

The recognition of the net assets of acquired businesses is based on the acquisition method. Accordingly all identifiable assets and all liabilities assumed are measured at fair value as of the acquisition date. Subsequently, the consideration for the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. As in the prior year, the option to measure the non-controlling interests at their fair value (full goodwill method) was not used.

Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset in accordance with the provisions of IFRS 3. Any negative goodwill is recognised immediately in profit and loss and presented as other income.

When additional shares are purchased after obtaining control, the difference between the purchase price and the carrying amount of the stakes acquired is recognised directly in equity. The effects from sales of stakes not entailing a loss of control are also recognised directly in equity. By contrast, when control is obtained or lost, gains or losses are recognised in profit and loss. In the case of business combination achieved in stages (where the acquirer held an equity interest before he obtained control), the equity stake previously held in the acquired company is revalued at the fair value applicable at the acquisition date and the resulting gain or loss is recognised in profit or loss. For transactions involving a loss of control, the profit or loss does not only comprise the difference between the carrying amounts of the disposed stakes and the consideration received but also the result from the revaluation of the remaining shares.

On loss of control of a subsidiary the gain or loss on derecognition will be calculated as the difference of the fair value of the consideration plus the fair value of any investment retained in the former subsidiary less the share of the book value of the net assets of the subsidiary. Any gains or losses previously recognised in other comprehensive income from currency translations or the valuation of financial assets and liabilities will be reclassified to the income statement. When a subsidiary is sold, any goodwill allocated to the respective subsidiary is taken into account in the calculation of the profit or loss of disposal.

The Group's associates and joint ventures are measured at equity and included at the cost to purchase as at the acquisition date. The Group's stake in associates and joint ventures includes the goodwill arising from the respective acquisition.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement from the date of acquisition (Share of result from joint ventures and associates), while the Group's share in the total other comprehensive income is shown in its revenue reserves. The accumulated changes arising after the acquisition are shown in the carrying amount of the shareholding. When the share in the loss of an associated company or joint venture equals or exceeds the Group's original stake in this company, including other unsecured receivables, no further losses are recognised. Any losses exceeding that stake are only recognised to the extent that obligations have been assumed or payments have been made for the associated company or joint venture.

Where the accounting and measurement methods applied by associates and joint ventures differ from the uniform accounting rules applied in the Group, the differences are adjusted.

Intercompany receivables and payables or provisions are eliminated, as are intercompany revenue, other income and the corresponding expenses. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are an indicator that an asset may be impaired. Intercompany profits from transactions with companies measured at equity are eliminated in relation to the Group's stake in the companies. Intercompany transactions are provided on an arm's length basis.

Accounting and measurement methods

The consolidated financial statements were prepared according to the historical cost principle, with the exception of certain financial instruments such as financial assets and derivatives as well as plan assets from externally funded pensions benefit obligations held at fair value at the balance sheet date.

The financial statements of the consolidated subsidiaries are prepared in accordance with uniform accounting and measurement principles. The amounts recognised in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the financial position and performance as set out in the rules of the IASB.

REVENUE RECOGNITION

TUI recognises revenue upon transfer of control over distinct goods or services to the customer. In Markets and Airlines, TUI predominantly generates revenue from the sale of package holidays. The flights, hotel accommodation and other services included in a package holiday are transformed into one product for the customer through a significant integration service provided by TUI as tour operator within the meaning of IFRS 15, so that the package holiday constitutes one performance obligation for TUI. This revenue is recognised when TUI delivers the service for its customer, i. e. on a linear basis over the duration of the holiday tour, as customers consume their holiday on a pro rata basis. TUI generates further revenue from the sale of other tourist services, e. g. seat-only, accommodation-only, cruises, etc. Revenue is recognised when or as TUI has satisfied its performance obligation, either over time in relation to the duration of the journey if the services relate to a period of time, e. g. in the case of multi-day hotel stays, or at a point in time on the day of the performance of the performance obligation, e. g. for flight services on the day of the flight. Revenue from long-term contracts is recognised over the duration of the individual contract in accordance with IFRS 15.

Amendment fees do not constitute an independent performance obligation. Revenue is therefore recognised along with the delivery of the main performance obligation.

If TUI has control over the asset before it is delivered to the customer, TUI acts as the principal in relation to that service. Otherwise, TUI acts as an agent. As a principal, TUI carries the recognised revenue and costs in the income statement on a gross basis, e. g. for revenue from its own tour operator activities, for hotel revenue in own hotels, and for aviation revenue. When acting as an agent, TUI carries the relevant revenue on a net basis at the amount of the commission received, e. g. for car rental and hotel revenue for third-party hotels in which TUI does not have control over the hotel rooms. Passenger-related aviation taxes and fees charged by TUI on behalf of third parties and passed on to these third parties are carried in the income statement on a net basis.

TUI uses the practical expedient offered under IFRS 15.121(a). For open performance obligations as at the balance sheet date, TUI discloses all performance obligations for contracts with an original term of more than twelve months.

TUI has to pay compensation to customers for flight delays or cancellations (so-called denied boarding compensation). These payments stand in direct connection with the obligation of the flight service. Therefore these payments represent variable considerations under IFRS 15. In conclusion denied boarding compensations are shown net in revenue.

GOODWILL AND OTHER INTANGIBLE ASSETS

Acquired intangible assets are carried at cost. Internally generated intangible assets are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost to produce comprises direct costs and directly allocable overheads. Intangible assets with a finite service life are amortised over the expected useful life.

Intangible assets acquired as a result of business combinations are included at their fair value as at the date of acquisition and are amortised on a straight-line basis.

Useful lives of intangible assets

	Useful lives
Brands, licences and other rights	5 to 20 years
Transport and leasing contracts	12 to 20 years
Computer Software	3 to 10 years
Customer base as at acquisiton date	7 to 15 years

Due to the decision to accelerate the digital transformation of TUI Group the useful life of single software solutions were estimated with 1 respective 2 years. Please refer for further information to the section 'Other intangible assets'.

If there are any events or indications suggesting potential impairment, the amortised carrying amount of the intangible asset is compared with the recoverable amount. Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment charges.

Depending on the functional area of the intangible asset, amortisation and impairment charges are included under cost of sales or administrative expenses.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment at least annually. In addition, impairment tests are conducted if there are any events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite useful life consist exclusively of goodwill.

Impairment tests for goodwill are conducted on the basis of cash generating units (CGU) or group of cash generating units.

Impairment charges are recognised where the carrying amount of the tested units plus the allocated goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and the present value of future cash flows based on continued use (value in use). The fair value less costs of disposal corresponds to the amount that could be generated between knowledgeable, willing, independent business partners after deduction of the costs of disposal.

Impairment of goodwill is shown separately in the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at amortised cost. The costs to purchase include costs to bring the asset to a working condition. The costs to produce are determined on the basis of direct costs and directly attributable indirect costs and depreciation.

Borrowing costs directly associated with the acquisition, construction or production of qualifying assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the underlying capitalisation rate is determined on the basis of the specific borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding is applied.

Depreciation of property, plant and equipment is based on the straight-line method, based on the customary useful lives. The useful economic lives are as follows:

Useful lives of property, plant and equipment

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	25 to 50 years
Cruise ships	30 to 35 years
Aircraft	
Fuselages and engines	22 to 25 years
Engine overhaul	depending on intervals, up to 12 years
Major overhaul	depending on intervals, up to 12 years
Spare parts	up to 12 years
Operating and business equipment	3 to 10 years

Moreover, the level of depreciation is determined by the residual values at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and hotel complexes is between 15 % and 35 % of the acquisition costs. The determination of the depreciation of aircraft fuselages and aircraft engines in first-time recognition is based on a residual value of a maximum of 5 % of the cost of acquisition. The payments made under a power by the hour arrangement relating to maintenance overhauls are capitalised as PPE under construction up to a maintenance event at which point the cost is transferred to the appropriate PPE category.

Both the useful lives and residual values are reviewed on an annual basis when preparing the Group financial statements. The review of the residual values is based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required are recognised as a correction of depreciation over the remaining useful life of the asset. The adjustment of depreciation is recognised retrospectively for the entire financial year in which the review has taken place. Where the review results in an increase in the residual value so that it exceeds the remaining net carrying amount of the asset, depreciation is suspended. In this case, the amounts are not written back.

Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying amount of an asset with the recoverable amount.

LEASES

LEASES

Leases are all agreements transferring the right to use an identified asset for a given period of time in return for a payment. As a lessee, TUI leases moveable assets such as aircraft, vehicles and cruise ships, as well as, in particular, immoveable property such as hotel buildings and land, office buildings and travel agencies. As a lessor, TUI subleases some aircraft and hotel and office space.

TUI AS LESSEE

Until 30 September 2019, the criteria of IAS 17 were applied to assign a leased asset to its economic owner. Leased property, plant and equipment for which substantially all the risks and rewards incidental to ownership were transferred to TUI as a lessee (finance leases) were capitalised. The leases were capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments. The asset was depreciated over the shorter of the lease term or the useful life of the asset on the basis of the depreciation method applicable to comparable purchased or produced assets. Every lease payment was broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion was carried in the income statement through profit or loss.

Where economic ownership of the leased asset was attributed to the lessor in accordance with IAS 17 (operating lease), the lease payments were recognised as an expense in the income statement on a straight-line basis.

Since 1 October 2019, TUI has carried right-of-use assets and lease liabilities for all leases in the statement of financial position. At the inception of an agreement, TUI evaluates whether it is, or contains, a lease. Apart from traditional lease, tenancy or leasing contracts, service or capacity agreements may also fall within the scope of IFRS 16. In connection with the purchase of mixed tourism services, the rental or purchase of the largest portion of a hotel's room capacity is identified as a lease component if TUI commits to its contract partner to purchase a fixed allotment of more than 90 % of the hotel's capacity for a period of more than 12 months, if the agreement does not include an exemption to return committed capacity for self-marketing by the hotelier, and if therefore an irrevocable payment obligation exists. For agreements that contain one or several lease components alongside non-lease components, TUI uses the option not to separate these non-lease components, in particular for vehicle or IT leases and for hotel capacity contracts.

At the commencement date, i. e. the date from which the lessee is entitled to exercise the right to use the underlying asset, a lease liability amounting to the present value of the lease payments not yet made as at that date is recognised. The lease payments include all fixed and in substance-fixed payments less any future lease incentives to be provided by the lessor. The lease payments also include variable payments linked to an index or an (interest) rate as well as expected payments from residual value guarantees. Lease payments for the exercise of extension, purchase and termination options are included if the exercise of these options is assessed as reasonably certain. As a rule, the lease payments are discounted at the lessor's interest rate implicit in the lease. If that rate is not known to TUI, the present value is determined using the incremental borrowing rate. After initial measurement, the carrying amount is increased to reflect interest on the lease liability and reduced to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The interest expense from the subsequent measurement of the lease liability is presented in the interest result. Variable lease payments not linked to an index nor to an (interest) rate are recognised through profit or loss in the period in which the event or condition that triggers the payment occurs.

In addition, a right-of-use asset is recognised at the commencement date. Right-of-use assets for the leased items are measured at amortised cost less cumulative depreciation/amortisation and cumulative impairment and adjusted for revaluations of the lease liability. The costs of a right-of-use asset comprise the present value of the future lease payments plus initial direct costs and the lease payments made prior to commencement less any lease incentives received and the estimated costs to be incurred to restore the leased asset to the condition required by the terms and conditions of the lease. Capitalised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the expected useful life of the right-of-use asset. If the lease transfers ownership of the leased asset to TUI by the end of the lease term, or if the lease payments reflect the future exercise of a purchase option, the right-of-use asset is depreciated over the useful life of the leased asset. Depreciation of capitalised right-of-use assets is carried in the cost of sales or in administrative expenses.

TUI applies the recognition and measurement exemptions for all short-term leases and low-value asset leases. A short-term lease is a lease that has a lease term of 12 months or less and does not contain a purchase option. The lease payments for those leases are recognised as an expense in the cost of sales or in administrative expenses on a straight-line basis over the lease term or on another systematic basis.

SALE-AND-LEASEBACK

For sale-and-leaseback transactions, TUI initially determines in accordance with IFRS 15 whether the transfer of the asset has to be accounted for as a sale. If the transfer is accounted for as a sale, TUI recognises the right-of-use asset associated with the sale-and-leaseback transaction, as seller and as lessee, at the proportion of the previous carrying amount that relates to the right of use retained. The gain or loss from the sale transaction is carried in profit or loss on a pro rata basis at the amount of the rights transferred to the buyer and lessor. If the transfer is not accounted for as a sale, TUI continues to recognise the legally transferred asset as before and carries a financial liability for the proceeds received.

TUI AS LESSOR

As a lessor, TUI classifies each lease as an operating lease or a finance lease. If TUI as a lessor has substantially all the risks and rewards incidental to ownership of the underlying asset, the lease is classified as an operating lease. If the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee, the lease is classified as a finance lease.

For subleases, since 1 October 2019 the lease classification is made by reference to the right-of-use asset arising from the head lease in accordance with IFRS 16. Until 30 September 2019 a sublease was classified by reference to the asset underlying the lease in accordance with IAS 17.

The lease payments from operating leases are recognised in revenue on a straight-line basis over the lease term. Any initial direct costs incurred in obtaining the lease are added to the carrying amount of the underlying leased item and depreciated over the lease term on a straight-line basis.

For finance leases, TUI recognises a lease receivable at an amount equal to the net investment in the lease and derecognises the underlying leased asset or the right-of-use asset from the head lease. The lease payments made by the lessees are broken down into an interest portion and a redemption portion using the effective interest rate method so as to produce a constant periodic rate of interest on the balance of the net investment. The redemption portions received are deducted from the lease receivable. The interest portion of the payments received is carried in the interest result.

FINANCIAL INSTRUMENTS

Financial instruments are contractual rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also comprise derivative rights or obligations derived in particular from primary assets.

PRIMARY FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The classification and measurement of financial assets are determined on the basis of the business model used to manage financial assets and the related contractual cash flows. At initial recognition of financial assets, the classification comprises the categories 'Financial assets at amortised cost (AC)', 'Financial assets at fair value through other comprehensive income (FVTOCI)' and 'Financial assets at fair value through profit and loss (FVPL)'.

Primary financial assets are recognised at the value as at the trading date on which TUI Group under-takes to buy the asset. When recognised for the first time, they are either classified as at amortised costs or at fair value, depending on their objective. Primary financial assets are classified as financial assets at amortised cost when the objective of the entity's business model is to hold the financial assets to collect contractual cash flows, and when the contractual terms and conditions of the assets exclusively constitute interest and principal payments on the nominal amount outstanding.

For the financial assets held at amortised cost, a loss allowance for expected credit losses is recognised in accordance with IFRS 9. Loss allowances for financial assets are based on either full lifetime expected credit losses or 12-month expected credit losses. A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk of that financial asset has increased significantly since initial recognition. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

IFRS 9 allows entities to apply a simplified approach inter alia for trade receivables. Lifetime expected credit losses on all these assets can already be recognised at initial recognition.

Impairments and reversals of impairments are recognised under 'impairment of financial asset' in the income statement.

The equity instruments held in the balance sheet item 'Other financial assets' were irrevocably designated as 'Financial assets at fair value through OCI' as they are held for medium- to long-term strategic objectives. These instruments are stakes in associated non-consolidated subsidiaries, equity investments and other investments. Recognising all short-term fluctuations in the fair value in the income statement would not be in line with the Group's strategy. They are allocated to non-current assets unless the entity intends to sell them within twelve months after the balance sheet date. Dividends from these equity instruments are recognised in the income statement unless the dividends are clearly a partial repayment of the cost to purchase the equity instrument.

The cumulative gain or loss from the measurement of the equity instruments recognised in other comprehensive income will continue to be recognised in equity even after it has been derecognised and has to be reclassified to revenue reserves.

All other financial assets not recognised at amortised cost or at fair value through OCI must be measured at fair value through profit or loss.

Primary financial liabilities are recognised in the consolidated statement of financial position if an obligation exists to transfer cash and cash equivalents or other financial assets to another party. Initial recognition of a primary liability is effected at its fair value. For loans taken out, the nominal amount is reduced by discounts retained and transaction costs paid. The subsequent measurement of primary financial liabilities is effected at amortised cost using the effective interest method. TUI does not use the fair value option.

All foreign exchange differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal operating processes are reported under other income / other expenses, financial expenses / income or administrative expenses, depending on the nature of the underlying receivables or payables.

Assets are derecognised as at the date on which the rights for payments from the assets expire or are transferred and therefore as at the date on which essentially all risks and rewards of ownership are transferred. The rights to an asset expire when the rights to receive the cash flows from the asset have expired. For transfers of financial assets, it is assessed whether they have to be derecognised in accordance with derecognition requirements of IFRS 9.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

At initial measurement, derivative financial instruments are measured at the fair value attributable to them on the date the contract is entered into. Subsequent remeasurement is also recognised at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they are classified as 'at fair value through profit and loss'. The method used to recognise gains and losses depends on whether the derivative financial instrument has been fully or possibly only partly designated as a hedging instrument, and on the nature of the hedged item. Changes in the fair value are immediately recognised through profit and loss. If, by contrast, an effective hedging relationship exists, the transaction is recognised as a hedge.

TUI Group uses the accounting policy choice provided by IFRS 9, enabling entities to continue to apply the hedge accounting requirements of IAS 39. Hedge accounting is exclusively used to hedge the exposure to variability in cash flows from future transactions highly likely to occur (cash flow hedges). Hedges of balance sheet items (Fair Value Hedges), i. e. hedges of the fair value of an asset or a liability, are currently not included in hedge accounting.

Upon entering into a transaction, TUI Group documents the hedge relationship between the hedge and the underlying transaction, the risk management goal and the underlying strategy. In addition, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. Any ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the income statement through profit and loss. Amounts taken to equity are reclassified to the income statement and carried as income or expenses in the period in which the hedged item has an effect on results.

If a hedge expires, is sold or no longer meets the criteria of IAS 39 for hedge accounting, the cumulative gain or loss remains in equity and is only recognised in the income statement through profit and loss when the originally hedged future forecasted transaction occurs. If the future transaction is no longer expected to take place, the cumulative gains or losses recognised directly in equity are immediately recognised through profit and loss.

More detailed information on the Group's risk management activities is provided in Note 40 and as well as in the 'Risk report' section of the management report.

CONTRACTUAL ASSETS AND TRADE RECEIVABLES

If TUI has fulfilled their contractual obligations, contractual assets or trade receivables are carried. Trade receivables are carried if the claim for the acquisition of the consideration is no longer subject to a condition. As a rule, this is the case when the Group is contractually entitled to issue an invoice to the customer that has not yet been paid in advance through a customer deposit. Due to the tourism business model under which customers pay for their travel services in advance, TUI does not have any contractual assets.

CONTRACTUAL COSTS

The direct costs immediately resulting from obtaining a contract, e.g. sales commissions to travel agencies for sales of travel services, are capitalised as contractual costs in the statement of financial position upon payment of the commission. As a rule, the resulting expenses are recognised over the duration of the travel service in line with the associated revenue.

INVENTORIES

The measurement method applied to similar inventory items is the weighted average cost formula.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current accounts. Overdrawn current accounts are shown as liabilities to banks under current financial liabilities.

EQUITY

Ordinary shares are classified as equity. Costs directly allocable to the issue of new shares or conversion options are taken to equity on a net after-tax basis as a deduction from the issuance proceeds.

OWN SHARES

The group's holdings in its own equity instruments are shown as deductions from shareholders' equity at cost, including directly attributable transaction costs. No gain or loss is recognised in the income statement on the purchase or sale of shares. Any difference between the proceeds from sale and the original cost are taken to reserves.

PENSION PROVISIONS

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date less the fair value of the plan assets. If the value of the plan assets exceeds the value of the DBO, the excess amount is shown within other assets. The DBOs are calculated annually by independent actuaries using the projected unit credit method.

For defined contribution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are recognised under staff costs when they fall due.

OTHER PROVISIONS

Other provisions are formed when the Group has a current legal or constructive obligation as a result of a past event, where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined.

Where a large number of similar obligations exist, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also recognised if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate, reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accretion of interest are recognised as interest expenses through profit or loss.

GOVERNMENT GRANTS

Government grants are recorded if there is reasonable assurance that TUI will comply with all attached conditions for receiving the grant and the grant will be awarded. Investment grants received are deducted from the carrying amounts of assets in property, plant or equipment where these grants are directly allocable to individual assets. If a direct allocation of grants to individual items of property, plant or equipment is not possible, or if the grants are from other government programmes, the grants and subsidies received are recognised as deferred income and shown within Other liabilities. Grants related to income are deducted from related expenses in the period in which the corresponding expenses are incurred.

TOURISTIC ADVANCE PAYMENTS RECEIVED (CONTRACT LIABILITIES)

A contract liability is an obligation of the Group to deliver goods or services for a customer for which the customer has already delivered a performance, e.g. in the form of payment of a deposit. In the tourism business model, customers pay deposits on most travel services prior to departure. The deposits received therefore constitute contract liabilities within the meaning of IFRS 15.

DEFERRED TAXES AND INCOME TAXES

Expected tax savings from the use of tax losses carried forward assessed as recoverable in the future are recognised as deferred tax assets. Regardless of the unlimited ability to carry German tax losses forward which continues to exist, the annual utilisation is limited by the minimum taxation. Foreign tax losses carried forward frequently have to be used within a given country-specific time limit and are subject to restrictions concerning the use of these losses carried forward for profits on ordinary activities, which are taken into account accordingly in the measurement.

Income tax is directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same period or some other period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference or an unused tax loss can be utilised.

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or adopted by law and expected to be applicable at the date of recognition of the deferred tax asset or the payment of the deferred tax liability.

Deferred and current income tax liabilities are offset against the corresponding tax assets if they exist in the same fiscal territory and have the same nature and maturity.

SHARE-BASED PAYMENTS

Share-based payment schemes in the Group comprise both cash-settled and equity-settled schemes.

For cash-settled transactions, the resulting liability for the Group is charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until settlement of the liability, the fair value of the liability is re-measured at every closing date and all changes in the fair value are recognised through profit and loss.

For equity-settled transactions the fair value of the awards granted is recognised under staff costs with a corresponding direct increase in equity. The fair value is determined at the point when the awards are granted and spread over the vesting period during which the employees become entitled to the awards. The method for the calculation of the granted awards is described in Note 40.

SUMMARY OF SELECTED ACCOUNTING AND MEASUREMENT METHODS

The table below lists the key accounting and measurement methods used by the TUI Group.

Summary of selected measurement bases

Item in the statement of financial position	Measurement base
Assets	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with definite useful lives	At amortised cost
Property, plant & equipment	At amortised cost
Right-of-use assets	At amortised cost
Investments in Joint ventures and Associates	At the Group's share of the net assets of the joint ventures and associates
Financial assets	
Equity Instruments	At fair value through other comprehensive income (without subsequent reclassifcation in profit or loss)
Trade and other receivables	At amortised cost (depending on the underlying business model and the contractual cashflows)
Derivative financial instruments	At fair value through profit or loss
Cash and cash equivalents	At amortised cost
Inventory	Lower of cost and net realisable value
Touristic prepayments	At cost (or lower recoverable amount)
Assets held for sale	Lower of cost and fair value less cost of disposal
Liabilities and Provisions	
Financial liabilities	At amortised cost
Provision for pensions	Projected unit credit method
Other provisions	Present value of the settlement amount
Lease liabilities	At amortised cost
Touristic advance payments received	At amortised cost
Financial liabilities	
Non-derivative financial liabilities	At amortised cost
Derivative financial liabilities	At fair value through profit or loss
Payables, trade and other liabilities	At amortised cost

Key judgements, assumptions and estimates

The presentation of the assets, liabilities, provisions and contingent liabilities shown in the consolidated financial statements is based on judgements, estimates and assumptions. Any uncertainties are appropriately taken into account in determining the values.

All estimates and assumptions are based on the conditions and assessments as at the balance sheet date. In evaluating the future development of business, reasonable assumptions are made regarding the expected future economic environment in the business areas and regions in which the Group operates.

Despite careful preparation of the estimates, actual results may differ from the estimate. In such cases, the assumptions and the carrying amounts of the assets and liabilities concerned, if necessary, are adjusted accordingly. As a matter of principle, changes in estimates are taken into account in the financial year in which the changes have occurred and in future periods.

JUDGEMENTS

The judgements made by management in applying accounting policies that may have a significant impact on TUI Group's assets and liabilities mainly relate to the following topics:

- Assessment when the Group has de facto control over an investee and therefore consolidates this investment
- Definition whether a Group company acts as an agent or as a principal in a transaction
- Determination whether an agreement is to be classified as a lease or contains a lease
- Determination of the term of the lease as a lessee in the event of agreements with extension or termination options

DETERMINATION OF THE TERM OF THE LEASE AS A LESSEE

TUI determines the term of the lease as the non-cancellable period for which the lessee has the right to use the asset, together with any periods covered by extension options, if exercise of that option by TUI is reasonably certain, as well as periods covered by termination options if TUI is reasonably certain that it will not exercise that option. Many of TUI's individually negotiated aircraft and real estate leases contain extension or termination options.

TUI applies judgement in evaluating whether it is reasonably certain that an option to renew will be exercised or that an option to terminate the lease will not be exercised. In this context, TUI considers all relevant facts and circumstances that create an economic incentive for TUI to exercise, or not to exercise, the extension or termination option, respectively. From the commencement date, TUI remeasures the lease term if there is either a significant event or a significant change in the circumstances within our control alters any of our assessments about what is reasonably certain. The lease term, for instance, is adjusted if an extension option is exercised or if a termination option is not exercised and if this had been considered differently in the original assessment.

For aircraft leases, we determine the end of the lease term on the basis of the contractually agreed return date. For medium- to long-term property agreements, e. g. office buildings, hotels or travel agency leases, options to renew the lease are included in the lease term to the extent to which TUI presumes that the future exercise of the option is reasonably certain in the individual case.

For information on potential future lease payments relating to periods after the exercise date for extension or termination options, please refer to Note 15.

ASSUMPTIONS AND ESTIMATES

Assumptions and estimates that may have a material impact on the amounts reported as assets and liabilities in the TUI Group are mainly related to the following balance sheet-related facts and circumstances:

- Future development of the travel business after the COVID-19-pandemic and impact on valuation of assets
- Establishment of assumptions for impairment tests, in particular for goodwill and property, plant and equipment
- Determination of the fair values for acquisitions of companies and determination of the useful lives of acquired intangible assets
- Determination of useful lives and residual carrying amounts of property, plant and equipment
- Determination of actuarial assumptions to measure pension obligations
- Recognition and measurement of other provisions
- Determination of the incremental borrowing rate used to measure lease liabilities
- Recoverability of future tax savings from tax losses carried forward and tax-deductible temporary differences
- Measurement of tax risks
- Recoverable amounts of touristic prepayments
- Determination that the package holiday represents a performance obligation due to the significant integration service
- Determination of period-related revenue recognition on a straight-line basis over the duration of the trip
- Determination of the ECL of financial instruments

FUTURE DEVELOPMENT OF THE TRAVEL BUSINESS AFTER THE COVID-19-PANDEMIC AND IMPACT ON THE VALUATION OF ASSETS

Due to the development of the COVID-19-pandemic, there were indications that Group assets may be impaired. Accordingly, the Group's assets, in particular the business units carrying goodwill, property, plant and equipment, other intangible assets, rights of use and companies accounted for using the equity method were tested for impairment as at 30 September 2020. The impairment tests are performed on the basis of future discounted cash inflows derived from medium-term corporate planning. Both the derivation of future cash inflows and the determination of the interest rate are subject to a high degree of assumptions and estimates and are associated with uncertainties.

The sporadic openings of destinations in summer 2020 showed that strong demand for travel can be expected once the pandemic ends. A fundamental assumption of our medium-term corporate planning is therefore that our various Group divisions will be able to gradually resume their programmes in the course of the 2021 financial year. While business activity is expected to be severely restricted in the first and second quarters, a recovery in travel activity is anticipated for the summer of the 2021 financial year, without reaching the pre-crisis level of the 2019 financial year. In particular, the timing of the resumption of travel activity in the 2021 financial year is difficult to predict. After a transitional phase in the 2022 financial year with a further increase in bookings due to the reopening of all destinations and the return of consumer confidence, it is expected that the Group's business performance will return to normal levels of demand and profitable growth in the 2023 financial year at the latest, and reach the level of the years before the outbreak of the COVID-19-pandemic.

Other key factors are the weighted average cost of capital after income taxes (WACC) on which discounting is based, the growth rate and the perpetuity. Changes in these assumptions may have a significant impact on the recoverable amount and the amount of any impairment loss.

In the following, we describe the most important assumptions used in medium-term corporate planning and in determining the weighted average cost of capital for the segments mentioned. In order to estimate the uncertainties underlying the assumptions, we have performed sensitivity analyses, which are presented in the section entitled ‚Goodwill'.

For Markets & Airlines travel activity is expected to resume in the second half of the 2021 financial year. In the 2022 financial year, all destinations will be open for travel and passenger numbers will continue to rise. Based on a prudent business plan it is expected that the number of guests in the Markets & Airlines segment will return to the level of the 2019 financial year in the 2023 financial year. The reissue of the flight permit for Boeing 737 Max aircraft and the associated cost savings compared to the 2019 business year are expected for the 2021 business year. The cost-cutting measures and restructuring measures already initiated, the increased use of online sales and investments in digitalisation will also be taken into account. These planning assumptions are subject to increased uncertainty.

The weighted average cost of capital after income taxes (WACC) of Märkte & Airlines on which the discounting is based was derived from the analysis of comparable companies using external capital market information. Due to the increased uncertainties regarding medium and long-term market expectations in the Markets & Airlines Division, a risk premium of 1.1 % was also recognised. In addition, a further premium of 2.25 % on the cost of capital was added, taking into account value-enhancing facts relating to the later commencement of travel activities in the first and second quarters of the 2021 business year, so that a total cost of capital rate of 11.75 % is applied.

In the planning of the Hotels & Resorts segment, a recovery in volume and earnings to the level of the 2019 financial year is planned for the 2022 financial year. By precisely steering demand into own hotel brands, these will recover comparatively faster. In the medium term, a further increase in revenue is planned less through capacity expansion and more through an increase in demand and a slight rise in average prices.

The weighted average cost of capital after income taxes (WACC) in the Hotels & Resorts segment is adjusted for country risks and includes an adjustment of 0.11 % to reflect the later commencement of travel activities in the 2021 financial year.

In the Cruises segment, Marella Cruises is expected to resume operations in the 2021 financial year. In the financial year 2022, the fleet, which will then be reduced, will be deployed again at the customary level, but with a slightly lower load factor than in the 2019 financial year. The load factor of the financial year 2019 will be reached in the 2023 financial year at the latest. TUI Cruises expects a return to a normal level in financial year 2022, also with a reduced fleet. Please refer to the section 'Goodwill' for information on the calculation of the cost of capital.

The development of TUI Musement depends on the development of customer numbers in the Markets & Airlines sector. However, TUI Musement will generate further growth, in particular in financial years 2021 and 2022, through the online distribution of its products, so that in financial year 2023 the revenue volume of financial year 2019 will be exceeded. For information on the calculation of the cost of capital, please refer to the section ‚Goodwill'.

BUSINESS ACQUISITIONS AND INTANGIBLE ASSETS

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In this context, cash flow-based methods are regularly used, which may lead to different results depending on the underlying assumptions. In particular, some judgement is required in estimating the economic useful lives of intangible assets and determining the fair values of contingent liabilities.

Detailed information on business acquisitions and useful lives of intangible assets is provided in the section 'Acquisitions – divestments' in the section on 'Principles and methods of consolidation' and in the section on 'Goodwill and other intangible assets' of the section 'Accounting and measurement methods'.

PROPERTY, PLANT AND EQUIPMENT

The measurement of wear-and-tear to property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 September 2020 totals € 3,462.5 m (previous year € 5,810.7 m). In order to review the amounts carried, an evaluation is carried out on a regular basis to assess whether there are any indications of a potential impairment. These indications relate to a number of areas and factors, e. g. the market-related or technical environment but also physical condition. If any such indication exists, management must estimate the recoverable amount on the basis of expected cash flows and appropriate interest rates. The COVID-19-pandemic was an indicator to test property, plant and equipment for impairment as per 30 September 2020. Further, essential estimates and judgements include the definition of economic useful lives and the residual values of items of property, plant and equipment which may be recovered.

More detailed information on the useful lives and residual values of property, plant and equipment items is provided in the section 'Property, plant and equipment' in the section 'Accounting and measurement methods'.

PENSION PROVISIONS

As at 30 September 2020, the carrying amount of provisions for pensions and similar obligations totals € 1,015.0 m (previous year € 1,068.0 m). For those pension plans where the plan assets exceed the obligation, other non-financial assets amounting to € 363.3 m are shown as at 30 September 2020 (prior year € 310.0 m).

In order to determine the obligations under defined benefit pension schemes, actuarial calculations are used which rely on underlying assumptions concerning life expectancy and the discount rate.

At the balance sheet date, the fair value of the plan assets totals € 3,373.7 m (previous year € 3,397.9 m). As assets classified as plan assets are never available for short-term sale, the fair values of these plan assets may change significantly up to the realisation date.

Detailed information on actuarial assumptions is provided under Note 29.

OTHER PROVISIONS

As at 30 September 2020, other provisions of € 1,302.4 m (previous year € 1,136.9 m) are reported. When recognising and measuring provisions, assumptions are required about probability of occurrence, maturity and level of risk.

Determining whether a current obligation exists is usually based on review by internal or external experts. The amount of provision is based on expected expenses, and is either calculated by assessing the specific case in the light of empirical values, outcomes from comparable circumstances, or else estimated by experts. Due to the uncertainties associated with assessment, actual expenses may deviate from estimates so that unexpected charges may result.

More detailed information on other provisions is provided in the notes to the statement of financial position in Note 30.

LEASE LIABILITIES

As at 30 September 2020, lease liabilities worth € 3,399.9 m (previous year: finance leases of € 1,495.2 m) were carried, reflecting the present value of the future lease payments not yet made as at that date. The interest rate implicit in the lease can only be easily determined in exceptional cases. In all other cases TUI therefore uses its own incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the interest rate TUI would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Determining the incremental borrowing rate therefore regularly involves estimates regarding the interest rate the Group would have to pay. In this context, estimates are required, for instance, to determine the interest the Group companies would have to pay if no observable interest rates are available, or if adjustments are required regarding the contractually individually agreed terms and conditions such as the transaction currency or contract term. TUI determines the incremental borrowing rate using observable inputs (e. g. market interest rates, bond yields and CDS quotations) and makes specific adjustments for individual companies (e. g. country risk premiums).

DEFERRED TAX ASSETS

As at 30 September 2020, deferred tax assets totalling € 299.6 m (previous year € 202.0 m) were recognised. Prior to offsetting against deferred tax liabilities, deferred tax assets total € 707.2 m, included an amount of € 124.2 m (previous year € 116.4 m) for recognised losses carried forward. The assessment of the recoverability of deferred tax assets is based on the ability of the respective Group company to generate sufficient taxable income. TUI therefore assesses at every balance sheet date whether the recoverability of expected future tax savings is sufficiently probable in order to recognise deferred tax assets. The assessment is based on various factors including internal forecasts regarding the future earnings situation of the Group company. TUI uses a five-year planning horizon to derive the usability of tax loss carryforwards and deductible differences. If the assessment of the recoverability of future deferred tax assets changes, impairment charges may be recognised, if necessary, on the deferred tax assets.

More detailed information on deferred tax assets is available in the Notes to the statement of financial position in Note 20.

INCOME TAXES

The Group is liable to pay income taxes in various countries. Key estimates are required when determining income tax liabilities, including the probability, the timing and the size of any amounts that may become payable. For certain transactions and calculations the final tax charge cannot be determined during the ordinary course of business. After taking appropriate external advice, the Group makes provisions or discloses contingencies for uncertain tax positions based on the probable or possible level of additional taxes that might be incurred. The level of obligations for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

RECOVERABLE AMOUNTS OF TOURISTIC PREPAYMENTS

At 30 September 2020, the carrying amount of touristic prepayments totals € 705.4 m (previous year € 1,045.8 m). The assessment of the recoverable amounts of touristic prepayments made to hoteliers requires judgement about the volume of future trading with hoteliers and the credit worthiness of those hoteliers. To assess the recoverability of touristic prepayments, TUI considers the financial strength of those hoteliers, the quality of the hotels as well as the demand for each hotel and the relevant destination during the past and in coming seasons.

FINANCIAL INSTRUMENTS

When measuring ECL of financial instruments under IFRS 9 TUI uses, besides historical information, reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will effect each other. It exists the uncertainty that this information will not be in line with expected Information notably with regard to the impact of the COVID-19-pandemic and the restart of the tourism activity.

Segment Reporting

Notes on the segments

The identification of operating segments is based on the internal organisational and reporting structure primarily built around the different products and services as well as a geographical structure within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. The segments are independently managed by those in charge, who regularly receive separate financial information for each segment. They regularly report to the Group Executive Committee, which consists of six Executive Board members and six other executives. The legally binding decision regarding the use of resources is taken by the Executive Board. The TUI Group Executive Board has therefore been identified as the Chief Operating Decision Maker (CODM) in accordance with IFRS 8.

The Hotels & Resorts segment comprises all Group-owned hotels and hotel shareholdings of TUI Group.

The Cruises segment consists of the joint venture TUI Cruises, its subsidiary Hapag-Lloyd Cruises as well as the British cruise business Marella Cruises.

The TUI Musement (previously Destination Experiences) segment comprises the companies providing services in the destinations.

As of this financial year, the income statement items of the aircraft leasing companies holding the TUI Group's aircraft and subletting them within the Group have been fully allocated to the airlines using the respective aircraft (Northern Region, Central Region and Western Region segments). In the prior-year period, the aircraft leasing companies were fully included in All Other Segments, whereas in the 2019 Annual Report, the result from intra-Group subleasing was already allocated to the respective airlines (Northern Region, Central Region and Western Region segments). The figures for the previous year have been adjusted accordingly.

The Northern Region segment comprises the tour operators and airlines in the UK, Ireland and the Nordic countries and the stake in the tour operation business of the Canadian company Sunwing as well as the associate TUI Russia. This segment also includes the tour operator TUI Lakes & Mountains, which plays a major role in securing the load factor for our aircraft fleet in the UK in winter.

The Central Region segment comprises the tour operators and airlines in Germany and tour operators in Austria, Poland and Switzerland.

The Western Region segment comprises the tour operators and airlines in Belgium and the Netherlands and tour operators in France.

Apart from the above segments, the recognised items also include All other segments. This comprises the business operations for new markets and in particular the central corporate functions and interim holdings of TUI Group and the Group's real estate companies, as well as central tourism functions such as information technology.

Notes to the segment data

The selection of segment data presented is based on the regular internal reporting to the Executive Board. From financial year 2020, the Group is using 'underlying EBIT', which is more common in the international sphere, for value-oriented management. In the current financial year, the earnings effect of IFRS 16 ('underlying EBIT (IAS 17)') is removed from underlying EBIT as part of internal reporting in order to enhance year-on-year comparability. Accordingly, underlying EBIT (IAS 17) represents the Group's performance measure in accordance with IFRS 8.

We define the EBIT in underlying EBIT as earnings before interest, income taxes and result of the measurement of the Group's interest hedges. Unlike the previous KPI EBITA, EBIT by definition includes goodwill impairments.

Underlying EBIT is adjusted for by income and expense items impacting or distorting the assessment of the operating profitability of the segments and the Group due to their level and frequency. These separately disclosed items include gains on disposal from investments, major gains and losses from the sale of assets and major restructuring and integration expenses. In addition, adjustments are carried for all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments. Adjustments made in the reconciliation to underlying EBIT also include goodwill impairments.

In the 2020 financial year, net income totalling € 119.1 m was adjusted as separately disclosed items.

Of the gains on disposal adjusted in the 2020 financial year, € 90 m resulted from the divestment of the German specialist tour operators realized at the beginning of the financial year and € 476 m from the sale of Hapag-Lloyd Kreuzfahrten to TUI Cruises.

The goodwill impairments of € 68 m adjusted in the year under review exclusively related to the Hotels & Resorts segment.

In TUI Musement, restructuring expenses of € 14 m were adjusted. A further € 46 m was attributable to the closure of travel agencies and restructuring in the tour operator and airline sectors in the Northern Region. In the Central Region, the adjusted expenses of € 191 m resulted from the planned capacity reduction at TUIfly Deutschland, an expansion of the existing restructuring program at TUI Deutschland and the restructuring of the Group's own over-the-counter distribution. The € 68 m adjusted expenses in the Western Region related in particular to the restructuring in France and further projects in Belgium and the Netherlands. A further € 7 m is attributable to one-off expenses in All Other Segments.

In addition, € 53 m were attributable to impairments on IT projects resulting from the Group's accelerated digital transformation that were hence classified as restructuring costs.

In the 2019 financial year, net costs totaling € 86.1 m were adjusted as separately disclosed items.

In the 2019 financial year, income of € 25 m from the reduction of pension obligations in the United Kingdom and € 7 m from sale and leaseback transactions were adjusted. This was offset by € 12 m in adjusted expenses from the sale of the French airline Corsair and expenses for restructuring and reorganization in Hotels & Resorts (€ 9 m), TUI Musement (€ 8 m), Northern Region (€ 34 m), Central Region (€ 39 m), Western Region (€ 12 m) and All Other Segments (€ 4 m).

The adjusted expenses of € 49.5 m (previous year € 38.8 m) from purchase price allocations mainly include scheduled amortization of intangible assets from acquisitions made in previous years.

Intra-group leases continue to be carried as operating lease, rental and leasing agreements following the transition to IFRS 16.

Apart from this indicator, internal and external revenue, depreciation and amortisation, impairments of other intangible assets (excluding goodwill), property, plant and equipment, right-of-use assets and investments as well as the share of result of joint ventures and associates are likewise shown for each segment, as these amounts are included when measuring underlying EBIT. As in the calculation of the earnings figure, these are adjusted for the IFRS 16 effect in this financial year. As a rule, inter-segment business transactions are based on the arm's length principle, as applied in transactions with third parties. No single external customer accounts for 10 % or more of revenue.

Assets and liabilities by segment are not included in the reporting to the Executive Board and are therefore not shown in segment reporting.

Depreciation / amortisation and write-backs relate to non-current assets by region and do not include goodwill impairments.

Non-current assets by region contain other intangible assets, property, plant and equipment, right-of-use assets and specific other non-current assets that do not meet the definition of financial instruments.

Segment indicators

Revenue by segment

€ million	2020 External	2020 Group	2020 Total	2019 External adjusted	2019 Group adjusted	2019 Total adjusted
Hotels & Resorts	402.4	349.0	751.4	660.0	851.8	1,511.8
Cruises	472.6	– 0.0	472.6	965.8	– 0.0	965.8
TUI Musement	306.3	155.0	461.3	856.2	375.2	1,231.4
Consolidation	– 0.0	– 3.7	– 3.7	– 0.1	– 5.7	– 5.8
Holiday experiences	1,181.3	500.3	1,681.6	2,482.0	1,221.2	3,703.2
Northern Region	2,466.6	272.3	2,738.9	6,355.2	292.2	6,647.4
Central Region	2,861.5	125.7	2,987.2	6,416.9	129.7	6,546.6
Western Region	1,348.5	155.6	1,504.1	3,237.2	167.1	3,404.3
Consolidation	– 0.0	– 541.6	– 541.6	– 0.0	– 565.1	– 565.1
Markets & Airlines	6,676.6	12.0	6,688.6	16,009.3	23.9	16,033.2
All other segments	94.9	5.9	100.8	436.7	25.9	462.6
Consolidation	–	– 518.1	– 518.1	–	– 1,270.9	– 1,270.9
Total (IAS 17)	**7,952.9**	**–**	**7,952.9**	**18,928.1**	**–**	**18,928.1**
IFRS 16 Effect	– 9.2		– 9.2	–		–
Total (IFRS 16)	**7,943.7**	**–**	**7,943.7**	**18,928.1**	**–**	**18,928.1**

Underlying EBIT (IAS 17) by segment

€ million	2020	2019 adjusted
Hotels & Resorts	– 399.6	451.8
Cruises	– 322.8	366.0
TUI Musement	– 114.6	55.7
Holiday experiences	– 837.0	873.5
Northern Region	– 975.1	58.5
Central Region	– 619.8	101.9
Western Region	– 440.8	– 28.6
Markets & Airlines	– 2,035.7	131.8
All other segments	– 160.2	– 111.8
Total	**– 3,032.8**	**893.5**

Reconciliation to underlying EBIT (IAS 17) of TUI Group

€ million	2020	2019 adjusted
Earnings before income taxes	**– 3,203.3**	**691.6**
plus: Net interest expense (excluding expense / income from measurement of interest hedges)	281.7	74.1
less / plus: Expense (income) from measurement of interest hedges	– 5.9	2.9
EBIT (IFRS 16, previous year IAS 17)	**– 2,927.4**	**768.7**
Adjustments:		
less / plus: Separately disclosed items	– 119.1	86.1
plus: Expense from purchase price allocation	49.5	38.8
Underlying EBIT (IFRS 16)	**– 2,997.0**	**893.5**
Adjustments IAS 17 / IFRS 16 (IFRS 16 impact)	– 35.8	–
Underlying EBIT (IAS 17)	**– 3,032.8**	**893.5**

Other segmental information

€ million	Amortisation (+), depreciation (+), impairment (+) and write-backs (–) of other intangible assets, property, plant and equipment, right-of-use assets and investments		Thereof impairment of intangible assets and property, plant, equipment and right-of-use assets		Thereof amortisation/ depreciation of intangible assets and property, plant, equipment and right-of-use assets		Share of result of joint ventures and associates	
	2020	2019 adjusted	**2020**	2019 adjusted	**2020**	2019 adjusted	**2020**	2019 adjusted
Hotels & Resorts	204.5	111.5	77.8	2.4	126.8	109.8	–78.9	97.3
Cruises	239.9	91.6	150.4	–	89.5	91.6	–74.2	202.6
TUI Musement	36.2	27.5	5.2	0.8	31.0	26.8	–2.7	9.7
Holiday Experiences	480.7	230.6	233.5	3.2	247.2	228.1	–155.8	309.6
Northern Region	173.3	126.0	41.6	7.8	131.7	118.2	–35.0	–15.7
Central Region	79.8	48.0	15.3	0.1	64.6	47.1	–2.3	3.1
Western Region	115.4	52.5	49.9	–	65.5	52.5	–0.2	0.4
Markets & Airlines	368.6	226.5	106.8	7.9	261.9	217.8	–37.5	–12.1
All other segments	44.9	51.7	27.0	1.1	17.9	50.5	–	–
Total (IAS 17)	**894.2**	**508.8**	**367.3**	**12.2**	**526.9**	**496.4**	**–193.3**	**297.5**
IFRS 16 Effect	610.3	–	88.1	–	522.1	–	–	–
Total (IFRS 16)	**1,504.5**	**508.8**	**455.4**	**12.2**	**1,049.0**	**496.4**	**–193.3**	**297.5**

Key figures by region

€ million	External revenue by customer location		Non-current assets	
	2020	2019	**2020**	2019 adjusted*
Germany	2,504.4	5,326.6	434.5	915.7
United Kingdom	2,282.8	6,024.6	3,933.3	3,157.3
Spain	75.8	181.1	738.7	609.9
Other Europe	2,817.2	6,774.4	597.2	511.4
North and South America	140.1	305.2	510.3	539.7
Rest of the world	123.4	316.2	1,258.9	1,037.3
Total	**7,943.7**	**18,928.1**	**7,472.9**	**6,771.3**

* Prior year corrected and adjusted due to changed purchase price adjustments

Notes to the Consolidated Income Statement

The development of TUI Group's revenue and earnings in the financial year 2020 was materially impacted by the suspension of the vast majority of our tour operation, aviation, hotel and cruise operations as a result of the global travel restrictions launched from mid-March 2020 in order to contain the spread of COVID-19. TUI Group's results generally also reflect the significant seasonal swing in tourism between the winter and summer travel months, however this period the impact is less evident due to the COVID-19-pandemic.

(1) Revenue

Group revenue is mainly generated from tourism services. The other revenues present income from sub-lease. In the financial year 2020, consolidated revenue decreased by 58.0 % year-on-year to € 8.0 bn.

External revenue allocated by destinations for the period from 1 Oct 2019 to 30 Sep 2020

€ million	Spain (incl. Canary Islands)	Other European destinations	Caribbean, Mexico, USA & Canada	North Africa & Turkey	Rest of Africa, Ind. Ocean, Asia	Other countries	**2020 Revenues from contracts with customers**	Other	**2020 Total**
Hotels & Resorts	190.6	56.7	27.3	32.8	81.1	13.9	402.4	–	402.4
Cruises	93.3	63.1	141.7	0.2	77.0	97.3	472.6	–	472.6
TUI Musement	40.0	85.2	54.4	15.2	77.5	34.0	306.3	–	306.3
Holiday experiences	323.9	205.0	223.4	48.2	235.6	145.2	1,181.3	–	1,181.3
Northern Region	830.9	464.5	486.9	250.8	372.7	45.8	2,451.6	10.4	2,462.0
Central Region	728.9	1,021.9	197.7	416.4	479.1	10.2	2,854.2	5.5	2,859.6
Western Region	332.2	290.8	294.2	180.7	206.4	24.3	1,328.6	17.3	1,345.9
Markets & Airlines	1,892.0	1,777.2	978.8	847.9	1,058.2	80.3	6,634.4	33.2	6,667.5
All other segments	4.1	37.8	5.0	2.2	32.6	13.2	94.9	–	94.9
Total	**2,220.0**	**2,020.0**	**1,207.2**	**898.3**	**1,326.4**	**238.7**	**7,910.6**	**33.2**	**7,943.7**

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External revenue allocated by destinations for the period from 1 Oct 2018 to 30 Sep 2019

€ million	Spain (incl. Canary Islands)	Other European destinations	Caribbean, Mexico, USA & Canada	North Africa & Turkey	Rest of Africa, Ind. Ocean, Asia	Other countries	2019 Revenues from contracts with customers	Other	2019 Total
Hotels & Resorts	275.9	74.3	120.9	110.5	78.1	0.3	660.0	–	660.0
Cruises	207.8	367.4	172.6	–	189.3	28.7	965.8	–0.0	965.8
TUI Musement	16.5	497.0	139.4	16.2	142.5	44.6	856.2	–	856.2
Holiday experiences	500.2	938.7	432.9	126.7	409.9	73.6	2,482.0	–0.0	2,482.0
Northern Region	2,138.2	1,948.2	1,056.0	618.6	532.0	44.4	6,337.4	7.8	6,345.2
Central Region	1,818.6	2,151.1	408.1	1,145.8	850.6	21.1	6,395.3	17.7	6,413.0
Western Region	718.9	1,011.5	545.8	563.8	337.3	31.1	3,208.4	23.5	3,231.9
Markets & Airlines	4,675.7	5,110.8	2,009.9	2,328.2	1,719.9	96.6	15,941.1	49.0	15,990.1
All other segments	7.1	103.4	96.0	6.8	209.5	23.8	446.6	9.4	456.0
Total	**5,183.0**	**6,152.9**	**2,538.8**	**2,461.7**	**2,339.3**	**194.0**	**18,869.7**	**58.4**	**18,928.1**

Future revenue from performance obligations not yet delivered as at 30 September 2020 total € 1,993.7 m (previous year € 1,163.9 m), including an amount of € 1,854.8 m (previous year € 918.1 m) to be recognised within the next twelve months. The remaining revenue will mostly be recognised in the following twelve months. TUI uses the practical expedient offered under IFRS 15.121(a) and only discloses long-term performance obligations from contracts with a term of more than twelve months, i. e. at least twelve months lie between the start of the contract (in principle the booking date) and the end of the contract (in principle the end of the service).

The touristic advance payments received (contract liabilities) are presented in Note 32.

(2) Cost of sales and administrative expenses

Cost of sales relates to the expenses incurred in the provision of tourism services. In addition to the expenses for personnel, depreciation, amortisation, rental and leasing, it includes all costs incurred by the Group in connection with the procurement and delivery of airline services, hotel accommodation, cruises and distribution costs.

Due to the suspension of business operations as a result of COVID-19 from mid-March 2020, the cost of sales declined by 43.2 % to € 9.9 bn in financial year 2020.

During the period under review, income from the compensation agreed with Boeing to offset the effects of the 737 Max flight ban, which represents pure damages, was recognised in cost of sales. The receivable for the respective compensation is included in other receivables.

The cost of sales in financial year 2020 include effects from the termination of hedging relationships that were previously designated in hedge accounting. Please refer to the section on Financial instruments in these notes.

Government Grants

€ million	2020	2019
Cost of Sales	95.1	4.9
Administrative expenses	47.1	0.6
Total	**142.2**	**5.5**

The government grants reported under cost of sales and administrative expenses include in particular grants for wages and salaries as well as social security contributions directly reimbursed to the relevant company.

Administrative expenses comprise all expenses incurred in connection with activities by the administrative functions and break down as follows:

Administrative expenses

€ million	**2020**	2019 adjusted
Staff cost	649.0	683.0
Rental and leasing expenses	23.6	66.3
Depreciation, amortisation and impairment	126.7	71.9
Others	218.1	165.8
Total	**1,017.3**	**987.1**

The cost of sales and administrative expenses include the following expenses for personnel, depreciation / amortisation, rent and leasing:

Staff costs

€ million	**2020**	2019
Wages and salaries	1,871.6	2,019.0
Social security contributions	247.1	291.6
Pension costs	142.3	139.2
Total	**2,261.0**	**2,449.8**

Pension costs include service cost for defined benefit obligations and contributions to defined contribution pension schemes.

The decrease in personnel expenses in financial year 2020 compared to the previous year results in particular from the decrease in the number of employees in the Group due to the COVID-19-crisis. In addition, significant savings were generated by, among other things, the use of short-time work and other government programs for job retention, salary cuts waivers and unpaid vacation. This is offset by higher costs for various restructuring projects within the Group.

The average annual headcount (excluding trainees) evolved as follows:

Average annual headcount in the financial year (excl. trainees)

	2020	2019
Hotels & Resorts	15,471	24,566
Cruises	271	341
TUI Musement	5,558	8,011
Holiday Experiences	21,300	32,918
Northern Region	11,172	12,397
Central Region	9,021	10,178
Western Region	5,819	6,401
Markets & Airlines	26,012	28,976
All other segments	2,293	2,881
Total	**49,605**	**64,775**

Depreciation / amortisation / impairment

€ million	**2020**	2019 adjusted
Depreciation and amortisation of other intangible assets, property, plant and equipment and right-of-use assets	1,049.1	496.4
Impairment of other intangible assets, property, plant and equipment and right-of-use assets	455.4	12.2
Total	**1,504.5**	**508.6**

The increase in depreciation and amortisation is primarily attributable to the initial application of IFRS 16.

Impairment on other intangible assets, property, plant and equipment and right-of-use assets

€ million	2020	2019
Hotels & Resorts	135.8	2.4
Cruises	150.4	–
TUI Musement	5.2	0.8
Holiday Experiences	291.4	3.2
Northern Region	61.8	7.8
Central Region	17.7	0.1
Western Region	57.5	–
Markets & Airlines	137.0	7.9
All other segments	27.0	1.1
Total	**455.4**	**12.2**

Of the impairments losses € 280.0 m relate to property, plant and equipment.: Additionally € 97.4 m correspond to right-of-use assets and € 78.0 m to other intangible assets. Of the impairment losses € 422.5 m (previous year € 4.1 m) are presented within cost of sales and € 32.9 m (previous year € 8.1 m) in administrative expenses.

For details of the impairments effected in financial year 2020, please refer to the respective sections of the notes on the consolidated statement of financial position.

The year-on-year decline in rental and leasing expenses is primarily attributable to the initial application of IFRS 16.

(3) Other income and other expenses

Other income in financial year 2020 mainly results from the disposal of subsidiaries. For more information, please refer to the section 'Divestments'. In the prior year, this item had primarily included gains from the disposal of aircraft assets and buildings.

In financial year 2020, Other expenses include losses from the sale of aircraft assets and expenses incurred in connection with the disposal of Group companies. In the prior year, this item had included a loss of € 12.0 m from the sale of Corsair S.A.

(4) Financial income

Financial income

€ million	2020	2019
Bank interest income	9.4	32.2
Other interest and similar income	10.4	48.4
Income from the measurement of hedges	9.9	10.0
Interest income	**29.7**	**90.6**
Income from investments	0.6	1.1
Foreign exchange gains on financial instruments	5.0	28.0
Total	**35.3**	**119.7**

The decrease in financial income of € 84.4 m in financial year 2020 mainly results from lower interest income. Moreover, this item had included income from the reversal of hedges no longer required in the prior year.

(5) Financial expenses

Financial expenses

€ million	2020	2019
Bank interest payable on loans and overdrafts	14.8	27.2
Interest expenses on lease liabilities	148.1	50.9
Net interest expenses from defined benefit pension plans	2.5	13.4
Unwinding of discount on provisions	7.5	6.0
Other interest and similar expenses	128.7	57.2
Expenses relating to the measurement of hedges	4.0	12.9
Interest expenses	**305.6**	**167.6**
Expenses relating to the measurement of other financial instruments	0.3	0.8
Foreign exchange losses on financial instruments	15.8	3.0
Total	**321.7**	**171.4**

In the period under review, financial expenses rose by € 150.3 m. This increase was mainly attributable to higher interest expenses resulting from the use of credit lines, the increase in interest expenses as a result of the change in accounting for lease liabilities in accordance with IFRS 16, and expenses due to foreign exchange differences arising for lease liabilities.

(6) Share of result of joint ventures and associates

The share of result of joint ventures and associates of € – 193.3 m (previous year € 297.5 m) comprises the net loss / profit for the year attributable to the associated companies and joint ventures.

The year-on-year decline is attributable to cancelled holidays, customer repatriation costs and hotel closures due to the COVID-19-pandemic. Moreover, the joint ventures and associates were tested for impairment as at 30 September 2020 due to the development of the pandemic, resulting in an impairment loss of € 34.5 m. The impairments required for the joint ventures and associates include € 33.2 m relating to the Hotels & Resorts segment and € 1.3 m relating to the Central Region segment.

For the development of the results of the material joint ventures and associates we refer to Note 16 'Investments in joint ventures and associates'.

(7) Income taxes

As in the previous year, TUI Group's German companies have to pay trade tax of 15.7 % and corporation tax of 15.0 % plus a 5.5 % solidarity surcharge on corporation tax.

Foreign income taxes are calculated on the basis of the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies vary from 0 % to 35.0 %.

Breakdown of income taxes

€ million	2020	2019
Current tax expense		
in Germany	6.0	– 69.8
abroad	15.5	100.8
Deferred tax expense / income	– 85.7	128.5
Total	**– 64.2**	**159.5**

In the prior year, the actual tax income in Germany included income attributable to prior periods. Due to the required reassessment of tax risks, income tax liabilities of € 74.2 m were reversed in the prior year. In financial year 2020, the tax liabilities from actual taxes attributable to prior periods total € 0.2 m (previous year tax income of € 67.0 m).

In the financial year under review, deferred tax liabilities include a reassessment of tax loss carryforwards in Germany of € 43.8 m (previous year € 100.8).

In financial year 2020, income taxes totalling € 64.2 m (previous year expense € 159.5 m) and are derived as follows from an 'expected' income tax expense that would have arisen if the statutory income tax rate of parent company TUI AG (aggregate income tax rate) had been applied to earnings before taxes.

Reconciliation of expected to actual income taxes

€ million	2020	2019
Earnings before income taxes	– 3,203.4	691.4
Expected income tax (current year 31.5 %, previous year 31.5 %)	**– 1,009.1**	**217.8**
Effect from the difference of the actual tax rates to the expected tax rates	259.0	– 23.0
Changes in tax rates and tax law	40.0	4.3
Income not taxable	– 204.6	– 168.0
Expenses not deductible	226.4	64.5
Effects from loss carryforwards	590.5	125.1
Temporary differences for which no deferred taxes were recognised	35.3	6.9
Deferred and current income tax relating to other periods (net)	– 2.3	– 68.7
Other differences	0.6	0.6
Income taxes	**– 64.2**	**159.5**

(8) Group loss attributable to shareholders of TUI AG

In financial year 2020, the share in Group loss attributable to TUI AG shareholders decreased from € 416.4 m in the prior year to € – 3,148.4 m due to the suspension of the vast majority of our tour operation, aviation, hotel and cruise operations as a result of the global travel restrictions launched from mid-March 2020 in order to reduce the spread of COVID-19.

(9) Group profit attributable to non-controlling interest

In the Hotels & Resorts segment, the Group profit attributable to non-controlling interest primarily relates to the RIUSA II Group with € 14.2 m (previous year € 112.8 m).

(10) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group result for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year. The average number of shares is derived from the total number of shares at the beginning of the financial year (589,020,588 shares) and the employee shares issued on a pro rata basis (84,053 new shares).

Earnings per share

		2020	2019
Group loss/profit for the year attributable to shareholders of TUI AG	€ million	–3,148.4	416.4
Weighted average number of shares		589,104,641	587,956,653
Basic earnings per share	€	**–5.34**	**0.71**

Diluted Earnings per share

		2020	2019
Group loss/profit for the year attributable to shareholders of TUI AG	€ million	–3,148.4	416.4
Weighted average number of shares		589,104,641	587,956,653
Diluting effect from assumed exercise of share awards		–	86,023
Weighted average number of shares (diluted)		589,104,641	588,042,676
Diluted earnings per share	€	**–5.34**	**0.71**

As a rule, a dilution of earnings per share occurs when the average number of shares increases due to the addition of the issue of potential shares from conversion options. In the completed year existing share awards were converted into TUI AG shares.

On 1 October 2020 TUI AG issued a warrant bond to the Economic Stabilisation Fund (WSF) of € 150.0 m. The warrant bond has a term of ten years and can be converted into TUI AG shares at any time. As the conversion price per share was set at an amount of € 2.56, the potential shares amount to 58.7 m. More detailed information is provided in Note 46 'Significant events after balance sheet date'.

(11) Taxes attributable to other comprehensive income

Tax effects relating to other comprehensive income

	2020			2019		
€ million	Gross	Tax effect	Net	Gross	Tax effect	Net
Foreign exchange differences	–185.9	–	–185.9	96.7	–	96.7
Cash flow hedges	–316.1	73.3	–242.8	–340.0	79.5	–260.5
Remeasurements of benefit obligations and related fund assets	25.5	–15.2	10.3	–19.9	26.3	6.4
Changes in the measurement of companies measured at equity outside profit or loss	–38.6	–	–38.6	–35.4	–	–35.4
Fair value gain/loss on investments in equity instruments designated as at FVTOCI	–27.7	–	–27.7	2.2	–	2.2
Other comprehensive income	**–542.8**	**58.1**	**–484.7**	**–296.4**	**105.8**	**–190.6**

Corporate income taxes worth € –1.9 m (previous year € –1.5 m) were generated in the reporting period and recognised directly in equity. As in the previous year, deferred income taxes recognised directly in equity were not generated.

Notes on the consolidated statement of financial position

(12) Goodwill

Goodwill

€ million	2020	2019 adjusted
Historical cost		
Balance as at 1 Oct	**3,438.3**	**3,341.8**
Exchange differences	– 48.0	–
Additions	40.1	96.5
Disposals	25.7	–
Balance as at 30 Sep	**3,404.7**	**3,438.3**
Impairment		
Balance as at 1 Oct	**– 429.1**	**– 428.7**
Exchange differences	7.0	– 0.4
Impairments for the current year	– 68.1	–
Balance as at 30 Sep	**– 490.2**	**– 429.1**
Carrying amounts as at 30 Sep	**2,914.5**	**3,009.2**

Goodwill increased by € 36.6 m due to acquisitions and by € 3.5 m due to the first time consolidation of a formerly immaterial and thus not consolidated subsidiary. Disposals from the group of consolidated companies resulted in a reduction of goodwill of € 25.7 m. Goodwill also declined by an additional impairment of € 68.1 m. Detailed information on acquisitions and divestments is presented under 'Acquisitions – Divestments'.

In accordance with the provisions of IAS 21, goodwill allocated to the individual segments and sectors was recognised in the functional currency of the subsidiaries and subsequently translated when preparing the consolidated financial statements. Similar to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and disclosed as a separate item. In financial year 2020, a decrease in the carrying amount of goodwill of € 41.0 m (previous year € 0.4 m) resulted from foreign exchange differences.

The following table presents a breakdown of goodwill by cash generating unit (CGU) at carrying amounts. The position Other consists exclusively the two cash-generating units Robinson and Blue Diamond, which belong to the Hotels & Resorts segment.

Goodwill per cash generating unit

€ million	30 Sep 2020	30 Sep 2019 adjusted
Northern Region	1,162.2	1,191.3
Central Region	501.7	522.2
Western Region	412.3	412.1
Riu	343.1	343.1
Marella Cruises	279.3	286.5
TUI Musement	170.1	171.0
Northern Hotels	–	23.6
TUI Blue	–	10.2
Other	45.8	**49.2**
Total	**2,914.5**	**3,009.2**

By the middle of March, a number of governments across our key destinations announced the closure of their borders as part of their efforts to mitigate the spread of COVID-19. As a result, the entire travel programme of TUI Group was suspended for the first time in the company's history. From mid-June, the tour operator programme was partially restarted, but with significantly lower volumes than usual summer levels. The ongoing travel restrictions and the associated acute effect of the COVID-19-pandemic on all business areas constitute a potential impairment triggering event. Goodwill was therefore tested for impairment at the level of cash generating units (CGUs) as at 30 June 2020. Due to the ongoing restrictions imposed by the COVID-19-pandemic an impairment test was performed as at 30 September 2020.

The goodwill impairment test was conducted as at 30 June 2020 as a result of the COVID-19-pandemic and the associated suspension of the travel programme for the first time in the history of TUI Group. The impairment test resulted in the recognition of an impairment loss totalling to € 68.1 m for capitalised goodwill in the Hotels & Resort segment. The existing goodwill of the CGU Northern Hotels amounting to € 58.5 m and the CGU TUI Blue in the amount of € 9.6 m were fully impaired. In addition to the aforementioned impairment of capitalised goodwill, further impairment requirements were allocated proportionately to the right of use assets of hotels and to capitalised hotels in property, plant and equipment area. The impairment losses on right of use assets of hotels related to the following touristic destinations.

Impairment on right-of-use assets of hotels as at 30 June 2020

Tourist destination	Number of hotels	Impairment in € million	Recoverable amount in € million
Turkey	3	20.0	60.2
Spain	2	13.8	41.3
Italy	1	8.0	24.0
Portugal	1	2.9	8.6
North Africa	2	1.1	3.2
Total		**45.8**	**137.3**

Impairment losses on hotels carried in property plant and equipment totalling to € 33.5 m were attributable with € 14.5 m to the CGU Northern Hotels and with € 19.0 m to the CGU TUI Blue. The impairment test as at 30 June 2020 was based on discount rates of 8.05 % and a growth rate of 1.0 % for the period after the detailed planning. The forecast of the future expected cash flows was based on an updated planning scenario for a forecast period of 3.25 years. The recoverable amount was determined based on the fair value less cost to sell (level 3). For the impaired cash-generating units Northern Hotels and TUI Blue, the sensitivity analysis carried out as of 30 June 2020 had identified an additional need of asset impairments. An increase in the WACC by 100 basis points would have resulted in a further asset impairment requirement of € 43.9 m for Northern Hotels and of € 23.4 m for TUI Blue. Assets would have to be impaired by an additional amount of € 53.2 m for Northern Hotels and of € 25.2 m for TUI Blue in the event of a 15 % decrease in the discounted cash flow, while a 50 basis point decrease in the growth rate would have resulted in an impairment for Northern Hotels of € 20.1 m and for TUI Blue of € 10.9 m.

As at 30 September 2020, an updated impairment test of capitalised goodwill was performed at the level of cash-generating units based on an updated planning scenario. No further impairment requirements of capitalised goodwill were determined.

For all CGUs, the recoverable amount, being the higher value compared to the value in use, was determined on the basis of fair value less costs of disposal. The fair value was calculated by discounting the expected cashflows. This was based on the medium-term plan for the respective entity as at 30 September 2020, following deductions of income tax payments. Budgeted revenues and EBIT margins are based on expectations with regard to the future business performance, assuming gradual business normalisation by 2023 at the latest. We refer to the section 'Assumptions and estimates'.

The discount rates are calculated as the weighted average cost of capital, taking account of country-specific risks of the CGU and based on external capital market information. The higher weighted average cost of capital compared to prior year reflects the current market situation and the increased amount of debt capital due to the COVID-19-pandemic.

The table below provides an overview of the parameters adjusted versus the end of the previous financial year, underlying the determination of the fair values per CGU. Given the impact of the COVID-19-pandemic and the expected regeneration in the upcoming planning periods with a gradual recovery by 2023, the growth rate for revenues and the EBIT margin are not comparative in a meaningful way. The forecast period was adjusted as a result of the impairment test performed as of 30 September 2020 due to the uncertainties in the planning process in the current financial year. The table lists the CGUs to which goodwill has been allocated:

Assumptions for calculation of the recoverable amount at 30 September 2020

	Planning period in years	Growth rate revenues in % p.a.	EBIT-Margin in % p.a.	Sustainable Growth rate[2] in %	WACC in %	Level	Carrying amount in € million	Recoverable amount in € million
Northern Region	3.00	44.1	1.0	0.5	11.75	3	1,973.2	2,516.8
Central Region	3.00	28.3	–	0.5	11.75	3	167.7	808.7
Western Region	3.00	34.8	2.1	0.5	11.75	3	321.5	872.6
Riu[1]	3.00	27.9	26.9	1.0	7.74	3	2,010.3	2,778.4
Marella Cruises[1]	3.00	32.5	1.0	1.0	9.74	3	573.6	696.4
TUI Musement	3.00	40.3	–1.8	1.0	8.39	3	352.5	453.9
Other	3.00	40.3 to 42.3	11.3 to 12.4	1.0	7.74 to 8.80	3	568.9 to 666.5	662.8 to 778.1

[1] Those are groups of CGUs.
[2] Growth rate of expected net cash inflows

Assumptions for calculation of the recoverable amount at 30 June 2019

	Planning period in years	Growth rate revenues in % p.a.	EBIT-Margin in % p.a.	Sustainable Growth rate[2] in %	WACC in %	Level	Carrying amount in € million	Recoverable amount in € million
Northern Region	3.25	8.6	1.5	1.0	5.56	3	911.0	2,660.9
Central Region	3.25	3.7	0.9	1.0	5.56	3	–14.1	539.6
Western Region	3.25	8.0	0.8	1.0	5.56	3	11.3	822.6
Riu[1]	3.25	5.6	30.6	1.0	6.09	3	1,952.8	3,712.5
Marella Cruises[1]	3.25	8.4	12.7	1.0	6.29	3	816.3	1,685.6
TUI Musement	3.25	11.6	1.2	1.0	5.56	3	351.8	527.9
Other	3.25	15.9 to 57.0	6.1 to 16.6	1.0	6.09 to 7.35	3	107 to 615	216 to 881

[1] Those are groups of CGUs.
[2] Growth rate of expected net cash inflows

In view of the existing uncertainties regarding future business development, an extended analysis of sensitivities for the main planning parameters was carried out. To reflect the uncertainties in the cost of capital, potential risk discounts and risk premiums were considered in the Markets & Airlines sector. The following table shows the effects of potential deviations in fair value in the financial year 2020:

Sensivities presenting potential changes of the recoverable amount

Sensivity analysis Markets & Airlines	WACC +125 BPS € million	WACC –225 BPS € million	Sustainable growth rate[2] +50 BPS € million	Sustainable growth rate[2] –50 BPS € million	Discounted Cash Flow +15 % € million	Discounted Cash Flow –15 % € million	Normalisation of business 2022 € million	Normalisation of business 2024 € million
Northern Region	–151.9	+362.4	+46.4	–42.4	+377.5	–377.5	+38.9	–14.3
Central Region	–90.5	+227.4	+34.7	–31.8	+126.5	–126.5	+54.2	–59.2
Western Region	–82.2	+203.2	+29.5	–27.0	+135.2	–135.2	+10.5	–3.1
Sensivity analysis Cruises	WACC +100 BPS € million	WACC –100 BPS € million	Sustainable growth rate[2] +50 BPS € million	Sustainable growth rate[2] –50 BPS € million	Discounted Cash Flow +10 % € million	Discounted Cash Flow –10 % € million	Normalisation of business 2022 € million	Normalisation of business 2024 € million
Marella Cruises[1]	–78.8	+99.3	+39.9	–35.6	+71.5	–71.5	+33.0	–39.4
Sensitivity analysis Hotels & Resorts and TUI Musement	WACC +100 BPS € million	WACC –100 BPS € million	Sustainable growth rate[2] +50 BPS € million	Sustainable growth rate[2] –50 BPS € million	Discounted Cash Flow +10 % € million	Discounted Cash Flow –10 % € million	Normalisation of business 2022 € million	Normalisation of business 2024 € million
Riu[1]	–387.2	+522.4	+211.5	–182.3	+300.8	–300.8	+10.7	–25.0
TUI Musement	–67.5	+91.8	+36.4	31.8	+58.7	–56.1	+33.9	–35.7
Other	–74.2 to –102.4	+95.8 to +138.1	+38.2 to +55.9	–33.6 to –48.1	+66.3 to +83.5	–66.3 to –83.5	–1.5 to +3.0	–2.4 to –18.8

[1] Those are groups of CGUs.
[2] Sustainable growth rate of expected net cash inflows

The fair values of the cash-generating units determined as part of the sensitivity analysis did not indicate any need for additional impairment losses. Only for the cash-generating units Robinson and Blue Diamond, which are reported under Other in the Hotels & Resorts segment, the recoverable amount approached the carrying amount. A change in the discount rate of +1.1 % in the CGU Robinson and +1.3 % in CGU Blue Diamond would lead to an estimated recoverable amount to be equal to the carrying amount.

(13) Other intangible assets

The development of the line items of other intangible assets in financial year 2020 is shown in the following table.

Other intangible assets

€ million	Brands, licenses and other rights	Computer software: internally generated	Computer software: acquired	Transport and leasing contracts	Customer base	Intangible assets in the course of construction and Payments on account	**Total**
Historical cost							
Balance as at 1 Oct 2018	**422.0**	**415.5**	**295.1**	**91.1**	**91.4**	**112.2**	**1,427.3**
Exchange differences	0.2	–3.9	–1.8	–0.2	2.8	0.6	–2.3
Additions due to changes in the group of consolidated companies	30.7	3.0	11.0	–	2.2	–	46.9
Additions	3.6	22.3	19.4	–	–	126.2	171.5
Disposals	–119.1	–56.3	–58.3	–	–1.9	–3.1	–238.7
Reclassification as assets held for sale	–0.7	–	–7.2	–	–0.1	–0.8	–8.8
Transfer	0.6	77.8	22.8	–	–	–100.8	0.4
Balance as at 30 Sep 2019 (adjusted)	**337.3**	**458.4**	**281.0**	**90.9**	**94.4**	**134.3**	**1,396.3**
First-time adoption of IFRS 16	–	–	–	–24.9	–	–	–24.9
Balance as at 1 Oct 2019 (restated)	**337.3**	**458.4**	**281.0**	**66.0**	**94.4**	**134.3**	**1,371.4**
Exchange differences	–9.6	–10.5	–3.1	–6.9	–0.9	–2.3	–33.3
Additions due to changes in the group of consolidated companies	1.1	–	–	–	0.3	–	1.4
Additions	4.5	16.7	26.7	–	–	64.0	111.9
Disposals	–5.0	–11.6	–61.2	–	–15.0	–14.6	–107.4
Reclassification as assets held for sale	–	–	–4.4	–	–	–0.7	–5.1
Transfer	0.4	64.2	30.8	–	–	–96.6	–1.2
Balance as at 30 Sep 2020	**328.7**	**517.2**	**269.8**	**59.1**	**78.8**	**84.1**	**1,337.7**

Continued from previous page

Other intangible assets

€ million	Brands, licenses and other rights	Computer software internally generated	Computer software acquired	Transport and leasing contracts	Customer base	Intangible assets in the course of construction and Payments on account	**Total**
Amortisation and impairment							
Balance as at 1 Oct 2018	**–262.4**	**–218.3**	**–212.4**	**–51.0**	**–40.0**	**–**	**–784.1**
Exchange differences	0.9	1.7	1.5	0.2	–2.4	–	1.9
Amortisation for the current year	–21.0	–59.4	–37.1	–4.5	–8.0	–	–130.0
Impairment for the current year	–1.1	–6.6	–0.8	–	–	–0.6	–9.1
Disposals	116.3	56.3	54.2	–	1.9	0.6	229.3
Reclassification as assets held for sale	0.7	–	5.7	–	–	–	6.4
Transfer	0.2	–	–0.1	–	–0.1	–	–
Balance as at 30 Sep 2019 (adjusted)	**–166.4**	**–226.3**	**–189.0**	**–55.3**	**–48.6**	**–**	**–685.6**
First-time adoption of IFRS 16	–	–	–	11.3	–	–	11.3
Balance as at 1 Oct 2019 (restated)	**–166.4**	**–226.3**	**–189.0**	**–44.0**	**–48.6**	**–**	**–674.3**
Exchange differences	1.5	5.4	2.3	1.6	0.8	–	11.6
Amortisation for the current year	–22.6	–75.1	–40.1	–2.4	–9.8	–	–150.0
Impairment for the current year	–7.0	–28.6	–25.3	–	–1.8	–15.3	–78.0
Disposals	3.6	11.6	58.2	–	15.0	14.4	102.8
Reclassification as assets held for sale	–	–	3.8	–	–	–	3.8
Transfer	2.0	–0.3	–1.7	–	–0.1	–	–0.1
Balance as at 30 Sep 2020	**–188.9**	**–313.3**	**–191.8**	**–44.8**	**–44.5**	**–0.9**	**–784.2**
Carrying amounts as at 30 Sep 2019 (adjusted)	**170.9**	**232.1**	**92.0**	**35.6**	**45.8**	**134.3**	**710.7**
Carrying amounts as at 30 Sep 2020	**139.8**	**203.9**	**78.0**	**14.3**	**34.3**	**83.2**	**553.5**

Internally generated computer software consists of computer programs for tourism applications exclusively used internally by the Group.

Transport contracts relate to landing rights at airports in the UK purchased and measured during the acquisition of First Choice Holidays Plc in 2007.

In the previous year, the leasing contracts exclusively related to advantageous supply contracts for aircraft, which were capitalized as part of the purchase price allocation following the acquisition of First Choice Holidays Plc in 2007. Due to the application of IFRS 16 as of 1 October 2020, the advantageous contracts were reclassified as right-of-use assets, as they are related to the rights of use assets of aircraft.

Payments on account made totalled € 0.3 m as at 30 September 2020 (previous year € 6.9 m). The intangible assets in course of constructions amounted to € 82.9 m as at 30 September 2020 (previous year € 127.4 m).

Additions to consolidation mainly relate to the acquisition of Kybele Turizm Yatirim San. Ve Tic. A.Ş as well as acquisitions of travel agencies. For details, please refer to the section 'Acquisitions'.

The impairments recognised for the financial year under review totalled € 78.0 m (previous year € 9.1 m). The COVID-19 pandemic gave reason to focus and accelerate the digital transformation of TUI. Accordingly local software systems which will be replaced by group wide software were impaired to a remaining value of zero. This includes with € 28.6 m internally and with € 25.3 m acquired computer software. In addition software projects presented as intangible assets in the course of construction have been impaired by € 15.3 m. Likewise it was decided that smaller brands and licences with a total book value of € 7.0 m and a customer list with a book value of € 1.8 m will no longer be used. Accordingly these assets were impaired.

The useful life of individual software systems have been revised based on the acceleration of the digital transformation. Due to this revision the useful life of the affected software systems were shortened which increased the amortization by € 9.5 m in the financial year. For the financial year 2021 we expect an an increase of amortization compared with the amount that would have been charged before the change in useful life by € 7.7 m in comparison to the amount before the change of the useful life, for the financial year 2022 by € 5.4 m.

In February 2020, TUI AG concluded an agreement with its joint venture partner Royal Caribbean Cruises on the sale of Hapag-Lloyd Kreuzfahrten to the joint venture TUI Cruises GmbH. Accordingly, the associated assets were reclassified to the balance sheet item 'Assets held for sale' before the divestment was closed in early July 2020. For further details on the disposal, we refer to the relevant section on 'Divestments'.

(14) Property, plant and equipment

The table below presents the development of the individual items of property, plant and equipment in financial year 2020.

Property, plant and equipment

€ million	Hotels incl. Land	Other buildings and land	Aircraft	Cruise ships	Other plant, operating and office equipment	Assets under construction	Payments on account	**Total**
Historical cost								
Balance as at 1 Oct 2018	**1,754.4**	**268.9**	**2,185.2**	**1,331.5**	**1,259.6**	**144.6**	**479.3**	**7,423.5**
Exchange differences	28.8	2.5	99.3	–8.2	8.7	6.8	18.3	156.2
Acquisitions through business combinations	201.5	0.4	–	0.2	8.2	–	–	210.3
Additions	196.4	43.0	257.0	128.8	81.5	328.8	168.5	1,204.0
Disposals	–20.9	–21.5	–409.6	–37.5	–93.3	–8.6	–118.0	–709.4
Transfer to assets held for sale	–	–0.9	0.5	–	–3.9	–	–	–4.3
Transfer	55.2	–5.8	45.3	230.1	40.7	–298.7	–66.8	–0.0
Balance as at 30 Sep 2019 (adjusted)	**2,215.4**	**286.6**	**2,177.7**	**1,644.9**	**1,301.5**	**172.9**	**481.3**	**8,280.3**
Adoption of IFRS 16	–0.4	–7.2	–1,629.9	–246.2	–51.1	–0.1	–	–1,934.9
Balance as at 1 Oct 2019 (restated)	**2,215.0**	**279.4**	**547.8**	**1,398.7**	**1,250.4**	**172.8**	**481.3**	**6,345.4**
Exchange differences	–107.6	–27.4	–7.0	–20.5	–29.6	–10.1	–21.5	–223.7
Acquisitions through business combinations	37.7	–	–	–	8.7	–	–	46.4
Additions	65.7	1.2	17.5	125.4	68.8	181.3	117.6	577.5
Disposals	–12.9	–3.6	–71.7	–6.0	–51.1	–0.1	–98.9	–244.3
Transfer to assets held for sale	–	–0.4	–93.4	–1,013.4	–5.3	–	–24.4	–1,136.9
Transfer	82.5	1.5	–0.9	163.0	63.3	–123.5	–82.1	103.8
Balance as at 30 Sep 2020	**2,280.4**	**250.7**	**392.3**	**647.2**	**1,305.2**	**220.4**	**372.0**	**5,468.2**

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Property, plant and equipment

€ million	Hotels incl. Land	Other buildings and land	Aircraft	Cruise ships	Other plant, operating and office equipment	Assets under construction	Payments on account	**Total**
Depreciation and impairment								
Balance as at 1 Oct 2018	**–514.3**	**–74.9**	**–770.0**	**–336.3**	**–851.9**	**0.2**	**–**	**–2,547.2**
Exchange differences	–3.4	–	–18.6	1.1	–6.1	–	–	–27.0
Depreciation for the current year	–51.1	–3.3	–122.2	–88.9	–101.0	–	–	–366.5
Impairment for the current year	–1.7	–	–	–	–1.4	–	–	–3.1
Disposals	10.5	13.5	325.7	37.5	83.7	–	–	470.9
Transfer to assets held for sale	–	0.7	–	–	2.3	–	–	3.0
Transfer	–8.8	2.4	–	–	6.7	–	–	0.3
Balance as at 30 Sep 2019 (adjusted)	**–568.8**	**–61.6**	**–585.1**	**–386.6**	**–867.7**	**0.2**	**–**	**–2,469.6**
Adoption of IFRS 16	0.5	1.9	372.4	83.1	25.4	–	–	483.3
Balance as at 1 Oct 2019 (restated)	**–568.3**	**–59.7**	**–212.7**	**–303.5**	**–842.3**	**0.2**	**–**	**–1,986.3**
Exchange differences	19.5	–0.4	0.9	7.9	10.5	–	–	38.4
Depreciation for the current year	–60.4	–2.7	–32.2	–73.5	–99.2	–	–0.6	–268.6
Impairment for the current year	–70.7	–5.0	–46.5	–138.3	–15.4	–	–4.1	–280.0
Disposals	12.7	2.2	67.6	6.0	45.1	–	4.1	137.7
Transfer to assets held for sale	–	0.1	68.9	350.4	4.3	–	–	423.7
Transfer	0.6	–0.1	1.1	–57.9	–14.3	–	–	–70.6
Balance as at 30 Sep 2020	**–666.6**	**–65.6**	**–152.9**	**–208.9**	**–911.3**	**0.2**	**–0.6**	**–2,005.7**
Carrying amounts as at 30 Sep 2019 (adjusted)	**1,646.6**	**225.0**	**1,592.6**	**1,258.3**	**433.8**	**173.1**	**481.3**	**5,810.7**
Carrying amounts as at 30 Sep 2020	**1,613.8**	**185.1**	**239.4**	**438.3**	**393.9**	**220.6**	**371.4**	**3,462.5**

The initial application of IFRS 16 in the period under review resulted in a reclassification of leased assets worth € 1,451.6 m, which had been classified as finance leases under IAS 17, to right-of-use assets.

Acquisitions through business combinations mainly relate to acquisitions of hotel companies. For details, please refer to the section 'Acquisitions'.

Hapag-Lloyd Kreuzfahrten GmbH invested an amount of € 117.1 m in the acquisition of the cruise ship HANSEATIC inspiration. Other additions include investments of € 121.5 m in Hotels & Resorts (previous year € 259.1 m).

In the financial year under review, advance payments of € 38.9 m (previous year € 34.7 m) were made for the acquisition of cruise ships, while € 52.1 m (previous year € 116.9 m) were invested to acquire aircraft.

Further additions to assets under construction include an amount of € 158.3 m (previous year € 98.7 m) for investments in hotels in Hotels & Resorts. The amount carried for assets under construction in the prior year had additionally included € 170.7 m for the cruise ship Marella Explorer 2.

Due to the development of the COVID-19-pandemic and its impact on the business property, plant and equipment have been tested for impairment.

One aircraft which is owned by the aircraft leasing companies of the group was impaired. This aircraft is currently leased to the associated company Corsair S. A. and is planned to be sold to them. The aircraft has been impaired by € 46.5 m to its fair value less cost to sell (level 2) and transferred to the line item 'Assets held for sale'. Please refer to this section for further information. The remaining aircrafts have been tested on the level of the segments Region Northern, Region Western or Region Central. No further impairments were identified.

Of the cruise ships, all of which are attributable to Marella Cruises in the Cruises segment, Marella Dream was impaired by €52.1 m to the planned selling price less cost to sell of €1.4 m due to the sale to be completed in October 2021. The Marella Dream is therefore reclassified as assets held for sale. The Marella Celebration was decommissioned due to the COVID-19-pandemic and was impaired by €17.1 m. Furthermore, the planned renovation measures were cancelled in order to avoid further investments and the €4.1 m already paid for them were fully impaired. For the remaining cruise ships the impairment test was carried out by discounting future cash inflows derived from the business plan with a discount rate of 9.74 %. Please refer to the section 'Goodwill' and the explanations on the group of cash generating units 'Marella Cruises' for further information especially on the determination of the discount rate. An inflation-related growth of 0.5 % per season after a normalized level of business is reached was assumed. Each individual cruise ship represents a cash generated unit. The recoverable amount was calculated based on the value in use. The impairment losses are allocated to the cash-generating units as follows:

Impairment on cruise ships

Cruise ship	Impairment in € million	Recoverable amount in € million
Marella Discovery	0.8	10.3
Marella Discovery 2	49.6	130.9
Marella Explorer	4.0	160.1
Marella Explorer 2	14.7	129.5
Total	**69.1**	**430.8**

Furthermore the hotels including land of the segment Hotels & Resorts were tested for impairment. Each Hotel represents a separate cash generating unit. In principle the same methods were applied as for the impairment tests of the cruise ship. However other discount rates were applied depending on the individual risk of the respective hotel and a growth rate of 1 %. For further information we refer again to the section 'Goodwill'. With the exception of the impairment below the recovery amount was the value in use. Impairment losses on hotels relate to the following destination and are mainly attributable to an impairment of two hotel in the Maldives and three hotels in Turkey.

Impairment on hotels incl. land by tourist destinations

Tourist destination	Discount rate in %	Impairment in € million	Recoverable amount in € million
Maldives	8.48	35.5	28.6
Turkey	8.48	22.3	101.3
East Africa	8.80	6.2	38.6
Total		**64.0**	**168.5**

In addition, a hotel in Italy amounting was impaired by €6.7 m to the fair value less cost to sell.

The impairments of 'Other buildings and land' and 'Other plant, operating and office equipment' are related to a multiplicity of smaller assets. The impairments are mainly caused by the decommissioning and restrictions on the use of assets due to the COVID-19-pandemic.

In February 2020, TUI AG concluded an agreement with its joint venture partner Royal Caribbean Cruises to sell Hapag-Lloyd Kreuzfahrten GmbH to the joint venture TUI Cruises GmbH. Accordingly, the associated assets were reclassified to the balance sheet item 'Assets held for sale' before the sale was completed in early July 2020. For further information on the disposal, please refer to the relevant section on 'Divestments'.

The additions to property, plant and equipment by reclassifications relate amongst other to carrying amounts of previously leased assets carried as right-of-use assets for which purchase options were exercised.

In the financial year 2020, borrowing costs of €2.5 m (previous year €4.0 m) were capitalised as part of acquisition and production costs. The capitalisation rate of capitalised borrowing costs is 3.0 % p.a. for financial year 2020 and 2.9 % p.a. for the prior year.

The carrying amount of property, plant and equipment subject to ownership restrictions or pledged as security totals €333.6 m as at the balance sheet date (previous year €629.0 m). The decline is attributable to the disposal of Hapag-Lloyd Kreuzfahrten.

(15) Leasing

In financial year 2020, TUI introduced the amended standard on lease accounting (IFRS 16). As a lessee, TUI recognises right-of-use assets and lease liabilities according to IFRS 16.

For more detailed information on this new application and the use of practical expedients, please refer to the section 'Newly applied standards' in Principles and Methods Underlying the Consolidated Financial Statements.

TUI AS A LESSEE

As a lessee, TUI leases moveable assets such as aircraft, vehicles and cruise ships, as well as property such as hotel buildings, land, office buildings and travel agencies. The terms and conditions of the lease agreements are individually negotiated. Some of TUI's aircraft leases comprise purchase or extension options. Many of TUI's property leases, in particular for travel agencies and office buildings, contain extension options and price adjustment clauses. No residual value guarantees were provided for the leased items.

Due to the introduction of IFRS 16, right-of-use assets totalling € 3,831.6 m were carried as at 1 October 2019. This amount includes € 1,451.6 m for assets previously capitalised as finance leases, reclassified from property, plant and equipment to right-of-use assets.

The development of the right-of-use assets in financial year 2020 is presented in the table below:

Right-of-use assets

€ million	Aircraft and engines	Hotels	Travel Agencies	Buildings	Cruise ships	Other	**Total**
Historical cost							
Balance as at 1 Oct 2019	**2,834.7**	**751.6**	**206.2**	**212.3**	**247.0**	**74.0**	**4,325.8**
Exchanges differences	–157.8	–3.6	–0.7	–2.3	–5.2	–0.6	–170.2
Additions	294.8	49.0	17.6	11.6	78.6	14.5	466.1
Revaluations and modifications	60.6	–178.8	7.3	–24.7	–20.3	–0.3	–156.2
Disposals	–2.0	–6.3	–0.7	–11.7	–	–0.8	–21.5
Reclassifications as assets held for sale	–36.5	–	–	–	–	–	–36.5
Transfer	5.1	0.1	–0.5	–1.1	–88.4	–20.7	–105.5
Balance as at 30 Sep 2020	**2,998.9**	**612.0**	**229.2**	**184.1**	**211.7**	**66.1**	**4,302.0**
Depreciation and impairment							
Balance as at 1 Oct 2019	**–383.6**	**–**	**–**	**–1.9**	**–83.2**	**–25.5**	**–494.2**
Exchange differences	42.5	2.3	0.8	0.3	1.6	0.2	47.7
Depreciation for the current year	–409.3	–107.9	–54.9	–24.7	–18.0	–15.5	–630.3
Impairment for the current year	–6.2	–54.8	–24.6	–1.1	–7.9	–2.8	–97.4
Disposals	2.0	6.1	0.3	3.9	–	0.1	12.4
Reclassifications as assets held for sale	18.7	–	–	–	–	–	18.7
Transfer	–1.1	–1.2	–	–	58.0	13.3	69.0
Balance as at 30 Sep 2020	**–737.0**	**–155.5**	**–78.4**	**–23.5**	**–49.5**	**–30.2**	**–1,074.1**
Carrying amounts as at 1 Oct 2019	**2,451.1**	**751.6**	**206.2**	**210.4**	**163.8**	**48.5**	**3,831.6**
Carrying amounts as at 30 Sep 2020	**2,261.9**	**456.5**	**150.8**	**160.6**	**162.2**	**35.9**	**3,227.9**

Since the date of the initial application of IFRS 16, right-of-use assets have declined by € 603.7 m. While cumulative depreciation amounted to € 630.3 m, additions included in particular an amount of € 294.8 m for aircraft and engines as well as € 78.6 m for cruise ships and € 49.0 m for hotels. Right-of-use assets decreased by a further € 122.5 m due to foreign exchange translation.

In addition, remeasurements and contractual changes to leases resulted in a reduction in right-of-use assets of € 156.2 m. Most remeasurements and changes in leases are based on contractual amendments driven by the COVID-19-pandemic.

Information on the associated lease liabilities is provided in Note 31, 'Financial liabilities and lease liabilities'. Details regarding the maturities of the lease payments not yet made at the balance sheet date are shown in the section 'Liquidity risk' in Note 40 'Financial instruments'.

The table below presents the expenses and income carried in the consolidated statement of financial position in financial year 2020 in connection with leases in which TUI is the lessee:

Expenses and income from leases with TUI as the lessee

€ million	2020
Expenses from short-term leases	– 56.0
Expenses from low-value leases	–12.8
Variable leasing income and expenses	36.4
Depreciation of right-of-use assets	– 630.3
Impairment of right-of-use assets	– 97.4
Interest expenses from lease liabilities	–148.1
Gains or losses arising from sale and leaseback transactions	0.7

The impairment test for carrying amounts performed in connection with the pandemic resulted in impairments of € 97.4 m to right-of-use assets in the completed financial year. The impairment losses mainly relate to right-of-use assets on hotels totalling € 54.8 m.

Information on impairments of hotels are provided in Note 12 'Goodwill'. In addition to the values mentioned there, an impairment loss of € 9.1 m was recognised as at 30 September 2020 on the right of use asset for a hotel in Egypt. Furthermore, impairment losses of € 24.6 m relate to a large number of right-of-use assets for travel agencies. Further impairment were attributable to right-of-use assets on cruise ships with € 7.9 m and to right-of-use assets on aircraft and engines with € 6.3 m.

The cash outflows for leases totalled € 816.5 m in financial year 2020.

At the balance sheet date, unrecognised financial commitments for short-term leases amounted to € 6.6 m. In addition, potential future lease payments from extension and termination options of € 265.8 m were not included in the measurement of the right-of-use assets and lease liabilities as it was not reasonably certain that the lease contracts were going to be extended or not to be terminated.

TUI AS LESSOR

As a lessor, TUI leases or subleases aircraft and, less significantly, space in hotels and office buildings. In financial year 2020, proceeds from operating leases worth € 35.2 m were carried in revenue. This amount included € 25.4 m for the sublease of right-of-use assets.

In addition, income from finance leases of € 2.1 m was carried in the interest result.

At the balance sheet date, there were receivables from three subleases classified as finance leases upon transition to IFRS 16. The following table shows the reconciliation from the undiscounted lease payments to the net investment:

Net investments – finance leases

€ million	30 Sep 2020	1 Oct 2019
Undiscounted lease payments (lease components)	44.7	54.0
Unguaranteed residual values	–	–
Gross investment	44.7	54.0
Unearned finance income	4.1	6.5
Impairment	27.1	–
Net investment	13.5	47.4

The table below comprises a maturity analysis of the undiscounted annual payments from leases in which TUI is the lessor:

Expected minimum lease payments

							30 Sep 2020
	Remaining term						
€ million	up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	more than 5 years	**Total**
Operating lease contracts	22.7	23.2	21.3	16.2	2.6	0.1	86.1
Finance lease contracts	13.8	9.7	9.7	9.0	2.5	–	44.7

							1 Oct 2019
	Remaining term						
€ million	up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	more than 5 years	Total
Operating lease contracts	62.7	27.4	17.7	17.7	16.9	2.8	145.2
Finance lease contracts	10.5	10.4	10.4	10.4	9.6	2.7	54.0

(16) Investments in joint ventures and associates

The table below presents all joint arrangements and associates of relevance to TUI Group. All joint arrangements and associates are listed as TUI Group Shareholdings in Note 52. All joint arrangements are joint ventures. There are no joint operations within the meaning of IFRS 11.

Significant associates and joint ventures

		Capital share in %		Voting rights share in %	
Name and headquarter of company	Nature of business	**30 Sep 2020**	30 Sep 2019	**30 Sep 2020**	30 Sep 2019
Associates					
Sunwing Travel Group Inc., Toronto, Canada	Tour operator & Hotel operator	49.0	49.0	25.0	25.0
Togebi Holdings Limited, Nicosia, Cyprus	Tour operator	10.0	10.0	10.0	10.0
Joint ventures					
Riu Hotels S.A., Palma de Mallorca, Spain	Hotel operator	49.0	49.0	49.0	49.0
TUI Cruises GmbH, Hamburg, Germany	Cruise ship operator	50.0	50.0	50.0	50.0

All companies presented above are measured at equity.

The financial year of Sunwing Travel Group Inc., Toronto / Canada (Sunwing) corresponds to TUI Group's financial year. The financial years of the joint ventures listed above and of Togebi Holdings Limited, Nicosia, Cyprus deviate from TUI Group's financial year, ending on 31 December of any one year. In order to update the at equity measurement as at TUI Group's balance sheet date, interim financial statements for the period ending 30 September are prepared for these companies.

SIGNIFICANT ASSOCIATES

In 2009, TUI Group entered into a partnership with Sunwing. Sunwing is a vertically integrated travel company comprising tour operation, an airline and retail shops. Since the transfer of the hotel operation and development company Blue Diamond Hotels & Resorts Inc., St Michael / Barbados, to Sunwing in September 2016, Sunwing has also included the hotel operation business with a chain of luxury beach resorts and hotels in the Caribbean and Mexico. Sunwing's hotel operation business is carried in the Hotels & Resorts segment, while the tour operation business is carried in the Northern Region segment. The company has different classes of shares. TUI Group holds 25 % of the voting shares.

Togebi Holdings Limited (TUI Russia) was established in 2009 as a joint venture. The business purpose of this associate is to develop the tour operation business, in particular in Russia and Ukraine. The company owns tour operation subsidiaries and retail chains in these countries. In the beginning of October 2018 TUI Group's share in TUI Russia decreased from 25 % to 10 % due to a capital increase in which TUI Group did not participate. Since then Togebi Holdings Limited is classified as an associate.

SIGNIFICANT JOINT VENTURES

Riu Hotels S.A. is a hotel company owning and operating hotels in the 4- to 5-star segments. The hotels of the company established in 1976 are mainly located in Spain and Central America.

TUI Cruises GmbH is a joint venture with the US shipping line Royal Caribbean Cruises Ltd established in 2008. The Hamburg-based company offers German-speaking cruises for the premium market. TUI Cruises GmbH currently operates eleven cruise ships.

FINANCIAL INFORMATION ON ASSOCIATES AND JOINT VENTURES

The tables below present summarised financial information for the significant associates and joint ventures of the TUI Group. The amounts shown reflect the full amounts presented in the consolidated financial statements of the relevant associates and joint ventures (100 %); they do not represent TUI Group's share of those amounts.

Summarised financial information of material associates

€ million	Sunwing Travel Group Inc., Toronto, Canada		Togebi Holdings Limited, Nicosia, Cyprus	
	30 Sep 2020/2020	30 Sep 2019/2019	**30 Sep 2020/2020**	30 Sep 2019/2019
Non-current assets	1,525.6	1,393.8	15.7	6.7
Current assets	601.0	575.1	225.2	143.6
Non-current provisions and liabilities	811.7	935.5	65.2	185.8
Current provisions and liabilities	1,021.0	567.6	313.7	116.1
Revenue	1,349.9	2,193.1	456.6	863.2
Profit/loss*	–143.9	–13.0	–97.4	–6.2
Other comprehensive income	–28.0	26.5	16.6	–8.9
Total comprehensive income	**–171.9**	**13.5**	**–80.8**	**–15.1**

*Solely from continuing operations

Summarised financial information of material joint ventures

€ million	Riu Hotels S.A., Palma de Mallorca, Spain		TUI Cruises GmbH, Hamburg, Germany	
	30 Sep 2020/2020	30 Sep 2019/2019	**30 Sep 2020/2020**	30 Sep 2019/2019
Non-current assets	813.6	890.3	4,180.6	3,200.3
Current assets	70.2	118.4	373.6	218.0
thereof cash and cash equivalents	14.3	54.6	96.0	104.3
Non-current provisions and liabilities	123.0	67.9	2,902.6	1,910.3
thereof financial liabilities	106.3	51.2	2,893.0	1,910.3
Current provisions and liabilities	47.0	71.5	868.4	755.5
thereof financial liabilities	11.8	11.5	332.1	244.9
Revenue	225.8	319.0	646.3	1,416.6
Depreciation/amortisation of intangible assets and property, plant and equipment	25.3	29.2	115.4	100.5
Interest income	0.2	1.7	–	0.1
Interest expenses	0.2	–	59.6	60.0
Income taxes	17.4	27.6	0.3	–
Profit/loss*	10.2	88.5	–148.4	405.2
Other comprehensive income	–165.6	–59.7	29.1	0.8
Total comprehensive income	**–155.4**	**28.8**	**–119.3**	**406.0**

*Solely from continuing operations

In the financial year 2020, TUI Group received dividends of 4.9 m (previous year € 237.8 m) from all joint ventures. In addition in financial year 2020, dividends of € 0.8 m (previous year € 6.7 m) were received from its associates.

In addition to TUI Group's significant associates and joint ventures, TUI AG has interests in other associates and joint ventures measured at equity, which individually are not considered to be of material significance. The tables below provide information on TUI Group's share of the earnings figures shown for the major associates and joint ventures as well as the aggregated amount of the share of profit/loss, other comprehensive income and total comprehensive income for the immaterial associates and joint ventures.

Share of financial information of material and other associates

€ million	Sunwing Travel Group Inc., Toronto, Canada 2020	Sunwing Travel Group Inc., Toronto, Canada 2019	Togebi Holdings Limited, Nicosia, Cyprus 2020	Togebi Holdings Limited, Nicosia, Cyprus 2019	Other immaterial associates 2020	Other immaterial associates 2019	Associates Total 2020	Associates Total 2019
TUI's share of								
Profit/loss*	–70.5	–6.4	–	–	–0.2	6.3	–70.7	–0.1
Other comprehensive income	–17.8	15.4	–	–	–10.6	2.3	–28.4	17.7
Total comprehensive income	**–88.3**	**9.0**	**–**	**–**	**–10.8**	**8.6**	**–99.1**	**17.6**

* Solely from continuing operations

Share of financial information of material and other joint ventures

€ million	Riu Hotels S.A., Palma de Mallorca, Spain 2020	Riu Hotels S.A., Palma de Mallorca, Spain 2019	TUI Cruises GmbH, Hamburg, Germany 2020	TUI Cruises GmbH, Hamburg, Germany 2019	Other immaterial joint ventures 2020	Other immaterial joint ventures 2019	Joint ventures Total 2020	Joint ventures Total 2019
TUI's share of								
Profit/loss*	5.0	43.4	–74.2	202.6	–53.4	51.6	–122.6	297.6
Other comprehensive income	–81.1	–29.3	14.6	0.4	–11.1	16.4	–77.6	–12.5
Total comprehensive income	**–76.1**	**14.1**	**–59.6**	**203.0**	**–64.5**	**68.0**	**–200.2**	**285.1**

* Solely from continuing operations

Net assets of the material associates

€ million	Sunwing Travel Group Inc., Toronto, Canada	Togebi Holdings Limited, Nicosia, Cyprus
Net assets as at 1 Oct 2018	**458.8**	**–**
Reclassification	–	–136.5
Other comprehensive income	–0.7	–
Dividends	–6.5	–
Foreign exchange effects	27.2	–8.9
Profit/loss	–13.0	–6.2
Net assets as at 30 Sep 2019	**465.8**	**–151.6**
Foreign exchange effects	–28.0	16.6
Capital increase	–	94.4
Profit/loss	–143.9	–97.4
Net assets as at 30 Sep 2020	**293.9**	**–138.0**

Reconciliation to the carrying amount of the associates in the Group balance sheet

€ million	Sunwing Travel Group Inc., Toronto, Canada	Togebi Holdings Limited, Nicosia, Cyprus	Other immaterial associates	Associates total
Share of TUI in % as at 30 Sep 2019	49.0	10.0	–	–
TUI's share of the net assets as at 30 Sep 2019	228.2	–15.2	82.5	295.5
Unrecognised share of losses	–	6.3	6.4	12.7
Goodwill as at 30 Sep 2019	52.5	8.9	7.2	68.6
Carrying value as at 30 Sep 2019	**280.7**	**0.0**	**96.1**	**376.8**
Share of TUI in % as at 30 Sep 2020	49.0	10.0	–	–
TUI's share of the net assets as at 30 Sep 2020	144.0	–13.8	2.0	132.2
Impairment of carrying amounts	–	–	–0.1	–0.1
Unrecognised share of losses	–	5.5	31.8	37.3
Goodwill as at 30 Sep 2020	48.5	8.3	7.0	63.8
Carrying value as at 30 Sep 2020	**192.5**	**–**	**40.7**	**233.2**

Net assets of the material joint ventures

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany
Net assets as at 1 Oct 2018	**910.4**	**686.5**
Profit/loss	88.5	405.2
Other comprehensive income	–73.8	0.8
Dividends	–70.0	–340.0
Foreign exchange effects	14.2	–
Net assets as at 30 Sep 2019	**869.3**	**752.5**
Profit/loss	10.2	–148.4
Other comprehensive income	–105.1	29.1
Capital increase	–	150.0
Foreign exchange effects	–60.2	–
Net assets as at 30 Sep 2020	**714.2**	**783.2**

Reconciliation to the carrying amount of the joint ventures in the Group balance sheet

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany	Other immaterial joint ventures	Joint ventures total
TUI AG's share of the net assets as at 30 Sep 2019	426.0	376.3	305.7	1,108.0
Goodwill as at 30 Sep 2019	1.7	–	21.0	22.7
Carrying value as at 30 Sep 2019	**427.7**	**376.3**	**326.7**	**1,130.7**
TUI AG's share of the net assets as at 30 Sep 2020	350.0	391.6	221.0	962.6
Goodwill as at 30 Sep 2020	1.7	–	20.7	22.4
Impairment of carrying amounts	–	–	–34.4	–34.4
Unrecognised share of losses	–	–	2.9	2.9
Carrying value as at 30 Sep 2020	**351.7**	**391.6**	**210.2**	**953.5**

IMPAIRMENT OF THE CARRYING VALUE OF ASSOCIATES AND JOINT VENTURES

Due to the impact of the COVID-19-pandemic there are indications that the carrying values of the joint ventures and associates might be impaired. Accordingly the carrying values have been tested for impairment. All impairment tests used the business plan of the respective joint venture or associate. Based on this business plans the recoverable amount was calculated by discounting future net cash flows. In all cases the fair value less cost to sell was higher than the value in use. level 3 inputs were used in the calculations. In the financial year impairments of € 34.5 m were recognised under Impairment of net investment in JV and Associates.

In the segment Hotels & Resorts the impairments totalled € 33.2 m and mainly related to joint ventures in Vietnam (€ 13.9 m) and in Croatia (€ 17.9 m). Country-specific discount rates of 8.15 % for Croatia and 8.48 % for Vietnam were used. Apart from that, the same parameters were applied as for the goodwill impairment test in the Hotels & Resorts segment (see Note 12).

UNRECOGNISED LOSSES BY ASSOCIATES AND JOINT VENTURES

Unrecognised accumulated losses amounted € 40.2 m (previous year € 12.7 m). By financial year 2014 the recognition of TUI group's share of losses exceeded the amount of the equity share of Togebi Holdings Limited. Recognition of further losses would have reduced the carrying amount to below zero. After the consideration of the capital increase and the result of the financial year the losses amounted € 5.5 m. In addition unrecognised losses of € 34.7 m relate to the share of TUI of the result of the Corsair SA and the Bartu Turizm Yatirimlari AS whose equity share carrying value is written down to € nil.

RISKS ASSOCIATED WITH THE STAKES IN ASSOCIATES AND JOINT VENTURES

Contingent liabilities of € 20.0 m (previous year € 49.8 m) existed in respect of associates as at 30 September 2020. Contingent liabilities in respect of joint ventures totalled € 89.4 m (previous year € 12.1 m).

(17) Trade and other receivables

Trade and other receivables

€ million	30 Sep 2020 Remaining term more than 1 year	30 Sep 2020 Total	30 Sep 2019 Remaining term more than 1 year	30 Sep 2019 Total
Trade receivables	–	151.2	–	584.5
Advances and loans	198.7	288.7	41.2	97.5
Lease receivables	9.6	13.5	–	–
Other receivables and assets	194.1	435.3	19.8	255.3
Total	**402.4**	**888.7**	**60.9**	**937.3**

As at 30 September 2020, TUI had capitalised sales commissions to travel agencies and other distribution channels worth € 38.4 m (previous year € 78.7 m) in respect of costs of obtaining a contract. In the financial year under review, sales commission worth € 340.7 m (previous year € 744.8 m) were recognised in profit and loss.

TUI Group and Boeing have agreed on a comprehensive package of measures to offset the consequences of the grounding of the 737 Max. It provides compensation which covers a significant portion of the financial impact, as well as credits for future aircraft orders. The cash payments will be realised over the next two years, while the income is already partly realized within Cost of Sales in the reporting period and will be partly spread over the useful life of those 737 Max delivered in the future. The compensation receivable is included in other receivables.

(18) Touristic payments on account

Touristic payments on account mainly relate to customary advance payments in respect of future tourism services, in particular advance payments made by tour operators for future hotel services.

The impairments charged for advance payments made by tour operators for future hotel services for the financial year under review totalled € 53.4 m (previous year € 1.4 m).

(19) Other non-financial assets

The other non-financial assets with an amount of € 536.6 m (prior year € 501.4 m) resulted mainly from the overfunded pension plans with an amount of € 363.3 m (prior year € 310.0 m) and assets from other taxes with an amount of € 81.3 m (prior year € 111.4 m).

(20) Deferred tax assets

Individual items of deferred tax assets and liabilities recognised in the financial position

€ million	30 Sep 2020 Asset	30 Sep 2020 Liability	30 Sep 2019 adjusted Asset	30 Sep 2019 adjusted Liability
Lease transactions	–46.4	–131.4	2.1	–
Recognition and measurement differences for property, plant and equipment and other non-current assets	78.2	274.4	48.7	283.5
Recognition differences for receivables and other assets	120.2	52.3	18.9	33.5
Measurement of financial instruments	76.5	20.5	9.1	58.5
Measurement of pension provisions	156.6	69.9	194.1	50.3
Recognition and measurement differences for other provisions	53.0	5.8	61.7	8.4
Other transactions	52.1	46.0	41.3	83.0
Capitalised tax savings from recoverable losses carried forward	124.2	–	116.4	–
Netting of deferred tax assets and liabilities	–407.6	–407.6	–290.3	–290.3
Balance sheet amount	**299.6**	**192.7**	**202.0**	**226.9**

Deferred tax assets include an amount of € 147.5 m (previous year € 196.0 m) expected to be realised after more than twelve months. Deferred tax liabilities include an amount of € 183.6 m (previous year € 202.4 m) expected to be realised after more than twelve months.

No deferred tax assets are recognised for deductible temporary differences of € 436.5 m (previous year € 178.9 m).

No deferred tax liabilities are carried for temporary differences of € 76.3 m (previous year € 72.4 m) between the net assets of subsidiaries and the respective taxable carrying amounts of subsidiaries since these temporary differences are not expected to be reversed in the near future.

Recognised losses carried forward and time limits for non-recognised losses carried forward

€ million	30 Sep 2020	30 Sep 2019
Recognised losses carried forward	**617.5**	**517.1**
Non-recognised losses carried forward	**9,260.5**	**6,318.3**
of which losses carried forward forfeitable within one year	9.9	10.6
of which losses carried forward forfeitable within 2 to 5 years	144.8	34.3
of which losses carried forward forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	38.5	–
of which non-forfeitable losses carried forward	9,067.3	6,273.4
Total unused losses carried forward	**9,878.0**	**6,835.4**

Losses carried forward for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carried forward in relation to the German interest barrier rule. Potential tax savings totalling € 1,740.1 m (previous year € 1,141.9 m) were not recognised as the underlying losses carried forward were not expected to be utilised in the planning horizon.

In financial year 2020, tax savings of € 0.0 m (previous year € 2.3 m) resulted from the use of tax losses carriedforward previously not assessed as recoverable for which, therefore, no deferred tax assets had been carried as at 30 September 2020 for the potential tax savings resulting from these assets. Tax losses carried back resulted in tax savings of € 0.3 m (previous year € 2.6 m).

Development of deferred tax assets from losses carried forward

€ million	2020	2019
Capitalised tax savings at the beginning of the year	**116.4**	**198.3**
Use of losses carried forward	–0.6	–9.3
Capitalisation of tax savings from tax losses carried forward	78.3	28.0
Impairment of capitalised tax savings from tax losses carried forward	–69.9	–100.8
Exchange adjustments and other items	–	0.2
Capitalised tax savings at financial year-end	**124.2**	**116.4**

Capitalised deferred tax assets from temporary differences and losses carried forward that are assessed as recoverable of € 213.0 m (previous year € 16.1 m) are covered by expected future taxable income even for companies that generated losses in the reporting period or the prior year. This is based on the future business development planned by TUI management. The key points of this planning are presented in the section Assumptions and estimates. TUI uses a five-year planning horizon to derive the recoverability of tax loss carryforwards and deductible differences.

(21) Inventories

Inventories

€ million	30 Sep 2020	30 Sep 2019
Airline spares and operating equipment	29.2	38.6
Real estate for sale	14.6	33.1
Consumables used in hotels	16.4	20.6
Other inventories	13.0	22.5
Total	**73.2**	**114.7**

In financial year 2020, inventories of € 411.7 m (previous year € 619.1 m) were recognised as expense. A write-down of real estate for sale to net realizable value resulted in expenses of € 17.2 m in the financial year.

(22) Cash and cash equivalents

Cash and cash equivalents

€ million	30 Sep 2020	30 Sep 2019
Bank deposits	1,225.0	1,712.7
Cash in hand and cheques	8.1	28.8
Total	**1,233.1**	**1,741.5**

At 30 September 2020, cash and cash equivalents of € 324.0 m were subject to restrictions (previous year € 203.1 m).

On 30 September 2016, TUI AG entered into a long term agreement to close the gap between the obligations and the fund assets of defined benefit pension plans in the UK. At the balance sheet date an amount of € 52.0 m is deposited as security within a bank account. TUI Group can only use that cash and cash equivalents if it provides alternative collateral.

Further, an amount of € 116.5 m (previous year € 116.5 m) was deposited with a Belgian subsidiary without acknowledgement of debt by the Belgian tax authorities in financial year 2013 in respect of long-standing litigation over VAT refunds for the years 2001 to 2011. The purpose was to suspend the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The remaining restrictions relate to funds that must be held in reserve due to legal or regulatory requirements, including those to secure travel funds received from customers.

(23) Assets held for sale

Assets held for sale

€ million	30 Sep 2020
Aircraft	42.4
Investments in joint ventures and associates	13.1
Other assets	1.7
Total	**57.2**

In March 2019 TUI Group sold Corsair S. A. to Diamondale Ltd. At the same time, TUI Group acquired a 27 % stake in Diamondale Ltd for 1 euro. Since then the investment in Diamondale Ltd is presented as an associated company with a book value of 1 euro. At the moment TUI Group is negotiating to dispose its investment in Diamondale Ltd. As part of this transaction an aircraft together with related financial liabilities should be transferred to Corsair S. A. The negotiations are advanced. TUI Group expects to close this transaction in the financial year 2021.

Therefore these assets and liabilities presented within Markets & Airlines are classified as held for sale. On classification the aircraft was measured at fair value less cost to sell. An impairment loss of € 46.5 m was recognized in cost of sales and the book value of the aircraft of € 24.5 m as an asset held for sale.

Due to the expected sale, an additional aircraft of the sector Markets & Airlines with a book value of € 17.9 m was reclassified to assets held for sale as at 30 September 2020.

On 29 September 2020, an agreement was concluded on the sale of the joint venture Karisma Hotels Caribbean S. A. The closing of the transaction is subject to the usual terms and conditions, in particular approval by the relevant competition authorities. Accordingly, the carrying amount of the shareholding which is presented in the segment Hotels & Resorts of € 13.1 m was classified as held for sale. With this transaction the hotel portfolio in the caribbean will be focused. We do not expect a material result out of this transaction.

Included in other assets is a cruise ship of Marella Cruises of the segment cruises with a book value of € 1.4 m. The cruise ship was valued at fair value less cost to sell. The resulting impairment of € 52.1 m was recognized in cost of sale. The cruise ship was decommissioned due to the renewal of the cruise ship fleet of Marella Cruise and will be sold in October 2020.

In the financial year under review, Hapag-Lloyd Kreuzfahrten GmbH was reclassified to assets held for sale. The disposal was completed at the beginning of July 2020. In the prior year, the two specialist tour operators Berge & Meer and Boomerang in Central Region had been carried in this item with € 50.0 m. These tour operators were sold as at 1 October 2019. For further details, please refer to the section 'Divestments'.

Disposal group 'Berge & Meer' and 'Boomerang'

€ million	30 Sep 2019
Other intangible assets and property, plant and equipment	4.2
Trade and other receivables	2.3
Derivative financial instruments	2.9
Income tax assets	1.1
Touristic payments on account	25.7
Other non-financial assets	7.1
Cash and cash equivalents	6.1
Other assets	0.6
Total	**50.0**

(24) Subscribed capital

The fully paid subscribed capital of TUI AG consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share is around € 2.56. As the capital stock consists of registered shares, the owners are listed by name in the share register.

The subscribed capital of TUI AG has been registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover. In the financial year, it rose by a total of 1,394,512 employee shares. It thus comprised 590,415,100 shares (previous year 589,020,588 shares) as at the end of the financial year. It rose by € 3.6 m to € 1,509.4 m.

The Annual General Meeting on 11 February 2020 authorised the Executive Board of TUI AG to acquire own shares of up to 5 % of the capital stock. The authorisation will expire on 10 August 2021. The authorisation to acquire own shares has not been used to date.

In August 2020, TUI AG acquired 102,293 own shares to issue to employees as part of the employee share programme in accordance with § 71 Para. 1 No. 2 AktG. This corresponds to a purchase volume of € 1.0 m.

CONDITIONAL CAPITAL

The Annual General Meeting on 9 February 2016 had created conditional capital of € 150.0 m and authorised the Company to issue bonds. The conditional capital authorisation to acquire bonds with conversion or option rights and profit participation (with or without a mixed maturity) is limited to a nominal amount of € 2.0 bn and expires on 8 February 2021. This authorisation was fully used with the issuance of a bond with warrants with a volume of € 150 m to the Economic Stabilisation Fund in October 2020.

Overall, TUI AG's total conditional capital remained flat year-on-year at € 150.0 m as at 30 September 2020.

AUTHORISED CAPITAL

The Annual General Meeting on 13 February 2018 resolved to create additional authorised capital of € 30.0 m for the issue of employee shares. The Executive Board of TUI AG has been authorised to use this authorised capital in one or several transactions to issue employee shares against cash contribution by 12 February 2023. 1,394,512 (previous year 1,119,284) new employee shares were issued in the completed financial year so that authorised capital totals around € 22.3 m (previous year € 25.8 m) at the balance sheet date.

The Annual General Meeting on 9 February 2016 resolved an authorisation to issue new registered shares against cash contribution for up to a maximum of € 150.0 m. This authorisation will expire on 8 February 2021.

The Annual General Meeting on 9 February 2016 also resolved to create authorised capital for the issue of new shares against cash or non-cash contribution for up to € 570.0 m. The issue of new shares against non-cash contribution is limited to a maximum of € 300.0 m. The authorisation for this authorised capital will expire on 8 February 2021.

At the balance sheet date, the accumulated authorised capital that had not yet been taken up amounted to € 742.3 m (previous year € 745.8 m).

(25) Capital reserves

The capital reserves comprise transfers of premiums. They also comprise amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants. Premiums from the issue of shares due to the exercise of conversion options and warrants were also transferred to the capital reserve.

Capital reserves rose by € 3.5 m (previous year € 7.0 m) due to the issue of employee shares in the completed financial year.

(26) Revenue reserves

In the completed financial year, TUI AG paid a dividend of € 0.54 per no-par value share to its shareholders; the total amount paid was € 318.1 m (previous year € 423.3 m). The share of non-controlling interests declined by € 0.2 m (previous year € 52.5 m) in financial year 2020 due to the issue of dividends.

The ongoing recording of existing equity-settled stock option plans resulted in an increase in equity of € 2.9 m in the reporting period. Disclosures on these long-term incentive programmes are outlined in the section on Share-based payments in accordance with IFRS 2.

In financial year 2019, the movement in the first-time consolidation of non-controlling interests was essentially attributable to the non-controlling interests of the acquired companies in Destination Management worth € 3.5 m.

Foreign exchange differences comprise differences from the translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies.

The proportion of gains and losses from hedges used as effective hedges of future cash flows is carried directly in equity at € – 316.1 m (previous year € 340.0 m) (pre-tax). A reversal of this provision through profit and loss takes place in the same period in which the hedged item has an effect on profit and loss or is no longer assessed as probable. The decrease in financial year 2020 is, besides changes in exchange rates and fuel prices, attributable to the premature termination of hedging instruments, which have not fulfilled the IAS 39 criteria of high likelihood of occurence of the underlying transaction any longer due to the COVID-19-pandemic.

The revaluation of pension obligations (in particular actuarial gains and losses) is also carried directly in equity.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned.

(27) Use of Group profit available for distribution

In accordance with the German Stock Corporation Act, the Annual General Meeting resolves the use of the profit available for distribution carried in TUI AG's commercial-law annual financial statements. TUI AG's loss for the year amounts to € 2,272.6 m (previous year € 120.0 m profit). Taking account of profit carried forward of € 1,176.0 m (previous year € 1,374.1 m) and a reduction of revenue reserves of € 1,287.5 m, TUI AG's profit available for distribution totals € 190.9 m (previous year € 1,494.1 m). A proposal will be submitted to the Annual General Meeting to use the profit available for distribution for the financial year under review to carry the amount forward on account.

(28) Non-controlling interest

Non-controlling interests mainly relate to RIUSA II S. A. based in Palma de Mallorca, Spain. TUI's capital share in this hotel operator stands at 50.0 %, as in the prior year.

The financial year of RIUSA II S. A. ends on 31 December and thus deviates from TUI Group's financial year. This reporting date was fixed when the company was founded. In order to include the RIUSA II Group in TUI Group's consolidated financial statements as at 30 September, the RIUSA II Group prepares sub-group financial statements as at 30 September, the balance sheet date.

RIUSA II Group, allocated to Hotels & Resorts, operates owned and leased hotels and hotels operated under management contracts in tourism destinations of TUI Group.

The table below provides summarised financial information on RIUSA II S.A., Palma de Mallorca, Spain – the subsidiary for which material non-controlling interests exist. It presents the consolidated financial statements of the sub-group.

Summarised financial information on RIUSA II S.A., Palma de Mallorca, Spain*

€ million	30 Sep 2020/ 2020	30 Sep 2019/ 2019
Current assets	153.6	215.6
Non-current assets	1,755.5	1,729.8
Current liabilities	115.8	116.8
Non-current liabilities	127.1	86.2
Revenues	449.3	850.0
Profit/loss	28.4	225.6
Other comprehensive income	–104.6	20.1
Cash inflow/outflow from operating activities	149.4	256.5
Cash inflow/outflow from investing activities	–143.5	–205.3
Cash inflow/outflow from financing activities	–6.6	–111.5
Accumulated non-controlling interest	661.5	699.6
Profit/loss attributable to non-controlling interest	14.2	112.8
Dividends attributable to non-controlling interest	–	51.4

* Consolidated Subgroup

(29) Pension provisions and similar obligations

A number of defined contribution and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation, and usually depend on employees' length of service and pay levels.

All defined contribution plans are funded by the payment of contributions to external insurance companies or funds. German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for TUI Group companies. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the Company has no further payment obligations. Apart from Germany, major defined contribution plans are also operated the Netherlands and in the UK. Contributions paid are expensed for the respective period. In the reporting period, the expenses for all defined contribution plans totalled €86.7 m (previous year €93.4 m).

Apart from these defined contribution pension plans, the TUI Group operates defined benefit plans, which usually entail the formation of provisions within the Company or investments in funds outside the Company.

Within this group, MER-Pensionskasse VVaG, a private pension fund in which German companies of the tourism industry are organised, represents a multi-employer plan classified as a defined benefit plan. In accordance with the statues of the plan, the plan participants and the employers pay salary-based contributions into the plan. There are no further obligations pursuant to the statutes of the plan; an additional funding obligation of the participating companies is explicitly excluded. The paid-in contributions are invested in accordance with the policies of the pension plan unless they are used in the short term for benefit payments. As the investments are pooled and are not kept separately for each participating employer, an allocation of plan assets to individual participating employers is not possible. The investment risk and the mortality risk are jointly shared by all plan participants. Moreover, the pension fund does not provide any information to participating companies that would allow the allocation of any over- or underfunding or TUI's participation in the plan. For this reason, accounting for the plan as defined benefit plan is not possible, and the plan is therefore in accordance with the requirements of IAS 19 shown like a defined contribution plan. In the reporting period, contributions to MER-Pensionskasse VVaG totalled €6.1 m (previous year €5.9 m). For the next financial year, contributions are expected to remain at that level.

TUI Group's major pension plans recognised as defined benefit plans exist in Germany and the UK. By far the largest pension plans are operated by the Group's tour operators in the UK. They accounted for 70.6% (previous year 70.9%) of TUI Group's total obligations at the balance sheet date. German plans account for a further 24.8% (previous year 24.4%).

Material defined benefit plans in Great Britain

Scheme name	Status
BAL Scheme	closed
TUI UK Scheme	closed
TAPS Scheme	closed

Almost all defined benefit plans in the UK are funded externally. Under UK law, the employer is obliged to ensure sufficient funding so that plan assets cover the pension payments to be made and the administrative costs of the funds. The pension funds are managed by independent trustees. The trustees comprise independent members, beneficiaries of the plan and employer representatives. The trustees are responsible for the investment of fund assets, taking account of the interests of plan members, but they also negotiate the level of the contributions to the fund to be paid by the employers, which constitute minimum contributions to the funds. To that end, actuarial valuations are made every three years by actuaries commissioned by the trustees. The annual contributions to be paid to the funds in order to cover any shortfalls were last defined on the basis of the measurement as at 30 September 2016. The actuarial measurement as at 30 September 2019 had not yet been finalised at the reporting date.

Since 31 October 2018, the main sections of TUI Group's UK Pension Trust have been closed to future accrual of benefits, which has led to a significant decrease in the current service cost for services delivered by the employees. As a result, current service cost no longer arises for services delivered by the employees. Since 1 November 2018, increases in accrued pension benefits from the plan have been therefore calculated in line with the rules for retired pension rights holders. With the closure of the Pension Trust for future accrual, all existing staff in the defined benefit scheme were offered the opportunity to join the existing defined contribution plan to accrue pension from 1 November 2018 onwards.

By contrast, defined benefit plans in Germany are mainly unfunded and the obligations from these plans are recognised as provisions. The company assumes the obligation for payments of company pensions when the beneficiaries reach the legal retirement age. The amount of the pension paid usually depends either on the remuneration received by the employee at the retirement date or the amount of the average remuneration over the employee's service period. Pension obligations usually include surviving dependants' benefits and invalidity benefits. Pension payments are partly limited by third party compensations, e.g. from insurances and MER-Pensionskasse.

Material defined benefit plans in Germany

Scheme name	Status
Versorgungsordnung TUI AG	open
Versorgungsordnung TUIfly GmbH	open
Versorgungsordnung TUI Deutschland GmbH	closed
Versorgungsordnung TUI Beteiligungs GmbH	closed
Versorgungsordnungen TUI Immobilien Services GmbH	closed

In the period under review, defined benefit pension obligations created total expenses of € 48.0 m for TUI Group, essentially comprising current service cost. The expenses carried in the previous financial year additionally included a negative past service cost arising from a plan change in the TUI Group UK Pension Trust.

The net interest expense from pensions declined substantially year-on-year, as many of the pension plans in the UK have a surplus and therefore generate an interest surplus, which nearly fully offsets the interest expense for the Group's unfunded or underfunded pension plans.

Pension costs for defined benefit obligations

€ million	**2020**	2019
Current service cost for employee service in the period	49.5	39.9
Curtailment gains	4.0	0.7
Net interest on the net defined benefit liability	2.5	13.4
Past service cost	–	– 24.0
Total	**48.0**	**28.6**

Provisions for pension obligations are established for benefits payable in the form of retirement, invalidity and surviving dependants' benefits. Provisions are exclusively formed for defined benefit schemes under which the Company guarantees employees a specific pension level, including arrangements for early retirement and temporary assistance benefits.

Defined benefit obligation recognised on the balance sheet

€ million	30 Sep 2020 Total	30 Sep 2019 Total
Present value of funded obligations	3,071.3	3,176.5
Fair value of external plan assets	3,373.7	3,397.9
Surplus (–) / Deficit (+) of funded plans	**–302.4**	**–221.4**
Present value of unfunded pension obligations	954.1	979.4
Defined benefit obligation recognised on the balance sheet	**651.7**	**758.0**
of which		
Overfunded plans in other non-financial assets	363.3	310.0
Provisions for pensions and similar obligations	**1,015.0**	**1,068.0**
of which current	31.4	32.4
of which non-current	983.6	1,035.6

For funded pension plans, the provision carried only covers the shortfall in coverage between plan assets and the present value of benefit obligations.

Where plan assets exceed funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contributions to the fund, the excess is recognised in conformity with the cap defined by IAS 19. As at 30 September 2020, other non-financial assets include excesses of € 363.3 m (previous year € 310.0 m).

Development of defined benefit obligations

€ million	Present value of obligation	Fair value of plan assets	Total
Balance as at 1 Oct 2019	**4,155.9**	**–3,397.9**	**758.0**
Current service cost	49.5	–	49.5
Past service cost	–	–	–
Curtailments and settlements	–4.5	0.5	–4.0
Interest expense (+) / interest income (–)	58.3	–55.8	2.5
Pensions paid	–179.8	148.6	–31.2
Contributions paid by employer	–	–81.5	–81.5
Contributions paid by employees	1.6	–1.6	–
Remeasurements	28.2	–53.7	–25.5
due to changes in financial assumptions	8.2	–	8.2
due to changes in demographic assumptions	59.8	–	59.8
due to experience adjustments	–39.8	–	–39.8
due to return on plan assets not included in group profit for the year	–	–53.7	–53.7
Exchange differences	–62.8	67.7	4.9
Other changes	–21.0	–	–21.0
Balance as at 30 Sep 2020	**4,025.4**	**–3,373.7**	**651.7**

Development of defined benefit obligations

€ million	Present value of obligation	Fair value of plan assets	Total
Balance as at 1 Oct 2018	**3,570.8**	**–2,701.1**	**869.7**
Current service cost	39.9	–	39.9
Past service cost	–24.0	–	–24.0
Curtailments and settlements	–0.7	–	–0.7
Interest expense (+)/interest income (–)	85.4	–72.0	13.4
Pensions paid	–166.2	134.6	–31.6
Contributions paid by employer	–	–111.5	–111.5
Contributions paid by employees	1.8	–1.8	–
Remeasurements	670.4	–650.5	19.9
due to changes in financial assumptions	734.1	–	734.1
due to changes in demographic assumptions	–65.4	–	–65.4
due to experience adjustments	1.7	–	1.7
due to return on plan assets not included in group profit for the year	–	–650.5	–650.5
Exchange differences	–8.6	4.4	–4.2
Other changes	–12.9	–	–12.9
Balance as at 30 Sep 2019	**4,155.9**	**–3,397.9**	**758.0**

In the financial year under review, both pension obligations and the value of the plan assets fluctuated, at times strongly, in particular following the outbreak of the COVID-19-crisis in March. However, at the end of the financial year under review, the Group posted only slight year-on-year variations. The net obligation declined by €106.3 m to €651.7 m, primarily due to pension payments and contributions to the pension funds.

At the balance sheet date, TUI Group's fund assets break down as shown in the table below.

Composition of fund assets at the balance sheet date

	30 Sep 2020		30 Sep 2019	
	Quoted market price in an active market		Quoted market price in an active market	
€ million	**yes**	**no**	yes	no
Fair value of fund assets at end of period	**2,902.5**	**471.2**	**2,213.5**	**1,184.4**
of which equity instruments	36.3	–	39.3	–
of which government bonds	36.2	–	33.5	–
of which corporate bonds	929.1	–	496.6	–
of which liability driven investments	1,449.4	–	1,181.6	–
of absolute return bonds	184.9	–	182.8	–
of which property	262.7	–	276.0	–
of which insurance policies	–	111.2	–	100.1
of which insurance linked securities	–	130.9	–	130.3
of which loans	–	204.0	–	195.9
of which cash	–	25.1	–	751.5
of which other	3.9	–	3.7	6.6

At the balance sheet date, as in the prior year, fund assets did not comprise any direct investments in financial instruments issued by TUI AG or its consolidated subsidiaries or any property owned by the Group. For funded plans, investments in passive index tracker funds may entail a proportionate investment in Group-owned financial instruments.

Pension obligations are measured on the basis of actuarial calculations based on country-specific parameters and assumptions. The obligations under defined benefit plans are calculated on the basis of the internationally accepted projected unit credit method, taking account of expected future increases in salaries and pensions. For the pension plans in the UK, expected increases in salaries are not taken into account as they are no longer relevant for the measurement due to the plan amendment outlined above.

Actuarial assumptions

Percentage p.a.	30 Sep 2020 Germany	Great Britain	Other countries
Discount rate	0.7	1.6	0.7
Projected future salary increases	2.5	0.0	0.9
Projected future pension increases	1.8	2.8	1.3

Percentage p.a.	30 Sep 2019 Germany	Great Britain	Other countries
Discount rate	0.7	1.7	0.2
Projected future salary increases	2.5	–	1.2
Projected future pension increases	1.8	3.1	0.9

The interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for high quality bonds (rated AA or higher) required under IAS 19. The resulting yield structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation. In order to cover a correspondingly broad market, an index partly based on shorter-term bonds is used (for instance for Eurozone bonds from the iBoxx € Corporates AA 10+ and iBoxx € Corporates AA 7-10).

Apart from the parameters described above, a further key assumption relates to life expectancy. In Germany, the Heubeck reference tables 2018 G are used to determine life expectancy. In the UK, the S3NxA base tables are used, adjusted to future expected increases on the basis of the Continuous Mortality Investigation (CMI) 2019. The pension in payment escalation formulae depend primarily on the pension plan concerned. Apart from fixed rates of increase, there are also a number of inflation-linked pension adjustment mechanisms in different countries.

Changes in the key actuarial assumptions mentioned above would lead to the changes in defined benefit obligations presented below. The methodology used to determine sensitivity corresponds to the method used to calculate the defined benefit obligation. The assumptions were amended in isolation each time; actual interdependencies between the assumptions were not taken into account. The effect of the increase in life expectancy by one year is calculated by means of a reduction in mortality due to the use of the Heubeck tables 2018 G for pension plans in Germany. In the UK, an extra year is added to the life expectancy determined on the basis of the mortality tables.

Sensitivity of the defined benefit obligation due to changed actuarial assumptions

€ million	30 Sep 2020 +50 Basis points	30 Sep 2020 –50 Basis points	30 Sep 2019 +50 Basis points	30 Sep 2019 –50 Basis points
Discount rate	–342.5	+393.5	–388.7	+450.8
Salary increase	+17.1	–16.0	+18.9	–18.7
Pension increase	+119.1	–119.7	+142.2	–139.6
	+1 year		+1 year	
Life expectancy	+177.2	–	+182.8	–

The weighted average duration of the defined benefit obligations totalled 19.6 years (previous year 19.6 years) for the overall Group. In the UK, the weighted duration was 19.9 years (previous year 19.9 years), while it stood at 19.6 years (previous year 19.6 years) in Germany.

Fund assets are determined on the basis of the fair values of the funds invested as at 30 September 2020. The interest rate used to determine the interest income from the assets of external funds is identical with the discount rate used for the defined benefit obligation.

For the forthcoming financial year, the companies of TUI Group are expected to contribute around € 112.7 m (previous year € 94.1 m) to pension funds and pay pensions worth € 31.4 m (previous year € 32.4 m) for unfunded plans. The expected employer contribution to the pension funds mainly includes the annual payment agreed with the trustees in the UK to reduce the existing coverage shortfall. For funded plans, the payments to the recipients are fully made from fund assets and therefore do not result in a cash outflow for TUI Group.

TUI Group's defined benefit plans entail various risks; some of which may have a substantial effect on the Company.

INVESTMENT RISK

The investment risk plays a major role, in particular for the large funded plans in the UK. Although shares usually outperform bonds in terms of producing higher returns, they also entail stronger volatility of balance sheet items and the risk of short-term shortfalls in coverage. In order to limit this risk, the trustees have built a balanced investment portfolio to limit the concentration of risks.

INTEREST RATE RISK

The interest rate influences in particular unfunded schemes in Germany as a decline in interest rates leads to an increase in the defined benefit obligations. Accordingly, an increase in the interest rate leads to a reduction in the defined benefit obligations. Funded plans are less strongly affected by this development as the performance of the interest-bearing assets included in plan assets regularly dampens the effects. For the funded plans in the UK, the trustees have invested a part of the plan assets in liability-driven investment portfolios, holding credit and hedging instruments in order to largely offset the impact of changes in interest rates.

INFLATION RISK

An increase in the inflation rate normally increases the obligation in pension schemes linked to the final salary of beneficiaries as inflation causes an increase in the projected salary increases. At the same time, inflation-based pension increases included in the plan also rise. The inflation risk is reduced through the use of caps and collars. Moreover, the large pension funds in the UK hold inflation-linked assets, which also partly reduce the risk from a significant rise in inflation. By investing, in particular, plan assets in liability-driven investment portfolios, which hold credit and hedging instruments, they aim to largely offset the impact of the inflation rate.

LONGEVITY RISK

An increasing life expectancy increases the expected benefit duration of the pension obligation. This risk is countered by using regularly updated mortality data in calculating the present values of the obligation.

CURRENCY RISK

For the TUI Group, the pension schemes entail a currency risk as most pension schemes are operated in the UK and therefore denominated in sterling. The risk is limited as the currency effects on the obligation and the assets partly offset each other. The currency risk only relates to any excess of pension obligations over plan assets or vice versa.

(30) Other provisions

Development of provisions in the FY 2020

€ million	Balance as at 30 Sep 2019	First-time adoption of IFRS 16	Balance as at 1 Oct 2019 restated	Changes with no effect on profit and loss*	Usage	Reversal	Additions	**Balance as at 30 Sep 2020**
Maintenance provisions	768.9	5.5	774.4	–3.6	176.2	7.8	148.1	734.9
Restructuring provisions	38.5	–	38.5	0.5	20.1	0.6	256.4	274.7
Provisions for environmental protection	49.8	–	49.8	–	1.0	–	3.6	52.4
Provisions for other taxes	35.2	–	35.2	5.6	–	–	5.6	46.4
Provisions for other personnel costs	44.6	–	44.6	–0.5	2.6	9.4	3.9	36.0
Provisions for Litigation	22.5	–	22.5	4.5	12.8	0.2	4.8	18.8
Risks from onerous contracts	30.9	–6.7	24.2	–12.4	4.1	4.2	10.1	13.6
Miscellaneous provisions	146.5	–0.2	146.3	–20.3	51.1	32.2	82.9	125.6
Other provisions	**1,136.9**	**–1.4**	**1,135.5**	**–26.2**	**267.9**	**54.4**	**515.4**	**1,302.4**

* reclassifications, transfers, exchange differences and changes in the group of consolidated companies

Provisions for maintenance primarily relate to contractual maintenance, overhaul and repair requirements for aircraft, engines and other specific components arising from aircraft lease contracts. Measurement of these provisions is based on the expected cost of the next maintenance event, estimated on the basis of current prices, expected price increases and manufacturers' data sheets. In line with the terms of the individual contracts and the aircraft model concerned, additions are recognised on a prorated basis in relation to flight hours, the number of flights or the length of the complete maintenance cycle.

Restructuring provisions comprise severance payments to employees as well as payments for the early termination of leases. They primarily relate to restructuring projects as part of our Global Realignment Program for which detailed, formal restructuring plans were drawn up and communicated to the parties concerned. At the balance sheet date, restructuring provisions totalled € 274.7 m (previous year € 38.5 m), for the most part relating to benefits for employees in connection with the termination of employment contracts.

Provisions for environmental protection primarily relate to statutory obligations to remediate sites contaminated with legacy waste from former mining and metallurgical activities.

Provisions for personnel costs comprise provisions for jubilee benefits and provisions for cash-settled share-based payment schemes in accordance with IFRS 2. For information on these long-term incentive programmes, please refer to Note 39 'Share-based payments in accordance with IFRS 2'.

Provisions for litigation are formed for existing lawsuits. For further details on lawsuits, please refer to Note 37.

Miscellaneous provisions include various provisions that, taken individually, do not have a significant influence on TUI Group's economic position. This item includes provisions for dismantling obligations and compensation claims from customers.

Changes in other provisions outside profit and loss primarily relate to changes in the group of consolidated companies, foreign exchange differences and reclassifications within other provisions.

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision is recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the liability and of future price increases. This criterion applies to some items contained in TUI Group's other provisions. Additions to other provisions comprise an interest portion of €7.5 m (previous year €6.0 m), recognised as an interest expense.

Terms to maturity of other provisions

	30 Sep 2020		30 Sep 2019	
€ million	Remaining term more than 1 year	**Total**	Remaining term more than 1 year	Total
Maintenance provisions	615.3	734.9	616.8	768.9
Restructuring provisions	146.6	274.7	–	38.5
Provisions for environmental protection	49.1	52.4	46.7	49.8
Provisions for other taxes	26.4	46.4	23.5	35.2
Provisions for other personnel costs	28.4	36.0	35.2	44.6
Provisions for litigation	5.4	18.8	3.9	22.5
Risks from onerous contracts	2.1	13.6	6.5	30.9
Miscellaneous provisions	38.8	125.6	42.4	146.5
Other provisions	**912.1**	**1,302.4**	**775.0**	**1,136.9**

(31) Financial and lease liabilities

Financial and lease liabilities

	30 Sep 2020				30 Sep 2019			
	Remaining term				Remaining term			
€ million	up to 1 year	1–5 years	more than 5 years	**Total**	up to 1 year	1–5 years	more than 5 years	Total
Bonds	–	298.9	–	298.9	–	297.8	–	297.8
Liabilities to banks	560.9	3,298.6	94.2	3,953.7	74.9	391.0	404.1	870.0
Liabilities from finance leases*	–	–	–	–	130.5	658.4	706.3	1,495.2
Other financial liabilities	16.4	–	–	16.4	19.2	–	–	19.2
Financial liabilities	**577.3**	**3,597.5**	**94.2**	**4,269.0**	**224.6**	**1,347.2**	**1,110.4**	**2,682.2**
Lease liabilities	**687.3**	**1,693.5**	**1,019.1**	**3,399.9**	**–**	**–**	**–**	**–**

* Financial liabilities include liabilities from finance leases for the last time as of 30 Sep 2019.

Having transitioned to IFRS 16 as at 1 October 2019, TUI Group no longer has to differentiate between finance leases and operating leases as a lessee. In this context, lease liabilities are presented and explained separately in the statement of financial position and are therefore no longer carried in financial liabilities.

Non-current financial liabilities, less any lease liabilities included in the previous year, rose by € 2,598.8 m to € 3,691.7 m as against 30 September 2019. The increase was almost entirely driven by an increase in liabilities to banks of € 2,597.7 m.

The core financing instrument is a syndicated revolving credit facility (RCF) between TUI AG and the former banking syndicate or KfW, respectively, which recently joined the banking syndicate.

Due to the impact of the COVID-19-pandemic on business operations, TUI Group's liquidity requirements rose significantly. TUI AG additionally faced the risk of non-compliance with its covenants so that the existing terms and conditions of the RCF had to be renegotiated.

TUI AG subsequently secured a separate credit facility of € 1.8 bn from KfW, granted in the framework of the German government's state aid scheme. The credit facility increased TUI AG's existing credit agreement with its banks for € 1.75 bn to a total RCF volume of € 3.55 bn. The agreement was signed by the existing RCF banking syndicate on 8 April 2020. According to the agreement, the RCF comprises a credit facility of the former banking syndicate and a separate facility issued by KfW under its own terms and conditions.

As at 30 September 2020, the amounts drawn under the revolving credit facility totalled € 3.3 bn.

The covenant tests with respect to the existing and the increased RCF has been suspended (so-called 'covenant holiday'). It is currently agreed to resume the covenant test in September 2021.

Current financial liabilities, less the lease liabilities included in the previous year, rose by € 483.2 m from € 94.1 m to € 577.3 m as against 30 September 2019. The increase includes an amount of € 500.0 m for the credit facility from KfW, due within one year. For more details on the terms and conditions of the credit facility granted by KfW, please refer to the section 'Going-concern reporting according to the UK Corporate Governance Code'.

Movements financial and lease liabilities

€ million	Bonds	Short-term liabilities to banks	Long-term liabilities to banks	Other financial liabilities	Total financial liabilities	Lease liabilities
Balance as at 1 Oct 2019	**297.8**	**74.9**	**795.0**	**19.3**	**1,187.0**	**3,861.5**
Payment in the period	–	480.5	2,812.8	– 2.3	3,291.0	– 612.4
Changes in scope of consolidation	–	– 34.6	– 277.1	–	– 311.7	– 7.2
Foreign exchange movements	–	– 0.3	11.0	–	10.7	– 145.4
Other non-cash movement	1.0	40.4	51.2	– 0.6	92.0	303.4
Balance as at 30 Sep 2020	**298.8**	**560.9**	**3,392.9**	**16.4**	**4,269.0**	**3,399.9**

Movements financial liabilities

€ million	Bonds	Short-term liabilities to banks	Long-term liabilities to banks	Finance Leasing*	Other financial liabilities	Total financial liabilities
Balance as at 1 Oct 2018	**296.8**	**64.1**	**716.4**	**1,342.6**	**23.0**	**2,442.9**
Payment in the period	–	– 34.2	– 25.6	– 122.3	2.2	– 179.9
Acquisitions	–	4.8	22.9	–	– 1.1	26.6
Foreign exchange movements	–	1.3	1.1	53.6	–	56.0
Other non-cash movement	1.0	38.9	80.2	221.3	– 4.8	336.6
Balance as at 30 Sep 2019	**297.8**	**74.9**	**795.0**	**1,495.2**	**19.3**	**2,682.2**

* Financial liabilities include liabilities from finance leases for the last time as of 30 Sep 2019.

Fair values and carrying amounts of the bonds at 30 Sep 2020

€ million	30 Sep 2020 Issuer	Nominal value initial	Nominal value out-standing	Interest rate % p.a.	Stock market value	Carrying amount	30 Sep 2019 Stock market value	Carrying amount
2016/21 bond	TUI AG	300.0	300.0	2,125	269.5	298.9	309.6	297.8
Total					**269.5**	**298.9**	**309.6**	**297.8**

For details regarding the fixed-interest bonds with a nominal value of €300.0 m issued in October 2016, please refer to Note 46 'Significant events after the balance sheet date'.

(32) Other financial liabilities

The other financial liabilities include touristic advance payments received for tours canceled because of COVID-19 restrictions of €351.0 m, for which immediate cash refund options exist and which have to be repaid shortly if the customer opts for payment. Please see the following section for more details.

(33) Touristic advance payments received

Touristic advance payments received

€ million	
Touristic advance payments received as at 1 Oct 2018	**2,824.8**
Revenue recognised that was included in the balance at the beginning of the period	–2,370.9
Increases due to cash received, excluding amounts recognised as revenue during the period	2,636.4
Changes in the consolidation status and changes caused by IFRS 5	–166.0
Other	–13.1
Touristic advance payments received as at 30 Sep 2019	**2,911.2**
Revenue recognised that was included in the balance at the beginning of the period	–1,811.0
Increases due to cash received, excluding amounts recognised as revenue during the period	3,023.3
Reclassification to other financial liabilities	–351.0
Customer refund repayments	–1,897.7
Changes in the consolidation status	–76.4
Other	–28.3
Touristic advance payments received as at 30 Sep 2020	**1,770.1**

Apart from the immediate cash refund option in certain jurisdictions, TUI Group offers its customers voucher/refund credits for trips canceled because of the COVID-19-crisis. If these voucher/refund credits are not used for future bookings within a specified period, the customer is entitled to a refund of the voucher value. Due to the high level of uncertainty regarding the further development of the COVID-19-crisis and customer behaviour, it is not possible for TUI Group to reliably estimate the extent of utilization of the voucher/refund credits for future bookings. Accordingly, the touristic advance payments received include €184.8 m of advance payments for cancelled trips for which customers have received voucher/refund credits with no immediate cash refund option.

(34) Other non-financial liabilities

Other non-financial liabilities

€ million	30 Sep 2020 Remaining term up to 1 year	30 Sep 2020 Remaining term 1–5 years	30 Sep 2020 Total	30 Sep 2019 Remaining term up to 1 year	30 Sep 2019 Remaining term 1–5 years	30 Sep 2019 Total
Other liabilities relating to employees	184.9	24.3	209.2	210.1	25.4	235.5
Other liabilities relating to social security	44.3	–	44.3	45.3	–	45.3
Other liabilities relating to other taxes	19.7	–	19.7	37.1	–	37.1
Other miscellaneous liabilities	149.2	5.6	154.8	140.9	6.0	146.9
Deferred income	49.7	168.5	218.2	85.9	68.7	154.6
Other non-financial liabilities	**447.8**	**198.4**	**646.2**	**519.3**	**100.1**	**619.4**

(35) Liabilities related to assets held for sale

As at 30 September 2020 liabilities related to assets held for sale of € 24.5 m were reported. These liabilities relate to the expected transfer of an aircraft to an associated company of TUI Group. We refer to the section 'Assets held for sale'.

As at 30 September 2019, liabilities related to assets held for sale totalled € 103.1 m. These liabilities exclusively related to the 'Berge & Meer' and 'Boomerang' disposal group, divested at the beginning of the financial year under review. For further details, please refer to the section 'Divestments'.

Disposal group 'Berge & Meer' and 'Boomerang'

€ million	30 Sep 2019
Deferred tax liabilities	4.1
Trade payables	34.1
Touristic advance payments received	58.1
Other non-financial liabilities	4.7
Other provisions and liabilities	2.1
Total	**103.1**

(36) Contingent liabilities

As at 30 September 2020, contingent liabilities amounted to € 165.6 m (previous year € 143.5 m). They are mainly attributable to the granting of guarantees for the benefit of hotel and cruises activities and are reported at an amount representing the best estimate of the expenditure required to meet the potential obligation at the balance sheet date.

(37) Litigation

TUI AG and its subsidiaries are involved in several pending or foreseeable court or arbitration proceedings, which do not have a significant impact on their economic position as at 30 September 2020 or future periods. This also applies to actions claiming warranty, repayment or any other compensation in connection with the divestment of subsidiaries and business units over the past few years. As in previous years, the Group recognised adequate provisions, partly covered by expected insurance benefits, to cover all probable financial charges from court or arbitration proceedings.

(38) Other financial commitments

Other financial commitments

	30 Sep 2020				30 Sep 2019			
	Remaining term				Remaining term			
€ million	up to 1 year	1–5 years	more than 5 years	**Total**	up to 1 year	1–5 years	more than 5 years	Total
Order commitments in respect of capital expenditure	465.9	2,028.9	54.2	2,549.0	1,427.8	1,691.1	87.4	3,206.3
Financial commitments from operating lease and rental contracts*	–	–	–	–	717.1	1,446.1	581.5	2,744.7
Other financial commitments	99.0	110.8	2.9	212.7	111.4	25.0	3.0	139.4
Total	**564.9**	**2,139.7**	**57.1**	**2,761.7**	**2,256.3**	**3,162.2**	**671.9**	**6,090.4**

* Prior year adjusted.

Order commitments in respect of capital expenditure relate almost exclusively to tourism and decreased by € 657.3 m year-on-year as at 30 September 2020. The reduction in commitments is caused by delivery of aircraft, scheduled payments and general decrease in new commitments undertaken. Further declines were generated with the disposal of Hapag-Lloyd Kreuzfahrten GmbH and from foreign exchange effects for commitments denominated in non-functional currencies.

The commitments from lease, rental and charter agreements at 30 September 2019 exclusively related to leases that did not transfer all risks and rewards of ownership of the assets to the TUI Group companies under IAS 17 (operating leases).

(39) Share-based payments in accordance with IFRS 2

As at 30 September 2020, all existing awards except the employee share program 'oneShare' are recognized as cash-settled share-based payment schemes.

The following share-based payment schemes are in effect within TUI Group as at 30 September 2020.

1. PHANTOM SHARES IN THE FRAMEWORK OF THE LONG TERM INCENTIVE PLAN (LTIP)

1.1 LTIP WITH SHARE AWARDING FOR THE FINANCIAL YEAR 2020 (LTIP EPS20)

Since the 2020 financial year, the Long Term Incentive Plan (LTIP) consists of a program based on phantom shares and is measured over a period of four years (performance reference period). The phantom shares are granted in annual tranches.

All Executive Board members have their individual target amounts defined in their service contracts. At the beginning of each financial year, this target amount is translated into a preliminary number of phantom shares based on the target amount. It constitutes the basis for the determination of the performance-related pay after the end of the performance reference period. In order to determine that number, the target amount is divided by the average Xetra share price of TUI AG shares during the 20 trading days prior to the beginning of the performance reference period (1 October of any one year). The entitlement under the long-term incentive programme arises upon completion of the four-year performance reference period and is subject to attainment of the relevant target.

The performance target for determining the amount of the final payout after the end of the performance reference period is the average development over four years of the earning per share based on a pro-forma adjusted EPS from continuing operations (Earnings per Share – EPS) as reported in the annual report of the company. The average development of EPS per annum (in percent) is derived from the four equally weighted yearly EPS development values (in percent). Each yearly EPS development value is calculated as the quotient of the EPS of the current financial year and the EPS of the previous financial year. The initial EPS value used to determine the target achievement is calculated at the beginning of the performance period from the first EPS in the performance period and the last EPS before the performance period.

Target achievement for the average development of EPS per annum based on the annual amounts is determined as follows:

- An average absolute EPS of less than 50 % of the absolute EPS value determined at the beginning of the performance period corresponds to target achievement of 0 %.
- An average absolute EPS of 50 % of the absolute EPS value determined at the beginning of the performance period corresponds to target achievement of 25 %.
- An average absolute EPS of 50 % or more of the absolute EPS value determined at the beginning of the performance period up to an average increase of 5 % corresponds to target achievement of 25 % to 100 %.
- An average increase of 5 % p. a. corresponds to target achievement of 100 %.
- An average increase of 5 % to 10 % p. a. corresponds to target achievement of 100 % to 175 %.
- An average increase of 10 % or more p. a. corresponds to target achievement of 175 %.

For an average absolute EPS of 50 % or more of the absolute EPS value determined at the beginning of the performance period up to an average increase of 5 %, corresponding to a target achievement of 25 % to 100 %, and an average increase of 5 % to 10 % p. a., corresponding to a target achievement of 100 % to 175 %, linear interpolation is used to determine the degree of target achievement. The degree of target achievement is rounded to two decimal places, as is customary in commercial practice.

If the prior-year EPS amounts to less than € 0.50, the Supervisory Board defines new absolute targets for EPS as well as minimum and maximum amounts for determining the percentage target achievement for each subsequent financial year in the performance reference period.

In order to determine the final number of phantom shares, the degree of target achievement is multiplied by the preliminary number of phantom shares on the final day of the performance reference period. The payout amount is determined by multiplying the final number of phantom shares by the average Xetra share price of TUI AG shares over the 20 trading days prior to the end of the performance reference period (30 September of any one year). The payout amount determined in this way is paid out in the month of the approval and audit of TUI Group's annual financial statements for the relevant financial year. If the service contract begins or ends in the course of the financial year relevant for the granting of the LTIP, the entitlement to payment of the LTIP is determined on a pro rata basis.

In case of a capital increase from company funds, the number of preliminary phantom shares would increase at the same ration as the nominal value of the share capital. In case of a capital decrease without return of capital, the number of preliminary phantom shares would decrease at the same ration as the nominal value of the share capital. In case of a capital increase against contributions, a capital decrease with return of capital or any other capital or structural measures that have an effect on the share capital and cause a material change in the value of the TUI AG share, the number of preliminary phantom shares would also be adjusted. The Supervisory Board is entitled, at reasonable discretion, to make adjustments to neutralize any negative or positive effects from such capital or structural measures. The same rule applies in case of a change in share price due to the payment of an usually high superdividend.

The maximum LTIP payout is capped at 240 % of the individual target amount for each performance reference period. This means that there is an annual LTIP cap which is determined individually for each Executive Board member. The Supervisory Board is furthermore, according to section 87 para. 1 cl. 3 German stock corporation law, authorized to cap the LTIP payout in case of extraordinary circumstances (e. g. company mergers, segment disposals, recognition of hidden reserves or external influences).

1.2 LTIP WITH SHARE AWARDING FOR THE FINANCIAL YEARS 2018 AND 2019 (LTIP EPS18 – 19)

For the financial years 2018 and 2019, the LTIP has consisted of a phantom share-based programme and has been measured over a duration of four years (performance reference period) upon achievement of a total shareholder return (TSR) target and an earnings per share (EPS) target. The phantom shares are granted in annual tranches.

All Executive Board members have their individual target amounts defined in their service contracts. At the beginning of each financial year, this target amount is translated into a preliminary number of phantom shares based on the target amount. It constitutes the basis for the determination of the performance-related pay after the end of the performance reference period. In order to determine that number, the target amount is divided by the average Xetra share price of TUI AG shares during the 20 trading days prior to the beginning of the performance reference period (1 October of any one year). The entitlement under the long-term incentive programme arises upon completion of the four-year performance reference period and is subject to attainment of the relevant target.

The performance target for determining the amount of the final payout after the end of the performance reference period is the development of TSR of TUI AG relative to the development of the TSR of the STOXX Europe 600 Travel & Leisure (Index). The relative TSR is included in the determination of target achievement with a weighting of 50 %. The degree of target achievement is determined as a function of TUI AG's TSR rank in comparison with the TSR ranks of the index companies over the performance reference period. In order to determine TUI AG's relative TSR, the TSR ranks established for TUI's peer companies are sorted in descending order. TUI AG's relative TSR is expressed as a percentile (percentile rank).

The TSR is the aggregate of all share price increases plus the gross dividends paid over the performance reference period. Data from recognised data providers (e. g. Bloomberg, Thomson Reuters) is used to establish the TSR ranks for TUI AG and the index companies. The reference used to determine the ranks is the composition of the index on the last day of the performance reference period. The values for companies that were not listed over the entire performance reference period are factored in on a pro rata basis. The degree of target achievement (in percent) is established as follows for TUI AG's relative TSR based on the percentile:

- A percentile below the median of the index corresponds to target achievement of 0 %.
- A percentile equal to the median corresponds to target achievement of 100 %.
- A percentile constituting the maximum value corresponds to target achievement of 175 %.

For a percentile between the median and the maximum value, linear interpolation is used to determine the degree of target achievement at between 100 % and 175 %. The degree of target achievement is rounded to two decimal places, as is customary in commercial practice.

Moreover the average development of EPS per annum is included in the LTIP as an additional Group indicator with a weighting of 50 %. The averages determined for the four-year performance reference period are based on pro forma underlying earnings per share from continuing operations, as already reported in the Annual Report.

Target achievement for the average development of EPS per annum based on the annual amounts is determined as follows:

- An average increase of less than 3 % p. a. corresponds to target achievement of 0 %.
- An average increase of 3 % p. a. corresponds to target achievement of 25 %.
- An average increase of 5 % p. a. corresponds to target achievement of 100 %.
- An average increase of 10 % or more p. a. corresponds to target achievement of 175 %.

For an average increase of 3 % to 5 % p. a., linear interpolation is used to determine the degree of target achievement at between 25 % and 100 %. Linear interpolation is used for an average increase of between 5 % and 10 % or more p. a. to determine target achievement at between 100 % and 175 %. Here, too, the degree of target achievement is rounded to two decimal places, as is customary in commercial practice.

If the prior-year EPS amounts to less than € 0.50, the Supervisory Board defines new absolute targets for EPS as well as minimum and maximum amounts for determining the percentage target achievement for each subsequent financial year in the performance reference period.

The degree of target achievement (in percent) is calculated from the average target achievement for the performance targets 'relative TSR of TUI AG' and 'EPS'. In order to determine the final number of phantom shares, the degree of target achievement is multiplied by the preliminary number of phantom shares on the final day of the performance reference period. The payout amount is determined by multiplying the final number of phantom shares by the average Xetra share price of TUI AG shares over the 20 trading days prior to the end of the performance reference period (30 September of any one year). The payout amount determined in this way is paid out in the month of the approval and audit of TUI Group's annual financial statements for the relevant financial year. If the service contract begins or ends in the course of the financial year relevant for the granting of the LTIP, the entitlement to payment of the LTIP is determined on a pro rata basis.

The maximum LTIP payout is capped at 240 % of the individual target amount for each performance reference period. This means that there is an annual LTIP cap which is determined individually for each Executive Board member.

1.3 LTIP WITH SHARE AWARDING UP TO AND INCLUDING FINANCIAL YEAR 2017 (LTIP)

For those members of the Executive Board whose service contracts already existed prior to financial year 2018, the replaced remuneration system will continue to apply in parallel for LTIP for the time being. This relates only to the LTIP tranches granted before financial year 2018 but not yet paid out due to the four-year performance reference period, which are therefore included in the future awards.

The LTIP is a share plan based on phantom shares, assessed over a period of four years (performance reference period). Phantom shares are granted in annual tranches.

For Executive Board members, an individual target amount (Target Amount) is determined in their service contract. At the beginning of each financial year, a preliminary number of phantom shares is determined in relation to the target amount. This number constitutes the basis for determining the final performance-based payment after the end of the respective performance reference period. In order to determine that number, the target amount is divided by the average Xetra share price of TUI AG shares over the 20 trading days prior to the beginning of the performance reference period (1 October of any one year). The claim to a payment only arises upon expiry of the performance reference period, subject to attainment of the respective performance target.

The performance target for determining the amount of the final payout after the end of the performance reference period is the development of the total shareholder return (TSR) of TUI AG relative to the development of the TSR of the STOXX Europe 600 Travel & Leisure (Index). To that end, the rank of the TSR of TUI AG in relation to the index companies is monitored over the entire performance reference period. The TSR is the aggregate of all share price increases plus the gross dividends paid over the performance reference period. Data from a recognised data provider (e. g. Bloomberg, Thomson Reuters) is used to establish the TSR values for TUI AG and the index. The reference for determining the ranks is the composition of the index on the last day of the performance reference period. The values for companies that were not listed over the entire performance reference period are factored in on a pro rata basis. The degree of target achievement is established as follows depending on the TSR rank of TUI AG relative to the TSR values of the index companies over the performance reference period:

- A TSR value of TUI AG equivalent to the bottom or second to bottom rank of the index corresponds to target achievement of 0 %.
- A TSR value of TUI AG equivalent to the third to bottom rank of the index corresponds to target achievement of 25 %.
- A TSR value of TUI AG equivalent to the median of the index corresponds to target achievement of 100 %.
- A TSR value of TUI AG equivalent to the third to top, second to top or top rank of the index corresponds to target achievement of 175 %.

For performance between the third to bottom and the third to top rank, linear interpolation is used to determine the degree of target achievement at between 25 % and 175 %. The degree of target achievement is rounded to two decimal places, as is customary in commercial practice.

In order to determine the final number of phantom shares, the degree of target achievement is multiplied by the preliminary number of phantom shares on the final day of the performance reference period. The payout amount is determined by multiplying the final number of phantom shares by the average Xetra share price of TUI AG shares over the 20 trading days prior to the end of the performance reference period (30 September of any one year). The payout amount determined in this way is paid out in cash in the month of the adoption of the annual financial statements of TUI AG for the fourth financial year of the performance reference period. If the service contract begins or ends in the course of the financial year relevant for the granting of the LTIP, the claim for payment of the LTIP is determined on a pro rata basis as a matter of principle.

There is an annual LTIP cap individually defined for each Executive Board member.

PERFORMANCE SHARE PLAN (PSP)

The PSP details the share-based payments for entitled Group executives who are not part of the Board. The scheme conditions are harmonized with the LTIP without the earnings-per-share performance measure of the Board members with the notable exceptions of a three year performance period instead of four years. Target amounts and grant frequency are subject to individual contractual agreements.

Since LTIP without the earnings-per-share performance measure and PSP follow common scheme principles, the following development of awarded phantom shares under the programs are shown on an aggregated basis. The development of phantom shares awarded that are subject to the EPS performance measure are shown separately.

Development of phantom shares awarded (LTIP EPS20, LTIP EPS18 – 19, LTIP & PSP)

	LTIP EPS20		LTIP EPS18 – 19		LTIP & PSP	
	Number of shares	Present value € million	Number of shares	Present value € million	Number of shares	Present value € million
Balance as at 30 Sep 2018	**–**	**–**	**360,808**	**6.0**	**1,363,955**	**22.6**
Phantom shares awarded	–	–	402,652	6.2	442,312	6.8
Phantom shares exercised	–	–	–	–	–134,355	–1.3
Phantom shares forfeited	–	–	–	–	– 452,860	– 6.2
Measurement results	–	–	–	– 4.1	–	– 8.9
Balance as at 30 Sep 2019	**–**	**–**	**763,460**	**8.1**	**1,219,052**	**13.0**
Phantom shares awarded	630,699	6.2	–	–	928,679	9.2
Phantom shares exercised	–	–	–	–	–141,508	–1.3
Phantom shares forfeited	–	–	–	–	–722,824	– 5.2
Measurement results	–	– 4.0	–	– 5.5	–	–11.3
Balance as at 30 Sep 2020	**630,699**	**2.2**	**763,460**	**2.6**	**1,283,399**	**4.4**

EMPLOYEE SHARE PROGRAM 'ONESHARE'

Eligible employees can acquire TUI AG shares under preferential conditions when participating in the oneShare program. The preferential conditions include a discount on 'investment' shares bought during a twelve month investment period plus one 'matching' share per three held investment shares, after a lock up period of two years. Investment shares are created via capital increase, while matching shares are bought on the open market. Eligible employees decide once a year about their participation in oneShare.

As the investment and matching shares as well as the Golden shares are equity instruments of TUI AG, oneShare is accounted for as an equity-settled share-based payment scheme in line with IFRS 2. Once all eligible employees have decided upon their yearly participation, the fair value of the equity instrument granted is calculated once and fixed for each tranche on the basis of the proportional shares price at grant date taking into consideration the discounted estimated dividends.

In 2020, no new tranche of oneShare was launched. The matching date occurred for Tranche 1 on 30 September and the matching shares of Tranche 1 were subsequently transferred to participants who still held their investment shares at the beginning of the financial year.

The development of acquired investment and estimated matching shares, as well as the parameters used for the calculation of the fair value are as follows:

Overview oneShare tranches

		Tranche 1 (2017/3)	Tranche 2 (2017/7)	Tranche 3 (2018/7)	Tranche 4 (2019/7)
Investment period		1.4.2017 – 31.7.2017	1.8.2017 – 31.7.2018	1.8.2018 – 31.7.2019	1.8.2019 – 31.7.2020
Matching date		30.9.2019	30.9.2020	30.9.2021	30.9.2022
Acquired investment shares		349,941	524,619	1,152,598	1,394,512
thereof forfeited investment shares		1,228	10,216	32,859	31,724
Distributed / Estimated matching shares		116,647	174,873	384,199	464,837
thereof forfeited matching shares		15,256	23,953	45,928	14,035
Share price at grant date	in €	12.99	13.27	18.30	8.99
Fair value: Discount per investment share	in €	2.60	2.02	2.94	1.26
recognised estimated dividend	in €	–	0.63	0.72	0.54
Fair value: matching share	in €	11.65	11.15	15.93	7.17
recognised discounted estimated dividend	in €	1.34	2.11	2.37	1.82

CLOSED SHARE-BASED PAYMENT SCHEMES

The following share-based payment schemes are closed, resulting in no new awards being granted. Awards made in the past remain valid and will vest according to the respective plan conditions.

TUI AG STOCK OPTION PLAN

The stock option plan for qualifying Group executives below Board level was closed during financial year 2016. The last tranche was granted in February 2016 and vested in February 2018.

Bonuses were granted to eligible Group executives; the bonuses were translated into phantom shares in TUI AG on the basis of an average share price. The phantom shares were calculated on the basis of Group earnings before interest, taxes and amortisation of goodwill (EBITA). The translation into phantom shares was based on the average share price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements were approved. The number of phantom shares granted in a financial year was, therefore, only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within three years. Following significant corporate news, the entitlements have to be exercised within defined timeframes. The lock-up period is not applicable if a beneficiary leaves the Company; in that case, the entitlements have to be exercised in the next time window. The level of the cash payment depends on the average share price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or share price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is € 0.00 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the share price at the respective reporting date.

As at 30 September 2020, 30,915 share options valued at € 0.1 m are vested and outstanding. Since the plan is closed, no new grants were made, 10 options were exercised (total value of € 0.0 m) and no options were forfeited.

ACCOUNTING FOR SHARE-BASED PAYMENT SCHEMES

As at 30 September 2020, all existing awards except oneShare are recognized as cash-settled share-based payment schemes and are granted with an exercise price of € 0.00. The personnel expense is recognized upon actual delivery of service according to IFRS 2 and is, therefore, spread over a period of time. According to IFRS 2, all contractually granted entitlements have to be accounted for, irrespective of whether and when they are actually awarded. Accordingly, phantom shares granted in the past are charged on a pro rata basis upon actual delivery of service.

In the financial year 2020, a profit of € 6.5 m was realized due to the release of provisions for cash-settled share-based payment schemes (previous year: profit of € 12.7 m).

In the financial year 2020, personnel expenses due to equity-settled share-based payment schemes of € 5.1 m (previous year € 7.0 m) were recognised through profit and loss.

As at 30 September 2020, provisions relating to entitlements under these long-term incentive programmes totaled € 9.7 m (previous year provisions of € 14.3 m and € 1.2 m liabilities).

(40) Financial instruments

RISKS AND RISK MANAGEMENT

RISK MANAGEMENT PRINCIPLES

Due to the nature of its business operations, the TUI Group is exposed to various financial risks, including market risks (consisting of currency risks, interest rate risks and market price risks), credit risks and liquidity risks.

In accordance with TUI Group's financial goals, financial risks have to be mitigated. In order to achieve this, policies and procedures have been developed to manage risk associated with financial transactions undertaken.

The rules, responsibilities and processes as well as limits for transactions and risk positions have been defined in policies. The trading, processing and control have been segregated in functional and organisational terms. Compliance with the policies and limits is continually monitored. All hedges by the TUI Group are consistently based on recognised or forecasted underlying transactions. Standard software is used for assessing, monitoring, reporting, documenting and reviewing the effectiveness of the hedging relationships for the hedges entered into. In this context, the fair values of all derivative financial instruments determined on the basis of the Group's own systems are regularly compared with the fair value confirmations from the external counterparties. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations on at least an annual basis by the internal audit department and external auditors.

Within the TUI Group, financial risks primarily arise from cash flows in foreign currencies, fuel requirements (jet fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, the TUI Group uses over-the-counter derivative financial instruments. These are primarily fixed-price transactions. In addition, the TUI Group also uses options and structured products. Use of derivative financial instruments is confined to internally fixed limits and other policies. The transactions are concluded on an arm's length basis with counterparties operating in the financial sector, whose counterparty risk is regularly monitored. Foreign exchange translation risks from the consolidation of Group companies not preparing their accounts in euros are not hedged.

MARKET RISK

Market risks result in fluctuations in earnings, equity and cash flows. Risks arising from input cost volatility are more fully detailed in the risk report section of the management report. In order to limit or eliminate these risks, the TUI Group has developed various hedging strategies, including the use of derivative financial instruments.

IFRS 7 requires the presentation of a sensitivity analysis showing the effects of hypothetical changes in relevant market risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the balance sheet date. It is assured that the portfolio of financial instruments as at the balance sheet date is representative for the entire financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain risks. Due to unforeseeable developments in the global financial markets, actual results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include sovereign, business and legal risks not covered by the following presentation of risks.

CURRENCY RISK

The business operations of the TUI Group's companies generate payments or receipts denominated in foreign currencies, which are not always matched by payments or receipts with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to protect its profit margin from exchange rate-related fluctuations.

Within the TUI Group, risks from exchange rate fluctuations are hedged, with the largest hedging volumes relating to US dollars, euros and pound sterling. The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The tourism business operations are mainly affected by changes in the value of the US dollar and the euro, the latter predominantly affecting the TUI tour operators in the UK and the Nordic countries. In tourism operations, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of jet and ship fuel and aircraft and cruise ship purchases or charter.

The tourism companies use financial derivatives to hedge their planned foreign exchange requirements. They aim to cover 80 % to 100 % of the planned currency requirements at the beginning of the tourism season. In this regard, account is taken of the different risk profiles of the TUI Group companies. The hedged currency volumes are adjusted in line with changes in planned requirements based on reporting by business units.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's presentation currency are not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. A 10 % strengthening or weakening of the respective functional currencies, primarily euro and pound sterling, against the other currencies would cause the following effects on the revaluation reserve and earnings after income tax:

Sensitivity analysis – currency risk

€ million	30 Sep 2020		30 Sep 2019	
Variable: Foreign exchange rate	**+10 %**	**–10 %**	+10 %	–10 %
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	–27.6	+25.5	–142.0	+133.5
Earnings after income taxes	–62.0	+75.2	–8.3	+19.6
Pound sterling/€				
Revaluation reserve	–13.4	+14.9	+156.0	–156.0
Earnings after income taxes	–54.2	+63.1	–9.6	+12.4
Pound sterling/US dollar				
Revaluation reserve	–26.1	+26.3	–114.4	+114.4
Earnings after income taxes	+287.4	–355.8	–13.0	–15.2
€/Swedish krona				
Revaluation reserve	+4.0	–5.4	+26.3	–26.3
Earnings after income taxes	+6.3	–8.4	–	–

INTEREST RATE RISK

The TUI Group is exposed to interest rate risks from floating-rate primary and derivative financial instruments. Where interest-driven cash flows of floating-rate primary financial instruments are converted into fixed cash flows using derivative hedges and the critical terms of the hedging transaction are the same as those of the hedged items they are not exposed to an interest rate risk. No interest rate risk exists for fixed-interest financial instruments carried at amortised cost.

Changes in market interest rates mainly impact floating-rate primary financial instruments and derivative financial instruments entered into in order to reduce interest-induced cash flow fluctuations.

The following table presents the equity and earnings after income taxes effects of an assumed increase or decrease in the market interest rate of 50 basis points as at the balance sheet date.

Sensitivity analysis – interest rate risk

€ million	**30 Sep 2020**		30 Sep 2019	
Variable: Interest rate level for floating interest-bearing debt	**+50 basis points**	**–50 basis points**	+50 basis points	–50 basis points
Revaluation reserve	–	+0.9	+11.9	–10.0
Earnings after income taxes	–305.5	–287.6	–0.5	–1.2

FUEL PRICE RISK

Due to the nature of its business operations, the TUI Group is exposed to market price risks from the purchase of fuel for the aircraft fleet and the cruise ships.

The tourism companies use financial derivatives to hedge their exposure to market price risks for the planned consumption of fuel. At the beginning of the touristic season the target hedging ratio is at least 80 %. The different risk profiles of the Group companies operating in different source markets are taken into account, including the possibility of levying fuel surcharges. The hedging volumes are adjusted for changes in planned consumption as identified by the Group companies.

If the commodity prices, which underlie the fuel price hedges, increase by 15 % or decrease by 10 % (previous year +/–10 %), on the balance sheet date, the impact on equity and on earnings after income taxes would be as shown in the table below . The adjustment in the market price sensitivity from plus 10 % to plus 15 % is based on the assumption that an above-average increase in fuel prices is to be expected following a recovery in demand for flight capacity.

Sensitivity analysis – fuel price risk

€ million	**30 Sep 2020**		30 Sep 2019	
Variable: Fuel prices for aircraft and ships	**+15 %**	**–10 %**	+10 %	–10 %
Revaluation reserve	+5.5	–5.2	+73.6	–76.6
Earnings after income taxes	+56.9	–35.9	+0.5	–0.2

OTHER PRICE RISKS

Apart from the financial risks that may result from changes in exchange rates, commodity prices and interest rates, the TUI Group is not exposed to significant price risks at the balance sheet date.

CREDIT RISK

The credit risk in non-derivative financial instruments results from the risk of counterparties defaulting on their contractual payment obligations.

Maximum credit risk exposure corresponds to the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values). Furthermore, there are no material financial guarantees for the discharge of liabilities. Where legally enforceable, financial assets and liabilities are netted. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter in order to swiftly respond to potential impairment in a counterparty's solvency. Responsibility for handling the credit risk is generally held by the Group company holding the receivable.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. As in the previous year, at the balance sheet date, there is no material collateral held, or other credit enhancements that reduce the maximum credit risk. Collateral held in the prior period relates exclusively to financial assets of the category trade receivables and other receivables. The collateral mainly comprises collateral for financial receivables granted and maturing in more than one year and/or with a volume of more than € 1.0 m. Real property rights, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Credit management also covers the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into is limited to the total of all positive market values of these instruments since in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments are concluded with different debtors, credit risk exposure is reduced. The specific credit risks of individual counterparties are taken into account in determining the fair values of derivative financial instruments. In addition, the counterparty risk is continually monitored and controlled using internal bank limits.

IFRS 9 requires entities to recognise expected losses for all financial assets held at amortised cost and for financial assets constituting debt instruments and measured at FVTOCI (Fair Value Through Other Comprehensive Income). In TUI Group, the items affected are financial instruments recognised at amortised cost in the following categories: trade receivables and other receivables with the sub-classes trade receivables, advances and loans, other receivables and assets as well as lease receivables. Additional classes are other financial assets and funding. In determining expected losses, IFRS 9 distinguishes between the general and the simplified approach to impairment.

Under the general approach to impairment, financial assets are classified into three stages. Stage 1 is where financial assets are recognised for the first time or where credit risk has not increased significantly since initial recognition. At this stage, the expected bad debt losses that may arise from possible default events within the next 12 months after the respective balance sheet date are reported. For financial assets in stage 1, entities are required to recognise 12-month Expected Credit Losses (ECL). Stage 2 is where credit risk has increased significantly since initial recognition. Stage 3 includes financial assets that additionally have objective evidence of impairment alongside the criteria of stage 2. Stages 2 and 3 show Lifetime-ECL.

Under the simplified approach to impairment, a loss allowance is carried at an amount equal to life-time ECL at initial recognition for trade receivables and lease receivables, regardless of the credit quality of the accounts receivable and the lease receivables. TUI uses a provision matrix to determine the expected loss for trade receivables and lease receivables. Average historical observed default rates are determined for the following maturity bands. Not overdue, less than 30 days past due, 30 – 90 days, 91 – 180 days and more than 180 days past due. The loss rates determined are adjusted by credit default swap (CDS) rates in order to take account of forward-looking information. The adjusted loss rates are based on average rates for the past few years. The economic environment of the relevant geographical regions is taken into account through a weighting of CDS rates. All model parameters mentioned above are regularly reviewed and updated.

Under the simplified approach to impairment, trade receivable and lease receivables are transferred to stage 3 when there is any objective evidence of impairment. TUI Group classifies whether a trade receivable is to be transferred to stage 3 on an individual basis, depending on the region, after 180 days at the earliest. Within TUI Group, an assessment of the recoverability of a receivable is performed after 180 days at the earliest, as determined by the individual regions. In the framework of TUI Group's business model, customers book a trip, for instance, six months ahead of departure and immediately pay a deposit; under that business model, some receivables have a longer term than 90 days; accordingly, an actual default of a receivable is only assumed when receivables are more than 180 days past due and an impairment loss is recognized, and in general a complete write-down has to be made. Objective evidence of impairment of lease receivables includes, for example, significant financial difficulties on the part of the debtor, breach of contract (default or delay in interest and repayment) or concessions made for economic or contractual reasons in connection with the debtor's financial difficulties.

For all other financial assets carried at amortised cost impairments are determined in accordance with the general approach.

For cash and cash equivalents, the low credit risk exemption of IFRS 9 is applied, according to which financial instruments with a low default risk at the time of acquisition can be classified in – stage 1 of the impairment model. Cash and cash equivalents include, for instance, cash in hand or bank balances that are exclusively due to counterparties with a high credit rating. In accordance with stage 1 of the impairment hierarchy, a risk provision corresponding to the 12-month credit loss is recorded in cash and cash equivalents upon initial recognition. At each balance sheet date, a verification is made as to whether the counterparties continue to have a rating of investment grade quality. As the corresponding financial assets have a maximum term of 3 months, the impairment requirement is very low. A transfer from – stage 1 to stage 2 or 3 has no practical relevance, as the business relationship would be terminated immediately in the case of a corresponding event.

For material advances and loans and other receivables and assets, the expected credit losses are determined by multiplying the probability of default with the loss given default and the exposure of default. TUI Group determines the probabilities of default on the basis of an internal rating model. As part of the TUI Group's business model, the ratings of debtors for material receivables are evaluated on the basis of this internal rating. Category 1 of the rating model contains the debtors with the highest credit rating, whereas the debtors with the lowest credit rating are classified in the category 7. If the credit risk has not significantly deteriorated since initial recognition, 12-month credit losses are determined (stage 1). In the event of a significant increase in the credit risk, the lifetime expected credit loss is determined (stage 2). A significant increase in the default risk is assumed on the basis of the internal rating and other relevant information such as changes in the economic, regulatory or technological environment.

If there is any objective evidence of impairment, a transfer is made to stage 3.

The gross carrying amount of a financial asset of any class of financial instruments recognized at amortised cost is written off when there is no longer the expectation of full or partial recovery a financial asset following an appropriate assessment. For individual customers the gross carrying amount is usually written off based on historical experience of recoveries in the country specific business environment when the financial asset is more than 45 up to 360 days past due. For corporate customers, the Group's businesses conduct an individual assessment about the timing and the amount of write off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. Financial assets that have been written off however could still be subject to enforcement activities for recovery of amounts overdue.

For other advances and loans, other receivables and assets as well as other financial assets, the expected credit losses are determined on a portfolio basis. This portfolio approach deviates from insignificant individual cases, as the relevant information for determining the expected loss is available at the stage of the individual instrument. Here, TUI Group solely combines financial assets with similar credit risk properties, e.g. type of product and geographical region. TUI Group initially carries the credit loss based on a loss rate expected for the next twelve months. This loss rate is adjusted at regular intervals depending on the macroeconomic market environment. If the credit risk increases significantly, the lifetime expected credit loss is determined (stage 2). The assessment of a significant increase in the credit risk is for instance effected individually by region, changes in market data relating to default risk or changes in contractual conditions. A default within based on the past due status of the instruments. The past due status is assumed within a range of more than 30 days past due to more than 90 days past due, depending on the portfolio. If there is objective evidence of impairment, the instrument is transferred to stage 3.

In principle, the general approach assumes that the default risk of financial assets has increased significantly since initial recognition if contractual payments are more than 30 days overdue. However, this can be refuted by the Group's available appropriate and comprehensible information. The assessment of the objective evidence of impairment for all instruments falling within the scope of the general model is based on the following indicators: e. g. severe financial difficulties of the debtor, breach of contract (default or delinquency in interest or principal payment) or concessions made for economic or contractual reasons in connection with financial difficulties of the debtor. As a result, such instruments are usually written off in full.

As this is forward-looking information, the general impairment model also uses CDS rates.

The Group recognises an impairment gain or loss for all financial assets with a corresponding adjustment of the carrying amount through a loan loss provision.

As of 30 September 2020, trade receivables were impaired in the amount of €86.2 m (prior year €55.5 m). The following overview shows a maturity analysis of the impairments.

Ageing structure of impairment of financial instruments classified as trade receivables

€ million	**30 Sep 2020** **Gross value**	**Impairment**	**Net value**	**Impairment ratio**
Trade receivables				
Not overdue	101.5	26.0	75.5	5 – 25 %
Overdue less than 30 days	32.3	5.8	26.5	10 – 30 %
Overdue 30 – 90 days	32.6	14.4	18.2	15 – 35 %
Overdue 91 – 180 days	15.7	3.7	12.0	20 – 45 %
Overdue more than 180 days	55.3	36.3	19.0	50 – 75 %
Total	**237.4**	**86.2**	**151.2**	

Ageing structure of impairment of financial instruments classified as trade receivables

€ million	30 Sep 2019 Gross value	Impairment	Net value	Impairment ratio
Trade receivables				
Not overdue	343.7	12.0	331.7	1 – 3 %
Overdue less than 30 days	136.7	4.1	132.6	3 %
Overdue 30 – 90 days	74.7	4.7	70.0	6 %
Overdue 91 – 180 days	38.2	2.7	35.5	7 – 10 %
Overdue more than 180 days	46.6	32.0	14.6	20 – 68 %
Total	**639.9**	**55.5**	**584.4**	

Impairments of lease receivables have developed as follows.

Ageing structure of impairment of financial instruments classified as lease receivables

€ million	Gross value	Impairment	Net value	Impairment ratio
				30 Sep 2020
Lease receivables				
Not overdue	37.6	24.1	13.5	5 – 25 %
Overdue less than 30 days	1.5	1.5	–	10 – 30 %
Overdue 30 – 90 days	1.5	1.5	–	15 – 35 %
Overdue 91 – 180 days	–	–	–	20 – 45 %
Overdue more than 180 days	–	–	–	50 – 75 %
Total	**40.6**	**27.1**	**13.5**	

Ageing structure of impairment of financial instruments classified as lease receivables

€ million	Gross value	Impairment	Net value	Impairment ratio
				30 Sep 2019
Lease receivables				
Not overdue	–	–	–	1 – 3 %
Overdue less than 30 days	–	–	–	3 %
Overdue 30 – 90 days	–	–	–	6 %
Overdue 91 – 180 days	–	–	–	7 – 10 %
Overdue more than 180 days	–	–	–	20 – 68 %
Total	**–**	**–**	**–**	

The following table shows the development of impairment losses on financial instruments in the category other receivables and assets.

Ageing structure of impairment of financial instruments classified as other receivables and assets

€ million	Gross value	Impairment	Net value	Impairment ratio
				30 Sep 2020
Other receivables and assets				
Not overdue	221.9	4.2	217.7	5 – 25 %
Overdue less than 30 days	0.9	–	0.9	10 – 30 %
Overdue 30 – 90 days	1.7	–	1.7	15 – 35 %
Overdue 91 – 180 days	0.8	–	0.8	20 – 45 %
Overdue more than 180 days	3.0	1.2	1.8	50 – 75 %
Total	**228.3**	**5.4**	**222.9**	

Ageing structure of impairment of financial instruments classified as other receivables and assets

€ million	Gross value	Impairment	Net value	Impairment ratio
				30 Sep 2019
Other receivables and assets				
Not overdue	149.6	0.3	149.3	1 – 3 %
Overdue less than 30 days	–	–	–	3 %
Overdue 30 – 90 days	–	–	–	6 %
Overdue 91 – 180 days	–	–	–	7 – 10 %
Overdue more than 180 days	–	–	–	20 – 68 %
Total	**149.6**	**0.3**	**149.3**	

Impairments of advances and loans have developed as follows:

Ageing structure of impairment of financial instruments classified as advances and loans

€ million	Gross value	Impairment	Net value
	30 Sep 2020		
Advances and loans			
Not overdue	132.4	57.1	75.3
Overdue less than 30 days	–	–	–
Overdue 30 – 90 days	–	–	–
Overdue 91 – 180 days	–	–	–
Overdue more than 180 days	1.9	1.2	0.7
Total	**134.3**	**58.3**	**76.0**

Ageing structure of impairment of financial instruments classified as advances and loans

€ million	Gross value	Impairment	Net value
	30 Sep 2019		
Advances and loans			
Not overdue	29.5	0.3	29.2
Overdue less than 30 days	–	–	–
Overdue 30 – 90 days	–	–	–
Overdue 91 – 180 days	–	–	–
Overdue more than 180 days	16.6	16.6	–
Total	**46.1**	**16.9**	**29.2**

For the material single items in the following table, the default risk on financial instruments classified as advances and loans and as other receivables is shown on the basis of an internal rating. There was a transfer of €6.2 m from – stage 1 to stage 2 in the category loans and advances to other companies in the course of the year, as the risk of default increased significantly during the past financial year following initial recognition due to the COVID-19-pandemic.

Default risk on financial instruments classified as advances and loans and as other receivables

€ million	30 Sep 2020 Impairment stage	Internal rating class	Gross value	Impairment	Net value	30 Sep 2019 Gross value	Impairment	Net value
Loans to related parties								
Advances and loans	1	1	–	–	–	40.6	–0.1	40.5
Advances and loans	1	2	12.0	–0.1	11.9	–	–	–
Advances and loans	2	2	28.1	–	28.1	–	–	–
Other receivables	1	2	65.3	–2.4	62.9	–	–	–
Loans to hotels								
Advances and loans	2	5	29.1	–1.8	27.3	29.7	–1.9	27.8
Loans to other companies								
Advances and loans	1	2	145.7	–0.3	145.4	–	–	–
Loans to other companies								
Other receivables	1	3	151.6	–2.2	149.4	–	–	–

Other financial assets carried at amortised cost at an amount of €14.9 m (prior year €31.1 m) relate to short-term deposits with banks. The full amount of these investments with a gross amount of €15.4 m (prior year €31.6 m) is not overdue. Impairments of €0.5 m (prior year €0.5 m) were carried in the framework of risk provisioning.

During financial year 2020, as in the prior year, there were no material payment inflows from impaired interest-bearing trade receivables and other financial assets.

The tables below show a reconciliation of the loan loss provisions for financial assets, measured at amortised cost, for which loan loss provisions are determined using the general approach or the simplified approach.

Change in risk provisions for financial assets measured at amortised cost in the following classes advances and loans, other receivables and assets and other financial assets

€ million	Stage 1 12-month-ECL	Stage 2 Lifetime-ECL (not impaired)	Total
Risk provisioning as at 1 Oct 2018	**19.1**	**5.6**	**24.7**
Addition of impairment on newly issued / acquired financial assets	1.3	–	1.3
Unused Impairments on financial assets derecognised during the period	0.9	3.8	4.7
Risk provisioning as at 30 Sep 2019	**19.5**	**1.8**	**21.3**
Risk provisioning as at 1 Oct 2019	**19.5**	**1.8**	**21.3**
Changes in the group of consolidated companies	0.7	–	0.7
Addition of impairment on newly issued / acquired financial assets	50.5	–	50.5
Transfer to	–	–	–
Stage 2 Lifetime-ECL (not impaired)	–3.1	3.1	–
Unused Impairments on financial assets derecognised during the period	1.4	0.1	1.5
Risk provisioning as at 30 Sep 2020	**66.2**	**4.8**	**71.0**

As at 30 September 2020, risk provisioning totals €10.0 m (prior year €2.0 m) for the other receivables and assets class and €0.5 m (prior year €0.5 m) for the other financial assets class as well as €60.4 m (prior year €18.8 m) for the advances and loans class.

As at 30 September 2020, no stage 3 instruments were recognised. There were no significant exchange differences. Changes in the group of consolidated companies in the amount of €0.7 m (prior year no change) and transfers in the class advances and loans from stage 1 to stage 2 in the amount of €3.1 m (prior year no transfers between stages 1–3, nor any other changes within given stages) took place.

No significant impairment losses have been recognised and the models have been adjusted to reflect the macroeconomic market environment in terms of the risk parameters used in terms of the loss rate. This resulted in additional risk provisions of €14.3 m.

Change in risk provisions for financial assets measured at amortised cost classified as trade receivables

€ million	Lifetime-ECL simplified approach
Risk provisioning as at 1 Oct 2018	**94.2**
Changes in the group of consolidated companies	–1.3
Addition of impairment on newly issued / acquired financial assets	19.7
Unrequired impairments on financial assets derecognised during the period	57.1
Risk provisioning as at 30 Sep 2019	**55.5**
Risk provisioning as at 1 Oct 2019	**55.5**
Exchange differences	–0.1
Changes in the group of consolidated companies	0.7
Addition of impairment on newly issued / acquired financial assets	51.7
Unrequired impairments on financial assets derecognised during the period	21.6
Risk provisioning as at 30 Sep 2020	**86.2**

Change in risk provisions for financial assets measured at amortised cost classified as lease receivables

€ million	Stage 3 Lifetime-ECL (impaired)
Risk provisioning as at 1 Oct 2019	**–**
Addition of impairment on newly issued / acquired financial assets	27.1
Risk provisioning as at 30 Sep 2020	**27.1**

The table of change in risk provisions for financial assets measured at amortised cost classified as lease relates primarily to lease receivables from an investment. For this receivable, which ist not overdue, there is objective evidence of impairment, against this background this receivable, which is not overdue, is reported in stage 3.

The tables below show a reconciliation of gross carrying amounts for financial assets measured at amortised cost:

Change in gross carrying amounts classified as advances and loans

€ million	Stage 1 12-month-ECL	Stage 2 Lifetime-ECL (not impaired)	**Total**
Gross carrying amounts as at 1 Oct 2018	**59.1**	**60.9**	**120.0**
Changes from receivables recognised or derecognised in the reporting period	28.2	–31.8	–3.6
Gross carrying amounts as at 30 Sep 2019	**87.3**	**29.1**	**116.4**
Gross carrying amounts as at 1 Oct 2019	**87.3**	**29.1**	**116.4**
Changes due to newly formed impairments on receivables	39.2	3.1	42.3
Changes due to reversed impairments on receivables	1.4	0.1	1.5
Changes in the group of consolidated companies	–0.6	–	–0.6
Transfer to Lifetime-ECL (Stage 2)	–6.2	6.2	–
Changes from receivables recognised or derecognised in the reporting period	229.5	43.5	273.0
Gross carrying amounts as at 30 Sep 2020	**285.8**	**63.4**	**349.2**

As of 30 September 2020, no instruments in the class advances and loans have been reported in stage 3. There were no changes or modifications. There have been transfers from stage 1 to stage 2 in the amount of €6.2 million (previous year no transfers between stages 1–3).

Change in gross carrying amounts classified as other receivables and assets and other financial assets

€ million	Stage 1 12-month-ECL	Stage 2 Lifetime-ECL (not impaired)	Total
Gross carrying amounts as at 1 Oct 2018	**287.3**	**–**	**287.3**
Changes from receivables recognised or derecognised in the reporting period	2.2	–	2.2
Gross carrying amounts as at 30 Sep 2019	**289.5**	**–**	**289.5**
Gross carrying amounts as at 1 Oct 2019	**289.5**	**–**	**289.5**
Changes due to newly formed impairments on receivables	8.0	–	8.0
Changes from receivables recognised or derecognised in the reporting period	179.1	–	179.1
Gross carrying amounts as at 30 Sep 2020	**460.6**	**–**	**460.6**

As of 30 September 2020, no instruments in the classes other receivables and assets and other financial assets have been reported in stage 3. There were no changes or modifications. There have been no transfers between stages 1 to 3 and no changes within stages (previous year: no transfers between stages 1 – 3). At the time of initial recognition no newly issued or purchased instruments had been credit-impaired.

Change in gross carrying amounts of assets classified as trade receivables

€ million	Lifetime-ECL simplified approach
Gross carrying amounts as at 1 Oct 2018	**640.0**
Changes in the group of consolidated companies	–1.1
Changes in receivables recognised or derecognised in the reporting period	1.1
Gross carrying amounts as at 30 Sep 2019	**640.0**
Gross carrying amounts as at 1 Oct 2019	**640.0**
Reclassification to impaired receivables	51.7
Reclassification from impaired receivables	21.3
Changes in receivables recognised or derecognised in the reporting period	–372.2
Gross carrying amounts as at 30 Sep 2020	**237.4**

Change in gross carrying amounts of assets classified as lease receivables

€ million	Stage 3 Lifetime-ECL (impaired)
Gross carrying amounts as at 1 Oct 2019	**–**
Reclassification to impaired receivables	27.0
Changes in receivables recognised or derecognised in the reporting period	67.5
Gross carrying amounts as at 30 Sep 2020	**40.5**

LIQUIDITY RISK

Liquidity risks arise from the TUI Group being unable to meet its short term financial obligations and the resulting increases in funding costs. The TUI Group has established an internal liquidity management system to secure TUI Group's liquidity at all times and consistently comply with contractual payment obligations. To that end, TUI Group's liquidity management system uses the opportunities of physical and virtual cash pooling for more efficient liquidity pooling. It also uses credit lines to compensate for the seasonal fluctuations in liquidity resulting from the tourism business. The core credit facility is a syndicated revolving credit facility with banks.

Due to the COVID-19-pandemic and the associated impacts on the tourism business, TUI Group's liquidity requirements have considerably increased. The previous revolving credit facility agreed with banks in the sum of € 1,750.0 m was initially increased by € 1,800 m to a total of € 3,550.0 m through a separate credit facility granted by KfW. In the framework of a second stabilisation package agreed with the German government prior to the balance sheet date, KfW's existing credit facility is increased by € 1.05 bn. It was further agreed that the Economic Stabilisation Fund (WSF) will subscribe to the Group's bond with warrants totalling € 150 m. In addition, a further stabilisation package was agreed at the beginning of December in order to increase existing liquidity reserves. Details on the increase to the credit facility and ,the bond with warrants and the further stabilisation package are presented in connection with the going-concern reporting in accordance with the UK Corporate Governance Code and the section Events after the balance sheet date.

As in the previous year, no material assets were deposited as collateral for liabilities. Moreover, the Group companies participating in the cash pool are jointly and severally liable for financial liabilities from cash pooling agreements.

The tables provided below list the contractually agreed (undiscounted) cash flows of all primary financial liabilities as at the balance sheet date. Planned payments for future new liabilities were not taken into account. Where financial liabilities have a floating interest rate, the forward interest rates fixed at the balance sheet date were used to determine future interest payments. Financial liabilities cancellable at any time are allocated to the earliest maturity band.

The analysis of cash flows from derivative financial instruments shows the contractually agreed (undiscounted) cash flows of foreign exchange hedges of all liabilities and receivables that existed at the balance sheet date. Derivative financial instruments used to hedge other price risks are included in the analysis with their agreed cash flows from all financial receivables and liabilities at the balance sheet date.

Cash flow of financial instruments – financial and lease liabilities (30 Sep 2020)

	Cash outflow until 30 Sep							
	up to 1 year		1 – 2 years		2 – 5 years		more than 5 years	
€ million	**repayment**	**interest**	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	–	– 7.9	– 300.0	– 28.5	–	–	–	–
Liabilities to banks	– 560.9	– 118.4	– 2,833.4	– 44.4	– 465.3	– 25.1	– 94.2	– 9.3
Other financial debt	– 16.3	–	–	–	–	–	–	–
Trade payables	– 1,611.5	–	–	–	–	–	–	–
Other financial liabilities	– 422.1	–	– 0.6	–	– 4.0	–	–	–
Lease liabilities	**– 687.3**	**– 88.4**	**– 652.8**	**– 91.0**	**– 1,040.7**	**– 111.5**	**– 1,019.1**	**– 134.2**

Cash flow of financial instruments – financial liabilities (30 Sep 2019)

	Cash outflow until 30 Sep							
	up to 1 year		1 – 2 years		2 – 5 years		more than 5 years	
€ million	repayment (adjusted)	interest (adjusted)	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	–	– 6.4	–	– 6.4	– 300.0	– 6.4	–	–
Liabilities to banks	– 74.9	– 7.2	– 68.4	– 7.5	– 322.5	– 16.7	– 404.2	– 6.3
Liabilities from finance leases*	– 130.5	– 44.7	– 152.6	– 39.6	– 505.7	– 85.7	– 706.4	– 46.9
Other financial debt	– 19.2	–	–	–	–	–	–	–
Trade payables	– 2,873.8	–	–	–	–	–	–	–
Other financial liabilities	– 63.4	–	– 7.3	–	– 1.5	–	– 4.3	–

* Financial liabilities include liabilities from finance leases for the last time as of 30 Sep 2019.

Cash flow of derivative financial instruments (30 Sep 2020)

€ million	Cash in-/outflow until 30 Sep			
	up to 1 year	1–2 years	2–5 years	more than 5 years
Derivative financial instruments				
Hedging transactions – inflows	+627.0	+59.8	–	–
Hedging transactions – outflows	–691.1	–60.7	–	–
Other derivative financial instruments – inflows	+2,152.8	+175.7	+83.6	–
Other derivative financial instruments – outflows	–2,390.7	–210.7	–100.8	–0.8

Cash flow of derivative financial instruments (30 Sep 2019)

€ million	Cash in-/outflow until 30 Sep			
	up to 1 year	1–2 years	2–5 years	more than 5 years
Derivative financial instruments				
Hedging transactions – inflows	+8,601.0	+983.4	+14.8	–
Hedging transactions – outflows	–8,415.0	–959.6	–38.9	–28.9
Other derivative financial instruments – inflows	+1,808.6	–	–	–
Other derivative financial instruments – outflows	–1,831.3	–	–	–

The derivative financial instruments carried as Other derivative financial instruments are derivatives not designated as hedging instruments according to IAS 39.

For further information for hedging strategies and risk management see also the remarks in the Risk Report section of the Management Report.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGES

STRATEGY AND GOALS

In accordance with the TUI Group's policy, derivatives are allowed to be used if they are based on underlying recognised assets or liabilities, firm commitments or forecast transactions. Hedge accounting based on the rules of IAS 39 is applied to forecasted transactions. In the completed financial year, hedges consisted of cash flow hedges.

Derivative financial instruments in the form of fixed-price transactions and options as well as structured products are used to limit currency, interest rate and fuel risks.

The COVID-19-pandemic significantly impacted business operations and the existing hedging strategy for currency risks and fuel price risks. It led to a temporary suspension of all travel operations and flight bans. As a result, the occurrence of numerous hedged underlying transactions can no longer be assessed as highly likely, causing a rapid decline in fuel price and currency hedge requirements and therefore requiring the prospective termination of these hedges.

For the hedges affected, occurrence of the underlying transactions can no longer be expected for a future point in time, either, so that all accrued amounts from the change in the value of the hedging instruments were reclassified from cash flow hedge reserve (OCI) to the cost of sales in the income statement. Accordingly, reclassifications of €–330.7 m (thereof €–211.9 m from hedges that were already recognised as hedging instruments in the previous year) from fuel price hedges and €97.9 m (thereof €19.6 m from hedges that were already recognised as hedging instruments in the previous year) from currency hedges that were affected during the financial year under review.

All future changes in the value of these de-designated hedges are taken to the cost of sales in the income statement through profit and loss and recognised as other derivative financial instruments from the date of the termination of the cash flow hedge accounting. As at 30 September 2020, the fair value of these reclassified fuel price hedges totalled €–93.3 m at a nominal volume of €230.6 m, while the fair value of the reclassified currency hedges totalled €11.8 m at a nominal volume of €1,625.1 m.

Furthermore, the strong increase in TUI's credit risk had a direct impact on the retrospective hedge effectiveness test. As a result, additional fuel price, interest rate and currency hedges had to be terminated as they no longer met the effectiveness requirements of IAS 39 and were outside the admissible 80–125 % effectiveness bandwidth as at 30 September 2020.

All future changes in the value of these de-designated hedges are also taken to the cost of sales respectively in the financial result in the case of interest rate hedges in the income statement through profit and loss and recognised as other derivative financial instruments from the date of the termination of the cash flow hedge accounting. As at 30 September 2020, the fair value of these reclassified fuel price hedges totalled €–97.1 m at a nominal value of €398.1 m, while the fair value of the interest rate hedges amounted to €–18.0 m at a nominal volume of €494.7 m and the fair value of currency hedges totalled €–3.1 m at a nominal volume of €221.2 m.

CASH FLOW HEDGES

At 30 September 2020, hedges existed to manage cash flows in foreign currencies with maturities of up to three years (previous year up to four years). The fuel price hedges had terms of up to one year (previous year up to four years). Hedges to protect variable interest payment obligations have terms of up to one year (previous year up to fourteen years). The impact on profit or loss for the period is at the time the expected cash inflow/outflow occurs.

Nominal amounts of derivative financial instruments used

30 Sep 2020

€ million	Remaining term up to 1 year	Remaining term more than 1 year	Total	Average hedged rate/price	Average hedging interest rate
Interest rate hedges					
Caps/Floors	–	–	–		–
Swaps	7.8	–	7.8		
Payer EUR	–	–	–		–
Payer USD	7.8	–	7.8		2.96
Currency hedges			–		
Forwards	1,381.2	75.3	1,456.5		
Forwards EUR/GBP	251.8	–	251.8	1.1395	
Forwards EUR/USD	436.8	71.3	508.1	0.8589	
Forwards GBP/USD	456.6	–	456.6	0.7692	
Forwards EUR/SEK	92.8	–	92.8	0.0939	
Other currencies	143.2	4.0	147.2		
Commodity hedges			–		
Swaps	114.1	–	114.1		
Jet fuel	103.7	–	103.7	517.64	
Marine fuel	10.3	–	10.3	481.90	
Other fuels	–	–	–	–	
Other derivative financial instruments	**4,816.2**	**956.4**	**5,772.6**		

Nominal amounts of derivative financial instruments used

30 Sep 2019

€ million	Remaining term up to 1 year	Remaining term more than 1 year	Total	Average hedged rate/price	Average hedging interest rate
Interest rate hedges					
Caps/Floors	–	175.5	175.5		–
Swaps	9.5	898.5	908.0		
Payer EUR	–	654.3	654.3		0.73
Payer USD	9.5	244.2	253.7		2.96
Currency hedges			–		
Forwards	8,430.9	1,113.3	9,544.2		
Forwards EUR/GBP	2,618.4	152.4	2,770.8	1.1151	
Forwards EUR/USD	1,878.9	511.6	2,390.5	0.8468	
Forwards GBP/USD	2,192.3	275.9	2,468.2	0.7732	
Forwards EUR/SEK	320.9	66.8	387.7	0.0952	
Other currencies	1,313.6	84.0	1,397.6		
Commodity hedges			–		
Swaps	1,036.2	219.4	1,255.6		
Jet fuel	907.6	165.3	1,072.9	593.08	
Marine fuel	90.5	54.1	144.6	484.96	
Other fuels	38.2	–	38.2	409.33	
Other derivative financial instruments	**2,217.1**	**201.2**	**2,418.3**		

Other derivative hedging instruments comprise the nominal values of hedges not designated for hedge accounting. TUI Group exclusively enters into derivative financial instruments for hedging purposes. Depending on the type of the hedged underlying transaction, TUI exercises the option to apply hedge accounting according to IAS 39. Due to the COVID-19-pandemic, a large number of hedges according to IAS 39 had to be terminated. Accordingly, the derivative financial instruments underlying these hedges are shown under Other derivative financial instruments.

The nominal values correspond to the total of all purchase and sale amounts underlying the transactions or the respective contract values of the transactions.

In order to hedge the risks of fluctuations in future cash flows from currency, interest rate and fuel price risks, TUI regularly enters into hedges. The planned transactions, i.e. the underlying transactions, are used to determine the ineffective portions of hedges designated as cash flow hedges. In designating cash flow hedges, only the spot rate component is included in hedge accounting as a hedge for some forward exchange transactions, while the interest component of these financial instruments is shown separately in all relevant tables under Other derivative financial instruments, in line with derivatives not designated as hedging instruments according to IAS 39.

Disclosures on underlying transactions of cash flow hedges

€ million	Fair Value changes to determine inefficient portions	Balance of hedging reserve of active cash flow hedges	Hedging reserve completed cash flow hedges
			30 Sep 2020
Interest rate risk hedges	0.2	– 0.1	– 33.5
Currency risk hedges	– 2.8	4.6	5.9
Fuel price risk hedges	46.5	– 43.5	–129.7
Hedging	**43.9**	**– 39.0**	**–157.3**
Other derivative financial instruments	**–**	**–**	**–**
Total	**43.9**	**– 39.0**	**–157.3**

Disclosures on underlying transactions of cash flow hedges

€ million	Fair Value changes to determine inefficient portions	Balance of hedging reserve of active cash flow hedges	Hedging reserve completed cash flow hedges
			30 Sep 2019
Interest rate risk hedges	42.5	– 42.3	4.1
Currency risk hedges	– 229.4	228.3	1.3
Fuel price risk hedges	79.6	–77.3	–
Hedging	**–107.3**	**108.7**	**5.4**
Other derivative financial instruments	**–**	**–**	**–**
Total	**–107.3**	**108.7**	**5.4**

In the case of fair value changes to determine inefficient portions, the signs of the amounts in the previous year's figures have been adjusted.

In accounting for cash flow hedges, the effective portions of the hedging relationships have to be recognised in OCI outside profit and loss. Any additional changes in the fair value of the designated components are recognised as ineffective portions in other operating income through profit and loss. The table below presents the development of OCI in financial year 2020.

Development of OCI

€ million	Interest rate risk	Currency risk	Fuel price risk	Total
				30 Sep 2020
Gain or loss from fair value changes of hedges within hedge accounting	– 33.6	10.5	–173.2	–196.3
recognised in equity	– 33.6	10.5	–173.2	–196.3
recognised in the income statement	–	–	–	–
Reclassification from cash flow hedge reserve to income statement	–7.5	130.2	– 373.8	– 251.1
Due to early termination of the hedge	– 4.0	38.2	– 234.4	– 200.2
Due to recognition of the underlying transaction	– 3.5	92.0	–139.4	– 50.9

Development of OCI

€ million	Interest rate risk	Currency risk	Fuel price risk	Total
				30 Sep 2019
Gain or loss from fair value changes of hedges within hedge accounting	– 42.3	228.3	–77.3	108.7
recognised in equity	– 42.3	228.3	–77.3	108.7
recognised in the income statement	–	–	–	–
Reclassification from cash flow hedge reserve to income statement	6.7	– 263.7	– 89.6	– 346.6
Due to early termination of the hedge	0.3	– 20.4	–	– 20.1
Due to recognition of the underlying transaction	6.4	– 243.3	– 89.6	– 326.5

In the reporting period, expense of € 47.4 m (previous year: expense of € 340.2 m) from currency hedges and derivative financial instruments used to hedge the impact of exposure to fuel price risks was recognised in the cost of sales. Interest rate hedges result in expenses of € 3.5 m (previous year: income of € 6.4 m), carried in net interest income. Income of € 0.6 m (previous year: income of € 1.4 m) was recognised for the ineffective portion of cash flow hedges.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments generally correspond to the market value. The market price determined for all derivative financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A description of the determination of the fair values of derivative financial instruments is provided with the classification of financial instruments measured at fair value.

Positive and negative fair values of derivative financial instruments shown as receivables or liabilities

€ million	Receivables	Liabilities	FV changes to determine ineffective portions	Nominal volume
				30 Sep 2020
Cash flow hedges for				
currency risks	22.3	17.7	4.6	1,456.5
fuel price risks	–	43.5	– 43.5	114.1
interest rate risks	–	0.1	– 0.1	7.8
Hedging	**22.3**	**61.3**	**– 39.0**	**1,578.4**
Other derivative financial instruments	**74.0**	**257.5**	**–**	**5,772.5**
Total	**96.3**	**318.8**	**– 39.0**	**7,350.9**

Positive and negative fair values of derivative financial instruments shown as receivables or liabilities

€ million	Receivables	Liabilities	FV changes to determine ineffective portions	Nominal volume
				30 Sep 2019
Cash flow hedges for				
currency risks	278.2	49.9	228.3	9,544.2
fuel price risks	6.2	83.5	–77.3	1,255.6
interest rate risks	1.9	44.2	– 42.3	908.0
Hedging	**286.3**	**177.6**	**108.7**	**11,707.8**
Other derivative financial instruments	**61.4**	**38.6**	**–**	**2,418.3**
Total	**347.7**	**216.2**	**108.7**	**14,126.1**

Financial instruments which are entered into in order to hedge a risk position according to operational criteria but do not meet the criteria of IAS 39 to qualify for hedge accounting are shown as other derivative financial instruments. They include foreign currency transactions entered into in order to hedge against foreign exchange-exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in tourism.

FINANCIAL INSTRUMENTS – ADDITIONAL DISCLOSURES

CARRYING AMOUNTS AND FAIR VALUES

Where financial instruments are listed in an active market, e. g. shares held and bonds issued, the fair value or market value is the respective quotation in this market at the balance sheet date. For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the respective credit spread, which depends on the credit rating.

In financial year 2020, the fair values of other current receivables, current liabilities to banks and other financial liabilities were determined in contrast to the past financial year, taking into account yield curves and the respective credit risk premium (credit spread) based on credit rating. As a result, the assumption that the carrying amount approximately corresponds to the fair value due to the short remaining term which has been adjusted to the current market conditions due to the COVID-19-pandemic.

The fair values of non-current trade receivables and for parts of current other receivables and current other financial assets as well as cash and cash equivalents, current other financial liabilities and trade payables correspond to the present values of the cash flows associated with the assets, taking account of current interest parameters which reflect market and counterparty-related changes in terms and expectations. In the case of cash and cash equivalents, current trade receivables, other financial assets and current trade payables, the carrying amount approximates the fair value due to the short remaining term.

The table below shows the reconciliation of the balance sheet items to the financial instrument categories by carrying amount and fair value of the financial instruments.

Carrying amounts and fair values according to classes and measurement categories according to IFRS 9 as at 30 Sep 2020

		Category according to IFRS 9				
€ million	**Carrying amount**	At amortised cost	Fair value with no effect on profit and loss without recycling	Fair value with no effect on profit and loss with recycling	Fair value through profit and loss	Fair value of financial instruments
Assets						
Trade receivables and other receivables						
thereof instruments within the scope of IFRS 9	875.2	875.2	–	–	–	847.1
thereof instruments within the scope of IFRS 16	13.5	–	–	–	–	39.2
Derivative financial instruments						
Hedging transactions	22.3	–	–	22.3	–	22.3
Other derivative financial instruments	74.0	–	–	–	74.0	74.0
Other financial assets	25.5	14.9	8.5	–	2.1	25.5
Cash and cash equivalents	1,233.1	1,233.1	–	–	–	1,233.1
Liabilities						
Financial liabilities	4,269.0	4,291.4	–	–	–	4,022.8
Trade payables	1,611.5	1,611.5	–	–	–	1,611.5
Derivative financial instruments						
Hedging transactions	61.3	–	–	61.3	–	61.3
Other derivative financial instruments	257.5	–	–	–	257.5	257.5
Other financial liabilities	429.2	431.3	–	–	–	430.8

Carrying amounts and fair values according to classes and measurement categories according to IFRS 9 as at 30 Sep 2019

€ million	Carrying amount	Category according to IFRS 9: At amortised cost	Fair value with no effect on profit and loss without recycling	Fair value with no effect on profit and loss with recycling	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Trade receivables and other receivables	937.4	939.7[1]	–	–	–	–	939.7[1]	937.3[1]
Derivative financial instruments								
Hedging transactions	286.3	–	–	286.3	–	–	286.3	286.3
Other derivative financial instruments	61.4	–	–	–	64.3[2]	–	64.3[2]	64.3[2]
Other financial assets	74.1	31.2	42.0	–	0.9	–	74.1	74.1
Cash and cash equivalents	1,741.5	1,747.6[3]	–	–	–	–	1,747.6[3]	1,747.6[3]
Liabilities								
Financial liabilities	2,682.2	1,187.0	–	–	–	1,495.2	1,187.0	1,202.6
Trade payables	2,873.9	2,908.0[4]	–	–	–	–	2,908.0[4]	2,908.0[4]
Derivative financial instruments								
Hedging transactions	177.6	–	–	177.6	–	–	177.6	177.6
Other derivative financial instruments	38.6	–	–	–	38.6	–	38.6	38.6
Other financial liabilities	108.4	108.4	–	–	–	–	108.4	108.4

[1] Changed by € 2.3 m compared to the published TUI Group's consolidated financial statements for financial year 2019.
[2] Changed by € 2.9 m compared to the published TUI Group's consolidated financial statements for financial year 2019.
[3] Changed by € 6.1 m compared to the published TUI Group's consolidated financial statements for financial year 2019.
[4] Changed by € 34.1 m compared to the published TUI Group's consolidated financial statements for financial year 2019.

The amounts shown in the column 'carrying amount' (as shown in the balance sheet) in the tables above can differ from those in the other columns of a particular row since the latter include all financial instruments. That is the latter columns include financial instruments which are part of disposal groups according to IFRS 5. In the balance sheet, financial instruments, which a part of a disposal group, are shown in separate items. Please refer to the sections 'Assets held for sale' and 'Liabilities related to assets held for sale' for more details concerning these financial instruments.

Moreover, the amounts listed in this section as at 30 September 2019 as a footnote in the table above: carrying amounts and fair values according to classes and measurement categories according to IFRS 9 as at 30 September 2019 had to be adjusted by the amounts in the footnotes, as financial instruments which were part of disposal groups in accordance with IFRS 5 have not been included in the disclosures. For all instruments carried at amortised cost the fair value corresponds to the carrying amount.

The instruments measured at fair value through other comprehensive income within the other financial assets class are investments in companies based on medium to long-term strategic objectives. Recording all short-term fluctuations in the fair value in the income statement would not be in line with TUI Group's strategy; these equity instruments were therefore designated as at fair value through OCI.

The financial instruments classified as other financial assets include stakes in partnerships and corporations. In total, the fair value of these financial investments as of 30 September 2020 amounts to € 8.5 m (previous year € 42.0 m). There were disposals of stakes in partnerships or corporations amounting to € 3.5 m (previous year € 35.4 m) which were measured at fair value, as part of their first consolidation. Any reclassifications of the cumulative gains and losses of these assets amounting to € 0.4 m (previous year € 1.6 m) result from the change of the group of consolidated companies. None of these strategic financial investments were sold in the completed financial year. The dividends received from these financial investments amount to € 0.6 m (previous year € 1.1 m).

Aggregation according to measurement categories under IFRS 9 as at 30 Sep 2020

€ million	**Carrying amount of financial instruments Total**	Fair Value
Financial assets		
at amortised cost	2,123.2	2,095.0
at fair value – recognised directly in equity without recycling	8.5	8.5
at fair value – through profit and loss	76.1	76.1
Financial liabilities		
at amortised cost	6,334.1	6,065.0
at fair value – through profit and loss	257.5	257.5

Aggregation according to measurement categories under IFRS 9 as at 30 Sep 2019

€ million	Carrying amount of financial instruments Total	Fair Value
Financial assets		
at amortised cost	2,718.5[1]	2,716.1[1]
at fair value – recognised directly in equity without recycling	42.0	42.0
at fair value – through profit and loss	65.2[2]	65.2[2]
Financial liabilities		
at amortised cost	4,203.4[3]	4,219.0[3]
at fair value – through profit and loss	38.6	38.6

[1] Changed by €8.4 m compared to the published TUI Group's consolidated financial statements for financial year 2019.
[2] Changed by €2.9 m compared to the published TUI Group's consolidated financial statements for financial year 2019.
[3] Changed by €34.1 m compared to the published TUI Group's consolidated financial statements for financial year 2019.

FAIR VALUE MEASUREMENT

The table below presents the fair values of recurring, non-recurring and other financial instruments measured at fair value in line with the underlying measurement level. The individual measurement levels have been defined as follows in line with the inputs:

- Level 1: (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs for the measurement other than quoted market prices included within level 1 that are observable in the market for the asset or liability, either directly (as quoted prices) or indirectly (derivable from quoted prices).
- Level 3: inputs for the measurement of the asset or liability not based on observable market data.

Hierarchy of financial instruments measured at fair value as at 30 Sep 2020

		Fair value hierarchy		
€ million	**Total**	Level 1	Level 2	Level 3
Assets				
Other financial assets	10.6	–	–	10.6
Derivative financial instruments				
Hedging transactions	22.3	–	22.3	–
Other derivative financial instruments	74.0	–	74.0	–
Liabilities				
Derivative financial instruments				
Hedging transactions	61.3	–	61.3	–
Other derivative financial instruments	257.5	–	257.5	–

Hierarchy of financial instruments measured at fair value as of 30 Sep 2019

		Fair value hierarchy		
€ million	Total	Level 1	Level 2	Level 3
Assets				
Other financial assets	42.9	–	–	42.9
Derivative financial instruments				
Hedging transactions	286.3	–	286.3	–
Other derivative financial instruments	64.3*	–	64.3*	–
Liabilities				
Derivative financial instruments				
Hedging transactions	177.6	–	177.6	–
Other derivative financial instruments	38.6	–	38.6	–

*Changed by €2.9 m compared to the published TUI Group's consolidated financial statements for financial year 2019.

At the end of every reporting period, TUI Group checks whether there are any reasons for reclassification to or from one of the measurement levels. Financial assets and financial liabilities are generally transferred out of level 1 into level 2 if the liquidity and trading activity no longer indicate an active market. The opposite situation applies to potential transfers out of level 2 into level 1. In the reporting period, there were no transfers between level 1 and level 2.

Reclassifications from level 3 to level 2 or level 1 are made if observable market price quotations become available for the asset or liability concerned. In financial 2019 there were no other transfers from or to level 3. The TUI Group records transfers from or to level 3 at the date of the obligating event or occasion triggering the transfer.

LEVEL 1 FINANCIAL INSTRUMENTS

The fair value of financial instruments for which an active market exists is based on quoted prices at the reporting date. An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency and these prices represent actual and regularly occurring market transactions on an arm's length basis. These financial instruments are classified as level 1. The fair values correspond to the nominal amounts multiplied by the quoted prices at the reporting date. Level 1 financial instruments primarily comprise shares in listed companies classified as at fair value through OCI and bonds issued classified as financial liabilities at amortised cost.

LEVEL 2 FINANCIAL INSTRUMENTS

The fair values of financial instruments not traded in an active market, e. g. over-the-counter (OTC) derivatives, are determined by means of valuation techniques. These valuation techniques make maximum use of observable market data and minimise the use of Group-specific assumptions. If all essential inputs for the determination of the fair value of an instrument are observable, the instrument is classified as level 2.

If one or several key inputs are not based on observable market data, the instrument is classified as level 3.

The following specific valuation techniques are used to measure financial instruments:

- For over-the-counter bonds, liabilities to banks, promissory notes and other financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the respective credit spread, which depends on the credit rating.
- The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e. g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The fair values of optional hedges are calculated on the basis of option pricing models. The fair values determined on the basis of the Group's own systems are periodically compared with fair value confirmations of the external counterparties.
- Other valuation techniques, e. g. discounting future cash flows, are used to determine the fair values of other financial instruments.

LEVEL 3 FINANCIAL INSTRUMENTS

The table below presents the fair values of the financial instruments measured at fair value on a recurring basis, classified as level 3:

Financial assets measured at fair value in level 3

€ million	Other financial assets IFRS 9
Balance as at 30 Sep 2018	**26.7**
First-time adoption IFRS 9	50.4
Balance as at 1 Oct 2018	**77.1**
Disposals	– 35.7
sale	– 0.3
consolidation	– 35.4
Total gains or losses for the period	1.5
recognised through profit and loss	– 0.7
recognised in other comprehensive income	2.2
Balance as at 30 Sep 2019	**42.9**
Balance as at 1 Oct 2019	**42.9**
Disposals	– 3.5
consolidation	– 3.5
Total gains or losses for the period	– 28.8
recognised through profit and loss	– 1.1
recognised in other comprehensive income	– 27.7
Balance as at 30 Sep 2020	**10.6**

EVALUATION PROCESS

The fair value of financial instruments in level 3 has been determined by TUI Group's financial department using the discounted cash flow method. This involves the market data and parameters required for measurement being compiled or validated. Non-observable input parameters are reviewed on the basis of internally available information and updated if necessary.

In principle, the unobservable input parameters relate to the following parameters; the (estimated) EBITDA margin is in a range between –13 % and 22 %. The constant growth rate is 1 %. The weighted average cost of capital (WACC) is in a range between 8.6 % – 9.9 %. Due to materiality, no detailed prior-year figures have been provided. With the exception of the WACC, there is a positive correlation between the input factors and the fair value.

The reduction in the fair values of financial instruments in level 3 mainly resulted from a € 21.1 m decrease in the fair value of the shares of Peakwork AG. This reduction is due to a new assessment of Peakwork AG which is below previous forecasts as a result of the COVID-19-pandemic.

EFFECTS ON RESULTS

The effects of remeasuring of financial assets carried at fair value through OCI as well as the effective portions of changes in fair values of derivatives designated as cash flow hedges are listed in the statement of changes in equity.

The net results of the financial instruments by measurement category according to IFRS 9 are as follows:

Net results of financial instruments

€ million	2020 from interest	2020 other net results	2020 net result
Financial assets	24.7	–193.4	–168.7
at amortised cost	15.0	–193.2	–178.2
at fair value through profit or loss	9.7	– 0.2	9.5
Financial liabilities	–17.4	– 402.6	– 420.0
at amortised cost	–17.4	– 24.2	– 41.6
at fair value through profit or loss	–	– 378.4	– 378.4
Total	**7.3**	**– 596.0**	**– 588.7**

Net results of financial instruments

€ million	2019 from interest	2019 other net results	2019 net result
Financial assets	19.4	62.1	81.5
at amortised cost	9.5	56.3	65.8
at fair value through profit or loss	–	5.8	5.8
Financial liabilities	– 41.2	76.5	35.3
at amortised cost	– 41.2	– 5.4	– 46.6
at fair value through profit or loss	–	81.9	81.9
Total	**– 21.8**	**138.6**	**116.8**

NETTING

The following financial assets and liabilities are subject to contractual netting arrangements:

Offsetting of financial assets

€ million	Gross amounts of financial assets	Gross amounts of financial liabilities set off	Net amounts of financial assets set off, presented in the balance sheet	Financial assets and liabilities not set off in the balance sheet: Financial liabilities	Financial assets and liabilities not set off in the balance sheet: Collateral received	Net amount
Financial assets as at 30 Sep 2020						
Derivative financial assets	96.3	–	96.3	13.7	–	82.6
Cash and cash equivalents	1,571.5	338.4	1,233.1	–	–	1,233.1
Financial assets as at 30 Sep 2019						
Derivative financial assets	347.7	–	347.7	212.1	–	135.6
Cash and cash equivalents	4,594.1	2,852.6	1,741.5	–	–	1,741.5

Offsetting of financial liabilities

€ million	Gross amounts of financial liabilities	Gross amounts of financial assets set off	**Net amounts of financial liabilities set off, presented in the balance sheet**	Financial assets and liabilities not set off in the balance sheet: Financial assets	Collateral granted	Net amount
Financial liabilities as at 30 Sep 2020						
Derivative financial liabilities	318.8	–	318.8	13.7	–	305.1
Financial liabilities	4,607.4	338.4	4,269.0	–	–	4,269.0
Financial liabilities as at 30 Sep 2019						
Derivative financial liabilities	216.2	–	216.2	212.1	–	4.1
Financial liabilities	5,534.8	2,852.6	2,682.2	–	–	2,682.2

Financial assets and financial liabilities are only netted in the balance sheet if a legally enforceable right to netting exists and the Company concerned intends to settle on a net basis.

The contracts for financial instruments are based on standardised master agreements for financial derivatives (including ISDA Master Agreement, German master agreement for financial derivatives), creating a conditional right to netting contingent on defined future events. Under the contractual agreements all derivatives contracted with the corresponding counterparty with positive or negative fair values are netted in that case, resulting in a net receivable or payable in the amount of the balance. As this conditional right to netting is not enforceable in the course of ordinary business transactions and thus the criteria for netting is not met, the derivative financial assets and liabilities are carried at their gross amounts in the balance sheet at the reporting date.

Financial assets and liabilities in the framework of the cash pooling scheme are shown on a net basis if there is a right to netting in ordinary business transactions and the Group intends to settle on a net basis.

(41) Capital management

TUI Group's capital management ensures that our goals and strategies can be achieved in the interest of our share- / bond- and credit-holders as well as other stakeholders. The primary objectives of the Group are as follows:

- Ensuring sufficient liquidity for the Group
- Profitable growth and a sustainable increase in TUI Group's value
- Strengthening our cash generation allowing to invest, pay dividends and strengthen the balance sheet
- Maintaining sufficient debt capacity and an at least unchanged credit rating

In financial year 2020, the travel restrictions triggered by the COVID-19-pandemic had a strong negative impact on the Group's earnings and liquidity development from the end of the second quarter onwards. Due to the reasons described above, the TUI Group had a liquidity requirement in financial year 2020 that was significantly higher than the cash inflows resulting from current operations and the existing unused credit lines, despite the initiated savings measures. In order to close these liquidity gaps, additional credit lines totaling €2.85 bn were granted in addition to the cost-cutting and payment deferral measures initiated within the Group and regional support measures in various countries.

The support and stabilization package is described in detail in the section on going concern reporting in accordance with the UK Corporate Governance Code, page 152.

Management variables used in capital management to measure and control the above objectives are Return On Invested Capital (ROIC) and the leverage ratio, presented in the table below.

The TUI Group applies IFRS 16 as of 1 October 2019. The figures for the comparative prior-year period have not been adjusted. Starting in the 2020 financial year, we therefore calculate the leverage ratio in a slightly modified form as the ratio of gross financial debt (+€4,269.0 m) + lease liabilities (+€3,399.9 m) + recognized obligations from defined benefit pension plans (+€651.7 m) to reported EBITDA (IFRS 16) (–€1,355.0 m). In the financial year, EBITDAR (IAS 17) amounted to –€1,436.0 m.

In the previous year, it was calculated as follows: The leverage ratio was calculated as the ratio of gross financial debt (+€2,682.2 m) + discounted financial obligations from operating rental, lease and charter agreements (+€2,579.6 m) + recognized obligation from defined benefit pension plans (+€758.0 m) calculated on the basis of the reported EBITDAR (IAS 17) (€1,990.4 m).

Due to the negative EBITDA, the negative leverage ratio calculated for financial year 2020 is not a meaningful indicator. Our medium-term objective is to return to a leverage ratio of below 3.0x.

TUI Group's financial and liquidity management for all Group subsidiaries is centrally operated by TUI AG, which acts as the Group's internal bank. Financing and refinancing requirements, derived from the multi-year finance budget, are satisfied by the timely conclusion of appropriate financing instruments. The short-term liquidity reserve is safeguarded by syndicated credit facilities, bilateral bank loans and liquid funds. Moreover, through intra-Group cash pooling the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies.

Key figures of capital risk management

€ million	**2020**	2019 adjusted
Ø Invested Capital	7,134.8	5,777.6
Underlying EBIT (IAS 17)	– 3,032.8	893.5
ROIC (IAS 17)	**– 42.5 %**	**15.5 %**
Leverage Ratio (IFRS 16) (Previous year IAS 17)	**– 6.1**	**3.0**

Reconciliation to EBITDAR (IAS 17)

€ million	**2020**	2019 adjusted
EBIT (IFRS 16, previous year IAS 17)*	**– 2,927.4**	**768.7**
Amortisation (+) / write-backs (–) of other intangible assets and depreciation (+) / write-backs (–) of property, plant and equipment (IFRS 16)	1,504.4	–
Impairment of goodwill (IFRS 16)	68.1	–
Amortisation (+) / write-backs (–) of other intangible assets and depreciation (+) / write-backs (–) of property, plant and equipment (IAS 17)	–	508.8
EBITDA (IFRS 16)	– 1,355.0	–
Adjustments IAS 17 / IFRS 16 (IFRS 16 impact)	– 645.5	–
EBITDA (IAS 17)	**– 2,000.5**	**1,277.5**
Long-term rental, leasing and leasing expenses (IAS 17)	564.5	712.9
EBITDAR (IAS 17)	**–1,436.0**	**1,990.4**

* The reconciliation from EBIT (IFRS 16) to earnings before income taxes is shown in the segment reporting.

Notes on the Cash Flow Statement

The cash flow statement shows the flow of cash and cash equivalents on the basis of a separate presentation of cash inflows and outflows from operating, investing and financing activities. The effects of changes in the group of consolidated companies and of foreign currency translation are eliminated. Having transitioned to IFRS 16, all leases are carried as right-of-use assets and lease liabilities in the statement of financial position. As a result, most payments for leases are no longer carried in the cash outflow from operating activities, but in the cash outflow from financing activities as interest payments and repayments of lease liabilities.

In the period under review, cash and cash equivalents declined by € 514.5 m to € 1,233.1 m. The balance sheet item 'Assets held for sale' does not include any cash and cash equivalents (previous year € 6.1 m).

(42) Cash outflow / cash inflow from operating activities

Based on the Group result after tax, the cash flow from operating activities is derived using the indirect method. In the completed financial year, the cash outflow from operating activities totalled € – 2,771.9 m (previous year €+1,114.9 m). The cash outflow includes interest payments of € 25.1 m (previous year € 37.8 m) and dividends of € 7.7 m (previous year € 245.8 m). Income tax payments resulted in a cash inflow of € 56.1 m (previous year € – 117.5 m).

(43) Cash inflow / cash outflow from investing activities

In financial year 2020, the cash inflow from investing activities totalled € 161.8 m (previous year € – 1,141.4 m). This amount includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of € 587.0 m (previous year € 987.0 m), including € 2.5 m for interest capitalised as borrowing costs (previous year € 4.0 m). The Group also recorded a cash inflow of € 109.9 m (previous year € 182.0 m) from the sale of property, plant and equipment and intangible assets. In addition, investing activities include a cash inflow of € 689.3 m in connection with the sale of interests in consolidated companies, including € 646.0 m for the divestment of Hapag-Lloyd Kreuzfahrten. A cash inflow of € 62.5 m was recorded from the sale of interests in two associated companies. Further cash outflows relate to the acquisition of a hotel company and several travel agencies (€ 40.8 m), the acquisition of interests in a joint venture (€ 0.5 m) and capital increases by joint ventures and associates (€ 88.1 m). A cash inflow of € 16.6 m related to the termination of short-term interest-bearing investments.

(44) Cash inflow / cash outflow from financing activities

The cash inflow from financing activities totalled € 2,112.5 m (previous year outflow of € 763.8 m). In the period under review, TUI AG recorded a cash inflow of € 3,302.4 m from its syndicated credit facility after deduction of capital procurement costs. Other TUI Group companies took out loans worth € 70.0 m. A cash outflow of € 693.8 m was used to repay financial liabilities, including € 612.4 m for lease liabilities. In the reporting period, a cash outflow of € 251.9 m related to interest payments (previous year € 117.9 m). A cash outflow of € 318.1 m related to dividend payments to TUI AG shareholders and a further outflow of € 0.6 m related to dividend payments to minority share-holders. A cash inflow of € 7.1 m resulted from the issue of employee shares. An amount of € 1.0 m was used to purchase shares transferred to TUI Group employees under the oneShare employee share programme. A further cash outflow of € 1.6 m related to increasing the stake in a consolidated company.

(45) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i. e. cash in hand, bank balances and cheques.

Cash and cash equivalents declined by € 17.0 m (previous year € 10.1 m) due to foreign exchange effects.

Other Notes

(46) Significant events after balance sheet date

On 12 August 2020, TUI AG and the KfW reached an agreement to increase the tranche of KfW of the existing RCF by € 1,050.0 m to € 2,850.0 m. The lenders of the other tranches of the existing RCF agreed as well. Their tranches remain unchanged. The drawing of the additional € 1,050.0 m is subject to the issuance of a convertible bond to the Economic Stabilisation Fund (WSF) in the amount of € 150.0 m and a waiver of a financial covenant (interest coverage ratio) by the bondholders of the Senior Notes due in October 2021.

On 1 October 2020 TUI AG issued a warrant bond to the WSF. The warrant bond has an initial term of six years and is split up into 1,500 bonds. The bond would bear interest at a rate of 9.5 % p. a. TUI AG has a termination right once the € 1,050.0 m KfW tranche is redeemed and terminated. The bond was used to issue separable warrants. The conversion price per share was set at the minimum amount of € 2.56. The options have a term of 10 years and can be converted into TUI AG shares at any time.

Until the WSF has sold all warrant bonds to a third party or TUI has satisfied all payment obligations in respect of the warrant bonds (or a combination of these two options has occurred), the terms of the documentation related to the warrant bonds restrict or forbid certain activities of TUI Group;

- dividend payments of TUI AG;
- buy back of shares or capital decreases if not intended for a financial restructuring;
- the way we may remunerate board members of TUI AG;
- restrict our ability to purchase or make investments in other companies or expand our business;

The amendments to the terms and conditions of the Senior Notes worth € 300.0 m maturing in October 2021 took effect from 16 October 2020. As a result, TUI AG's obligation to comply with a certain interest cover has been suspended until the maturity date. In return, the coupon was increased to 9.5 % p. a. from 1 October 2020. An additional interest payment of 2.0 % of the outstanding nominal amount of the Senior Notes per quarter is due from 1 April 2021. TUI AG has also committed to an early redemption of the Senior Notes, in full or in part, from certain additional funds raised by TUI AG provided that such funds raised by TUI AG amount to at least € 150.0 m. This agreement does not affect funding taken out under government aid or support measures, from leases or from sale-and-leaseback agreements.

Accordingly in October 2020 both conditions are met so that TUI can raise further liquidity from the increase of the KfW tranche.

TUI AG has agreed with Unifirm Ltd., a syndicate of underwriting banks, KfW and the Economic Support Fund (Wirtschaftsstabilisierungsfonds – WSF) on a further financing package of € 1.8 billion for TUI. A corresponding termsheet was signed on December 2, 2020. The corresponding contracts for the individual components of the termsheet had not yet been signed at the time of publication of this report. The package includes both the provision of financial liability and of equity. For further information we refer to the section 'Going concern reporting according to the UK Corporate Governance Code'.

(47) Services of the auditors of the consolidated financial statements

TUI AG's consolidated financial statements have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft. Since financial year 2017, Dr Hendrik Nardmann has been the auditor in charge. Total expenses for the services provided by the auditors of the consolidated financial statements in financial year 2020 break down as follows:

Services of the auditors of the consolidated financial statements

€ million	**2020**	2019
Audit fees for TUI AG and subsidiaries in Germany	3.3	3.2
Audit fees	**3.3**	**3.2**
Review of interim financial statements	0.8	1.6
Other certification services (mainly in connection with comfort letters)	0.5	0.1
Other certification services	**1.3**	**1.7**
Total	**4.6**	**4.9**

(48) Remuneration of Executive and Supervisory Board members acc. to § 314 HGB

In the completed financial year, the remuneration paid to Supervisory Board members totalled € 3,372.7 k (previous year € 3,890.0 k).

Pension payments for former Executive Board members or their surviving dependants totalled € 6,055.3 k (previous year € 6,016.0 k) in the completed financial year. Pension obligations for former Executive Board members and their surviving dependants amounted to € 73,483.7 k (previous year € 79,767.9 k) at the balance sheet date.

Additional information of the relevant amounts for individual Board members and further details on the remuneration system are provided in the Remuneration Report included in the Management Report.

(49) Use of exemption provision

The following German subsidiaries fully included in consolidation made use of the exemption provision in accordance with section 264 (3) of the German Commercial Code (HGB):

Use of exemption provisions

DEFAG Beteiligungsverwaltungs GmbH I, Hanover	TUI Aviation Holding GmbH, Hanover
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	TUI Beteiligungs GmbH, Hanover
FIRST Travel GmbH, Hanover	TUI Business Services GmbH, Hanover
Flyloco GmbH, Rastatt	TUI Customer Operations GmbH, Hanover
Last-Minute-Restplatzreisen GmbH, Rastatt	TUI Deutschland GmbH, Hanover
Leibniz-Service GmbH, Hanover	TUI Group Services GmbH, Hanover
l'tur GmbH, Rastatt	TUI-Hapag Beteiligungs GmbH, Hanover
MEDICO Flugreisen GmbH, Rastatt	TUI Hotel Betriebsgesellschaft mbH, Hanover
MSN 1359 GmbH, Hanover	TUI Immobilien Services GmbH, Hanover
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	TUI InfoTec GmbH, Hanover
Robinson Club GmbH, Hanover	TUI Insurance Services GmbH, Hanover
TICS GmbH Touristische Internet und Call Center Services, Rastatt	TUI Leisure Travel Service GmbH, Neuss
TLT Urlaubsreisen GmbH, Hanover	TUI Magic Life GmbH, Hanover
TUI 4 U GmbH, Bremen	TUIfly GmbH, Langenhagen
TUI aqtiv GmbH, Hanover	TUIfly Vermarktungs GmbH, Hanover
TUI Aviation GmbH, Hanover	

(50) Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are shown in the list of shareholdings published in the Federal Gazette (www.bundesanzeiger.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Financial obligations from order commitments vis-à-vis related parties primarily relate to the purchasing of hotel services.

Transactions with related parties

€ million	2020	2019
Services provided by the Group		
Management and consultancy services	76.5	132.9
Sales of tourism services	58.3	134.4
Other services	3.7	0.5
Total	**138.5**	**267.8**
Services received by the Group		
Rental and leasing agreements	16.8	39.1
Purchase of hotel services	197.5	427.8
Distribution services	6.3	4.2
Other services	6.1	17.0
Total	**226.7**	**488.1**

Transactions with related parties

€ million	2020	2019
Services provided by the Group to		
non-consolidated Group companies	0.4	0.5
joint ventures	49.0	110.6
associates	48.2	86.7
other related parties	40.9	70.0
Total	**138.5**	**267.8**
Services received by the Group from		
non-consolidated Group companies	0.3	1.0
joint ventures	169.2	363.4
associates	49.8	105.9
other related parties	7.4	17.8
Total	**226.7**	**488.1**

Transactions with joint ventures and associates are primarily effected in the Tourism segment. They relate in particular to the tourism services of the hotel companies used by the Group's tour operators.

In accordance with IAS 24, all transactions with related parties were executed on an arm's length basis as would be customary with third parties outside the Group.

In April 2020, RIUSA II S.A. sold Nakheel Riu Deira Islands Hotel FZCO for €63.0 m to the joint venture Riu Hotels S.A. In July 2020, TUI Group transferred its subsidiary Hapag-Lloyd Kreuzfahrten and the cruise ships operated by the cruise line to the joint venture TUI Cruises. For details of the transaction, we refer to the section 'Divestments'.

Receivables against related parties

€ million	30 Sep 2020	30 Sep 2019
Trade receivables from		
non-consolidated Group companies	–	0.1
joint ventures	6.2	15.6
associates	5.6	78.0
other related parties	3.2	0.8
Total	**15.0**	**94.5**
Advances and loans to		
non-consolidated Group companies	0.1	–
joint ventures	39.6	56.2
associates	60.0	5.9
Total	**99.7**	**62.1**
Payments on account to		
joint ventures	28.6	30.1
Total	**28.6**	**30.1**
Other receivables from		
non-consolidated Group companies	1.7	1.3
joint ventures	87.9	12.1
associates	1.7	3.1
other related parties	34.3	34.3
Total	**125.6**	**50.8**

Payables due to related parties

€ million	30 Sep 2020	30 Sep 2019
Trade payables due to		
non-consolidated Group companies	0.1	0.2
joint ventures	23.2	29.0
associates	7.5	21.7[1]
other related parties	–	0.2
Total	**30.8**	**51.1**
Financial liabilities due to		
non-consolidated Group companies	0.5	0.3
joint ventures	134.6	137.1
Total	**135.1**	**137.4**
Other liabilities due to		
non-consolidated Group companies	5.3	5.7
joint ventures	6.9	17.8
associates	3.8	4.9[1]
key management personnel	3.2	3.4
Total	**19.2**	**31.8**

[1] Prior year adjusted

Financial liabilities to joint ventures included liabilities from leases of € 134.6 m (previous year € 137.1 m).

The share of result of associates and joint ventures is shown separately by segment in segment reporting.

Unifirm Limited, Cyprus, held 24.9 % of the shares in TUI AG as at 30 September 2020. Unifirm Limited is con-trolled by the family of Russian entrepreneur Alexei Mordashov, a member of TUI's Supervisory Board.

DH Deutsche Holdings Limited, a Cyprus-based company controlled by the joint venture partner Hamed El Chiaty, increased its equity stake to 5.1 %.

At the balance sheet date, the joint venture Riu Hotels S. A. held 3.5 % of the shares in TUI AG. Members of the Riu family hold a 51 % stake in Riu Hotels S. A. Joan Trían Riu is a member of TUI's Supervisory Board. The amount of compensation claimed by TUI from the other Riu Group shareholders at the balance sheet date was € 34.3 m. This amount results from payments made by TUI and attributable to the other shareholders of Riu Group.

The Executive Board and the Supervisory Board are key management personnel. They are therefore related parties in the meaning of IAS 24 whose compensation must be disclosed separately.

Remuneration of Executive and Supervisory Board

€ million	2020	2019
Short-term benefits	7.7	8.5
Post-employment benefits	2.9	5.1[1]
Share-based payment	– 3.8	– 4.9
Other long-term benefits	–	–
Termination benefits	–	–
Total	**6.8**	**8.7**

[1] Prior year adjusted

Post-employment benefits are transfers to or reversals of pension provisions for Executive Board members active in the reporting period. The expenses mentioned do not meet the definition of remuneration for Executive and Supervisory Board members under German accounting rules. The share-based payments are an offset amount of expenses due to the addition to the provision and income resulted from the reversal of the provision due to the valuation.

Pension provisions for active Executive Board members total € 16.6 m (previous year € 16.2 m) as at the balance sheet date. In addition, provisions of € 2.1 m (previous year € 5.9 m) are recognised relating to the long-term incentive programme.

(51) International Financial Reporting Standards (IFRS) not yet applied

New standards endorsed by the EU, but applicable after 30 Sep 2020

Standard	Applicable from	Amendments	Expected impact on financial position and performance
Amendments to IAS 1 & IAS 8 Definition of Material	1 Jan 2020	Materiality is a key concept in preparing financial statements according to IFRS. The amendments refine the definition of 'material' and clarify how to apply materiality. The amendments also align the definition of 'material' and ensure consistency in the application of that concept across all IFRS Standards.	No major impacts
Framework Amendments to References to the Conceptual Framework in IFRS Standards	1 Jan 2020	The revised Conceptual Framework includes revised definitions of an asset and a liability, and new guidance on measurement and derecognition, presentation and disclosure. References to the Conceptual Framework in existing Standards are updated. The revised Conceptual Framework is not subject to the Endorsement Process.	No impacts
Amendments to IFRS 3 Definition of a Business	1 Jan 2020	The amendments to IFRS 3 clarify the definition of a business and make it easier for entities to determine whether an acquisition transaction results in recognition of a group of assets or a business.	No major impacts
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (Phase 1)	1 Jan 2020	The amendments relate to the provision of relief from potential consequences arising from the reform of interbank offered rates (IBORs) such as LIBOR on companies' financial reporting. They are intended to secure the continuation of hedging relationships despite the replacement of current interest rates with alternative rates. Entities also have to disclose the extent to which their hedges are affected by the interest rate benchmark reform.	No major impacts
Amendments to IFRS 16 COVID-19-Related Rent Concessions	1 Jun 2020	The amendments published by the IASB on 28 May 2020 provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Lessees applying the exemption have to account for the rent concessions as if they were not lease modifications. The amendments are available for rent concessions reducing lease payments due on or before 30 June 2021.	No impacts. TUI expects it will not elect to apply this new practical expedient.

The following amendments and new standards have not yet been endorsed by the European Union.

New standards and interpretations not yet endorsed by the EU and applicable after 30 Sep 2020

Standard	Applicable from	Amendments	Expected impact on financial position and performance
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (Phase 2)	1 Jan 2021	The amendments address issues that affect financial reporting when an existing interest rate benchmark is actually replaced by an alternative interest rate benchmark as a result of the interest rate benchmark reform.	No major impacts
Amendments to IAS 37 Onerous Contracts	1 Jan 2022	The amendments specify which costs to include in assessing whether a contract is onerous. The amendments clarify that the cost of fulfilling a contract consists of the direct cost of the contract representing either the incremental costs of fulfilling the contract or an allocation of other costs that relate directly to fulfilling the contract.	TUI will review the impacts of these amendments in due course. We currently do not expect to see any major impacts.
Amendments to IAS 16 Proceeds before Intended Use	1 Jan 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity has to recognise the proceeds from selling such items, and the cost of producing those items, in profit or loss.	No major impacts
Various amendments to IFRS (2018–2020 Cycle)	1 Jan 2022	The amendments resulting from the Annual Improvements 2018–2020 Cycle include small amendments to IFRS 1, IFRS 9, IAS 41, and the Illustrative Examples accompanying IFRS 16.	No major impacts
Amendments to IFRS 3 Reference to the Conceptual Framework	1 Jan 2022	The amendments update a reference to the Conceptual Framework in IFRS 3 without changing the accounting requirements for business combinations.	No impacts
Amendments to IAS 1 Classification of Liabilities as Current or Non-Current	1 Jan 2023	The amendments to IAS 1 are intended to clarify the criteria used to classify a liability as current or non-current. In future, the classification of liabilities as current or non-current will exclusively be based on 'rights' that are in existence at the end of the reporting period. The amendments additionally include guidance on the interpretation of the criterion 'right to defer settlement by at least twelve months' and clarify what 'settlement' refers to. On 15 July 2020, the IASB issued an amendment resulting in the deferral of the effective date to 1 January 2023.	TUI will review the impacts of this amendment in due course. We currently do not expect to see any major impacts.
IFRS 17 Insurance Contracts	1 Jan 2023	IFRS 17 establishes the principles for the accounting for insurance contracts and replaces IFRS 4. On 25 June 2020, the IASB published Amendments to IFRS 17 and deferred the effective date of the Standard to 1 January 2023. Amendments were also issued to address challenges arising from the implementation of IFRS 17 that were identified after it was published.	Not relevant

(52) TUI Group Shareholdings

Company	Country	Capital share in %
Consolidated companies		
Tourism		
Absolut Holding Limited, Qormi	Malta	99.9
Acampora Travel S.r.l., Sorrent	Italy	100
Adehy Limited, Dublin	Ireland	100
Advent Insurance PCC Limited (Absolut Cell), Qormi	Malta	100
Africa Focus Tours Namibia (Proprietary) Limited, Windhuk	Namibia	100
Antwun S.A., Clémency	Luxembourg	100
ATC African Travel Concept Proprietary Limitied, Kapstadt	South Africa	50.1
ATC-Meetings and Conferences Proprietary Limitied, Kapstadt	South Africa	100
B.D.S Destination Services Tours, Kairo	Egypt	100
B2B d.o.o., Dubrovnik	Croatia	100
BU RIUSA II EOOD, Sofia	Bulgaria	100
Cabotel-Hoteleria e Turismo Lda., Santiago	Cape Verde	100
Cassata Travel s.r.l., Cefalù (Palermo)	Italy	66
Cel Obert SL, Sant Joan de Caselles	Andorra	100
Chaves Hotel & Investimentos S.A., Sal-Rei, Boa Vista Island	Cape Verde	100
Citirama Ltd., Quatre Bornes	Mauritius	100
Club Hotel CV SA, Santa Maria	Cape Verde	100
Club Hôtel Management Tunisia SARL, Djerba	Tunisia	100
Cruisetour AG, Zürich	Switzerland	100
Crystal Holidays, Inc, Wilmington (Delaware)	United States	100
Daidalos Hotel- und Touristikunternehmen A.E., Athen	Greece	89.8
Darecko S.A., Clémency	Luxembourg	100
Destination Services Morocco SA, Agadir	Morocco	100
Destination Services Singapore Pte Limited, Singapur	Singapore	100
Egyptian Germany Co. for Hotels Limited, Kairo	Egypt	66.6
Elena SL, Palma de Mallorca	Spain	100
Entreprises Hotelières et Touristiques PALADIEN Lena Mary A.E., Argolis	Greece	100
ETA Turizm Yatirim ve Isletmeleri A.S., Ankara	Turkey	100
Evre Grup Turizm Yatirim A.Ş., Ankara	Turkey	100
Explorers Travel Club Limited, Luton	United Kingdom	100
Faberest S.r.l., Verona	Italy	100
First Choice (Turkey) Limited, Luton	United Kingdom	100
First Choice Holiday Hypermarkets Limited, Luton	United Kingdom	100
First Choice Holidays & Flights Limited, Luton	United Kingdom	100
First Choice Land (Ireland) Limited, Dublin	Ireland	100
First Choice Travel Shops Limited, Luton	United Kingdom	100
FIRST Reisebüro Güttler GmbH & Co. KG, Dormagen	Germany	75.1
FIRST Travel GmbH, Hanover	Germany	100
flyloco GmbH, Rastatt	Germany	100
Follow Coordinate Hotels Portugal Unipessoal Lda, Albufeira	Portugal	100
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa	India	100
GBH Turizm Sanayi Isletmecilik ve Ticaret A.Ş., Istanbul	Turkey	100
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria	Spain	100
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria	Spain	100
Gemma Limited, Unguja	Tansania	100
German Tur Turizm Ticaret A.Ş., Izmir	Turkey	100
Groupement Touristique International SAS, Lille	France	100
Gulliver Travel d.o.o., Dubrovnik	Croatia	100
Hannibal Tourisme et Culture SA, Tunis	Tunisia	100
Hapag-Lloyd Reisebüro Hagen GmbH & Co. KG, Hanover	Germany	70
Hellenic EFS Hotel Management E.P.E., Athen	Greece	100
Holiday Center S.A., Cala Serena/Cala d'Or	Spain	100
Holidays Services S.A., Agadir	Morocco	100
Iberotel International A.S., Antalya	Turkey	100
Iberotel Otelcilik A.Ş., Istanbul	Turkey	100
Imperial Cruising Company SARL, Heliopolis-Kairo	Egypt	90
Incorun SAS, Saint Denis	Reunion Island	51
Inter Hotel SARL, Tunis	Tunisia	100
Intercruises Shoreside & Port Services Canada, Inc., Quebec	Canada	100
Intercruises Shoreside & Port Services Pty Limited, Sydney	Australia	100
Intercruises Shoreside & Port Services Sam, Monaco	Monaco	100
Intercruises Shoreside & Port Services SARL, Paris	France	100
Intercruises Shoreside & Port Services, Inc., State of Delaware	United States	100
Itaria Limited, Nikosia	Cyprus	100
Jandia Playa S.A., Morro Jable/Fuerteventura	Spain	100
Kurt Safari Proprietary Limitied, White River – Mpumalanga	South Africa	51
Kybele Turizm Yatırım San. Ve Tic. A.Ş., Istanbul	Turkey	100
Label Tour EURL, Levallois Perret	France	100
Last-Minute-Restplatzreisen GmbH, Rastatt	Germany	100
Le Passage to India Tours and Travels Pvt Ltd, New Delhi	India	91
Lima Tours S.A.C., Lima	Peru	100
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100
l'tur GmbH, Rastatt	Germany	100

Company	Country	Capital share in %
L'TUR Suisse AG, Dübendorf/ZH	Switzerland	99.5
Lunn Poly Limited, Luton	United Kingdom	100
Luso Ds – Agência de Viagens Unipessoal Lda, Faro	Portugal	100
Magic Hotels SA, Tunis	Tunisia	100
MAGIC LIFE Assets GmbH, Wien	Austria	100
Magic Life Egypt for Hotels LLC, Sharm el Sheikh	Egypt	100
Magic Tourism International S.A., Tunis	Tunisia	100
Manahe Ltd., Quatre Bornes	Mauritius	51
Marella Cruises Limited, Luton	United Kingdom	100
Medico Flugreisen GmbH, Rastatt	Germany	100
Meetings & Events International Limited, Luton	United Kingdom	100
Meetings & Events Spain S.L.U., Palma de Mallorca	Spain	100
Meetings & Events UK Limited, Luton	United Kingdom	100
Morvik EURL, Bourg Saint Maurice	France	100
Musement S.p.A., Mailand	Italy	100
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexico	100
Nazar Nordic AB, Malmö	Sweden	100
Nordotel S.A., San Bartolomé de Tirajana	Spain	100
Nouvelles Frontières Senegal S.R.L., Dakar	Senegal	100
Nungwi Limited, Sansibar	Tanzania	100
Ocean College LLC, Sharm el Sheikh	Egypt	100
Ocean Ventures for Hotels and Tourism Services SAE, Sharm el Sheikh	Egypt	98
Pacific World (Beijing) Travel Agency Co., Ltd., Peking	China	100
Pacific World (Shanghai) Travel Agency Co. Limited, Shanghai	China	100
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	65
Pacific World Meetings & Events (Thailand) Limited, Bangkok*	Thailand	49
Pacific World Meetings & Events Hellas Travel Limited, Athen	Greece	100
Pacific World Meetings & Events Hong Kong, Limited, Hongkong	Hong Kong SAR	100
Pacific World Meetings & Events SAM, Monaco	Monaco	100
Pacific World Meetings & Events Singapore Pte. Ltd, Singapur	Singapore	100
Pacific World Meetings and Events France SARL, Nizza	France	100
Pacific World Travel Services Company Limited, Ho Chi Minh City	Vietnam	90
Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A.Ş., Antalya	Turkey	100
Paradise Hotel Management Company LLC, Kairo	Egypt	100
PATS N.V., Oostende	Belgium	100
Professor Kohts Vei 108 AS, Stabekk	Norway	100
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100
PT. Pacific World Nusantara, Bali	Indonesia	100
RC Clubhotel Cyprus Limited, Limassol	Cyprus	100

* entrepreneurial management

Company	Country	Capital share in %
RCHM S.A.S., Agadir	Morocco	100
Rideway Investments Limited, London	United Kingdom	100
Riu Jamaicotel Ltd., Negril	Jamaica	100
Riu Le Morne Ltd, Port Louis	Mauritius	100
RIUSA II S.A., Palma de Mallorca*	Spain	50
RIUSA NED B.V., Amsterdam	Netherlands	100
Robinson Austria Clubhotel GmbH, Villach-Landskron	Austria	100
Robinson Club GmbH, Hanover	Germany	100
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100
Robinson Club Maldives Private Limited, Malé	Maldives	100
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100
Robinson Hoteles España S.A., Cala d'Or	Spain	100
Robinson Hotels Portugal S.A., Vila Nova de Cacela	Portugal	67
Robinson Otelcilik A.Ş., Istanbul	Turkey	100
Santa Maria Hotels SA, Santa Maria	Cape Verde	100
SERAC Travel GmbH, Zermatt	Switzerland	100
Silversun Monitor Proprietary Limited, Kapstadt	South Africa	85
Skymead Leasing Limited, Luton	United Kingdom	100
Société d'Exploitation du Paladien Marrakech SA, Marrakesch	Morocco	100
Société d'Investissement Aérien S.A., Casablanca	Morocco	100
Société d'Investissement et d'Exploration du Paladien de Calcatoggio (SIEPAC), Montreuil	France	100
Société d'investissement hotelier Almoravides S.A., Marrakesch	Morocco	100
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir	Morocco	100
Sons of South Sinai for Tourism Services and Supplies SAE, Sharm el Sheikh	Egypt	84.1
Specialist Holidays, Inc., Mississauga, Ontario	Canada	100
Stella Polaris Creta A.E., Heraklion	Greece	100
STIVA RII Ltd., Dublin	Ireland	100
Summer Times International Ltd., Quatre Bornes	Mauritius	100
Summer Times Ltd., Quatre Bornes	Mauritius	100
Sunshine Cruises Limited, Luton	United Kingdom	100
Tantur Turizm Seyahat A.Ş., Istanbul	Turkey	100
TdC Agricoltura Società agricola a r.l., Florenz	Italy	100
Tec4Jets NV, Zaventem	Belgium	100
Tenuta di Castelfalfi S.p.A., Florenz	Italy	100
Thomson Reisen GmbH, St. Johann	Austria	100
Thomson Travel Group (Holdings) Limited, Luton	United Kingdom	100
TICS GmbH Touristische Internet und Call Center Services, Rastatt	Germany	100

* entrepreneurial management

Company	Country	Capital share in %
TLT Reisebüro GmbH, Hannover	Germany	100
TLT Urlaubsreisen GmbH, Hannover	Germany	100
Transfar – Agencia de Viagens e Turismo Lda., Faro	Portugal	100
Travel Choice Limited, Luton	United Kingdom	100
Travel Guide With Offline Maps B.V., Amsterdam	Netherlands	100
TT Hotels Italia S.R.L., Rom	Italy	100
TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret A.Ş., Antalya	Turkey	100
TUI (Suisse) AG, Zürich	Switzerland	100
TUI 4 U GmbH, Bremen	Germany	100
TUI Airlines Belgium N.V., Oostende	Belgium	100
TUI Airlines Nederland B.V., Rijswijk	Netherlands	100
TUI Airways Limited, Luton	United Kingdom	100
TUI aqtiv GmbH, Hannover	Germany	100
TUI Austria Holding GmbH, Wien	Austria	100
TUI Belgium NV, Oostende	Belgium	100
TUI Belgium Real Estate N.V., Brüssel	Belgium	100
TUI Belgium Retail N.V., Zaventem	Belgium	100
TUI Blue AT GmbH, Schladming	Austria	100
TUI Bulgaria EOOD, Varna	Bulgaria	100
TUI Curaçao N.V., Curaçao	Country of Curaçao	100
TUI Customer Operations GmbH, Hannover	Germany	100
TUI Cyprus Limited, Nikosia	Cyprus	100
TUI Danmark A/S, Kopenhagen	Denmark	100
TUI Destination Experiences Costa Rica SA, San José	Costa Rica	100
TUI Destination Services Cyprus, Nikosia	Cyprus	100
TUI Deutschland GmbH, Hannover	Germany	100
TUI Dominicana SAS, Higuey	Dominican Republic	100
TUI DS USA, Inc, Wilmington (Delaware)	United States	100
TUI España Turismo SL, Palma de Mallorca	Spain	100
TUI Finland Oy Ab, Helsinki	Finland	100
TUI France SA, Nanterre	France	100
TUI Hellas Travel Tourism and Airlines A.E., Athen	Greece	100
TUI Holding Spain S.L., Palma de Mallorca	Spain	100
TUI Hotel Betriebsgesellschaft mbH, Hannover	Germany	100
TUI Ireland Limited, Luton	United Kingdom	100
TUI Italia S.r.l., Fidenza	Italy	100
TUI Jamaica Limited, Montego Bay	Jamaica	100
TUI Magic Life GmbH, Hannover	Germany	100
TUI Malta Limited, Pieta	Malta	100
TUI Mexicana SA de CV, Mexico	Mexico	100

Company	Country	Capital share in %
TUI Nederland Holding N.V., Rijswijk	Netherlands	100
TUI Nederland N.V., Rijswijk	Netherlands	100
TUI Nordic Holding AB, Stockholm	Sweden	100
TUI Norge AS, Stabekk	Norway	100
TUI Northern Europe Limited, Luton	United Kingdom	100
TUI Norway Holding AS, Stabekk	Norway	100
TUI Österreich GmbH, Wien	Austria	100
TUI Pension Scheme (UK) Limited, Luton	United Kingdom	100
TUI Poland Dystrybucja Sp. z o.o., Warschau	Poland	100
TUI Poland Sp. z o.o., Warschau	Poland	100
TUI PORTUGAL – Agencia de Viagens e Turismo S.A., Faro	Portugal	100
TUI Reisecenter Austria Business Travel GmbH, Wien	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100
TUI Suisse Retail AG, Zürich	Switzerland	100
TUI Sverige AB, Stockholm	Sweden	100
TUI Technology NV, Zaventem	Belgium	100
TUI Travel Distribution N.V., Oostende	Belgium	100
TUI UK Italia Srl, Turin	Italy	100
TUI UK Limited, Luton	United Kingdom	100
TUI UK Retail Limited, Luton	United Kingdom	100
TUI UK Transport Limited, Luton	United Kingdom	100
TUIfly GmbH, Langenhagen	Germany	100
TUIfly Nordic AB, Stockholm	Sweden	100
TUIfly Vermarktungs GmbH, Hanover	Germany	100
Tunisie Investment Services Holding S.A., Tunis	Tunisia	100
Tunisie Voyages S.A., Tunis	Tunisia	100
Tunisotel S.A.R.L., Tunis	Tunisia	100
Turcotel Turizm A.Ş., Istanbul	Turkey	100
Turkuaz Insaat Turizm A.Ş., Ankara	Turkey	100
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100
WOT Hotels Adriatic Management d.o.o., Zagreb	Croatia	51
Zanzibar Beach Village Limited, Sansibar	Tanzania	100
All other segments		
Absolut Insurance Limited, St. Peter Port	Guernsey	100
Canadian Pacific (UK) Limited, Luton	United Kingdom	100
Cast Agencies Europe Limited, Luton	United Kingdom	100
CP Ships (Bermuda) Ltd., Hamilton	Bermuda	100
CP Ships (UK) Limited, Luton	United Kingdom	100
CP Ships Ltd., Saint John	Canada	100

Company	Country	Capital share in %
DEFAG Beteiligungsverwaltungs GmbH I, Hannover	Germany	100
DEFAG Beteiligungsverwaltungs GmbH III, Hannover	Germany	100
Europa 2 Ltd, Valletta	Malta	100
First Choice Holidays Finance Limited, Luton	United Kingdom	100
First Choice Holidays Limited, Luton	United Kingdom	100
First Choice Olympic Limited, Luton	United Kingdom	100
Hapag-Lloyd (Bahamas) Limited, Nassau	Bahamas	100
Jetset Group Holding (Brazil) Limited, Luton	United Kingdom	100
Jetset Group Holding Limited, Luton	United Kingdom	100
Leibniz-Service GmbH, Hannover	Germany	100
Mala Pronta Viagens e Turismo Ltda., Curitiba	Brazil	100
Manufacturer's Serialnumber 852 Limited, Dublin	Ireland	100
MSN 1359 GmbH, Hannover	Germany	100
PM Peiner Maschinen GmbH, Hannover	Germany	100
Preussag Beteiligungsverwaltungs GmbH IX, Hannover	Germany	100
Sovereign Tour Operations Limited, Luton	United Kingdom	100
Thomson Airways Trustee Limited, Luton	United Kingdom	100
travel-Ba.Sys GmbH & Co KG, Mülheim an der Ruhr	Germany	83.5
TUI Ambassador Tours Unipessoal Lda, Lissabon	Portugal	100
TUI Aviation GmbH, Hannover	Germany	100
TUI Aviation Holding GmbH, Hannover	Germany	100
TUI Aviation Services Limited, Luton	United Kingdom	100
TUI Beteiligungs GmbH, Hannover	Germany	100
TUI Brasil Operadora e Agencia de Viagens LTDA, Curitiba	Brazil	100
TUI Business Services GmbH, Hannover	Germany	100
TUI Canada Holdings, Inc, Toronto	Canada	100
TUI Chile Operador y Agencia de Viajes SpA, Santiago	Chile	100
TUI China Travel CO. Ltd., Peking	China	75
TUI Colombia Operadora y Agencia de Viajes SAS, Bogota	Colombia	100
TUI Group Fleet Finance Limited, Luton	United Kingdom	100
TUI Group Services GmbH, Hannover	Germany	100
TUI Group UK Healthcare Limited, Luton	United Kingdom	100
TUI Group UK Trustee Limited, Luton	United Kingdom	100
TUI Immobilien Services GmbH, Hannover	Germany	100
TUI India Private Limited, New Delhi	India	100
TUI InfoTec GmbH, Hanover	Germany	100
TUI Insurance Services GmbH, Hannover	Germany	100
TUI International Holiday (Malaysia) Sdn. Bhd., Kuala Lumpur	Malaysia	100
TUI Leisure Travel Service GmbH, Neuss	Germany	100
TUI LTE Viajes S.A de C.V, Mexico City	Mexico	100

Company	Country	Capital share in %
TUI Spain, SLU, Madrid	Spain	100
TUI Travel Amber E&W LLP, Luton	United Kingdom	100
TUI Travel Aviation Finance Limited, Luton	United Kingdom	100
TUI Travel Common Investment Fund Trustee Limited, Luton	United Kingdom	100
TUI Travel Group Management Services Limited, Luton	United Kingdom	100
TUI Travel Group Solutions Limited, Luton	United Kingdom	100
TUI Travel Holdings Limited, Luton	United Kingdom	100
TUI Travel Limited, Luton	United Kingdom	100
TUI Travel Overseas Holdings Limited, Luton	United Kingdom	100
TUI-Hapag Beteiligungs GmbH, Hanover	Germany	100
Non-consolidated Group companies		
Tourism		
"Schwerin Plus" Touristik-Service GmbH, Schwerin	Germany	80
Airline Consultancy Services S.A.R.L., Casablanca	Morocco	100
Ambassador Tours S.A., Barcelona	Spain	100
Centro de Servicios Destination Management SA de CV, Cancun	Mexico	100
FIRST Reisebüro Güttler Verwaltungs GmbH, Hanover	Germany	75
Gebeco Verwaltungsgesellschaft mbH, Kiel	Germany	50.2
Hapag-Lloyd Reisebüro Hagen Verwaltungs GmbH, Hanover	Germany	70
Hotel Club du Carbet SA, Levallois Perret	France	100
HV Finance SAS, Levallois Perret	France	100
Ikaros Travel A.E.(i.L.), Heraklion	Greece	100
L'TUR Polska Sp.z o.o., Stettin	Poland	100
L'TUR SARL, Schiltigheim	France	100
Lunn Poly (Jersey) Limited, St. Helier	Jersey	100
N.S.E. Travel and Tourism A.E. (i.L.), Athen	Greece	100
NEA Synora Hotels Limited (Hinitsa Beach), Porto Heli Argolide	Greece	100
New Eden S.A., Marrakesch	Morocco	100
Nouvelles Frontières Burkina Faso EURL, Ouagadougou	Burkina Faso	100
Nouvelles Frontières Tereso EURL, Grand Bassam	Ivory Coast	100
Nouvelles Frontières Togo S.R.L.(i.L), Lome	Togo	99
PCO Asia Pacific SDN BHD, George Town (Penang)	Malaysia	100
Résidence Hôtelière Les Pins SARL (i.L.), Levallois Perret	France	100
Società Consortile a r.l. Tutela dei Viaggiatori TUI Italia, Fidenza (Pr)	Italy	100
Société de Gestion du resort Al Baraka, Marrakesch	Morocco	100
T-Développement SAS, Levallois Perret	France	100
Trendturc Turizm Otelcilik ve Ticaret A.Ş., Istanbul	Turkey	100
Triposo GmbH i.L., Berlin	Germany	100
Triposo Travel B.V., Amsterdam	Netherlands	100

Company	Country	Capital share in %
TUI 4 U Poland sp.zo.o., Warschau	Poland	100
TUI Blue DE GmbH, Hannover	Germany	100
TUI d.o.o., Maribor	Slovenia	100
TUI Magyarország Utazasi Iroda Kft., Budapest	Hungary	100
TUI Reisecenter GmbH, Salzburg	Austria	100
TUI ReiseCenter Slovensko s.r.o., Bratislava	Slovakia (Slovak Republic)	100
TUI Travel Cyprus Limited, Nikosia	Cyprus	100
TUIFly Academy Brussels, Zaventem	Belgium	100
VPM Antilles S.R.L., Levallois Perret	France	100
VPM SA, Levallois Perret	France	100
All other segments		
Bergbau Goslar GmbH, Goslar	Germany	100
travel-Ba.Sys Beteiligungs GmbH, Mülheim an der Ruhr	Germany	83.5
Joint ventures and associates		
Tourism		
Abou Soma for Hotels S.A.E., Giza	Egypt	16.7
Ahungalla Resorts Limited, Colombo	Sri Lanka	40
Aitken Spence Travels (Private) Limited, Colombo	Sri Lanka	50
Alpha Tourism and Marketing Services Ltd., Port Louis	Mauritius	25
ARP Africa Travel Limited, Harrow	United Kingdom	25
Atlantica Hellas A.E., Rhodos	Greece	50
Atlantica Hotels and Resorts Limited, Lemesos	Cyprus	49.9
Bartu Turizm Yatirimlari Anonim Sirketi, Istanbul	Turkey	50
Clubhotel Kleinarl GmbH & Co KG, Flachau	Austria	24
Corsair SA, Rungis	France	25
Daktari Travel & Tours Ltd., Limassol	Cyprus	33.3
DER Reisecenter TUI GmbH, Dresden	Germany	50
Diamondale Limited, Dublin	Ireland	27
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	Egypt	50
Etapex, S.A., Agadir	Morocco	35
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	Egypt	50
Gebeco Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GRUPOTEL DOS S.A., Can Picafort	Spain	50
Ha Minh Ngan Company Limited, Hanoi	Vietnam	50
Holiday Travel (Israel) Limited, Airport City	Israel	50
Hydrant Refuelling System NV, Brüssel	Belgium	25
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt	Germany	25.2

Company	Country	Capital share in %
Interyachting Limited, Limassol	Cyprus	45
Jaz Hospitality Services DMCC, Dubai	United Arab Emirates	50
Jaz Hotels & Resorts S.A.E., Kairo	Egypt	51
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	50
Karisma Hotels Adriatic d.o.o., Zagreb	Croatia	33.3
Karisma Hotels Caribbean S.A., Panama	Panama	50
Pollman's Tours and Safaris Limited, Mombasa	Kenya	25
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Ranger Safaris Ltd., Arusha	Tanzania	25
Riu Hotels S.A., Palma de Mallorca	Spain	49
Sharm El Maya Touristic Hotels Co. S.A.E., Kairo	Egypt	50
Südwest Presse + Hapag-Lloyd Reisebüro GmbH & Co.KG, Ulm	Germany	50
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50
Sunwing Travel Group, Inc, Toronto	Canada	49
Teckcenter Reisebüro GmbH, Kirchheim unter Teck	Germany	50
Tikida Bay S.A., Agadir	Morocco	34
TIKIDA DUNES S.A., Agadir	Morocco	30
Tikida Palmeraie S.A., Marrakesch	Morocco	33.3
Togebi Holdings Limited, Nikosia	Cyprus	10
Travco Group Holding S.A.E., Kairo	Egypt	50
TRAVELStar GmbH, Hanover	Germany	50
TRAVELStar Touristik GmbH & Co. OHG, Wien	Austria	50
TUI Cruises GmbH, Hamburg	Germany	50
UK Hotel Holdings FZC L.L.C., Fujairah	United Arab Emirates	50
Vitya Holding Co. Ltd., Takua, Phang Nga Province	Thailand	47.5
WOT Hotels Adriatic Asset Company d.o.o., Tučepi	Croatia	50
All other segments		
.BOSYS SOFTWARE GMBH, Hamburg	Germany	25.2

RESPONSIBILITY STATEMENT BY MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hanover, 9 December 2020

The Executive Board

Friedrich Joussen	David Burling	Birgit Conix
Sebastian Ebel	Dr Elke Eller	Frank Rosenberger

INDEPENDENT AUDITOR'S REPORT

To TUI AG, Berlin and Hanover / Germany

Report on the audit of the consolidated financial statements and of the combined management report

Audit Opinions

We have audited the consolidated financial statements of TUI AG, Berlin and Hanover / Germany, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 October 2019 to 30 September 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the parent and the group of TUI AG, Berlin and Hanover / Germany, for the financial year from 1 October 2019 to 30 September 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report set out in the appendix to the auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 30 September 2020 and of its financial performance for the financial year from 1 October 2019 to 30 September 2020, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of those parts of the combined management report set out in the appendix to the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537 / 2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISA). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Material Uncertainty Related to Going Concern

We refer to the "Viability Statement" section of the combined management report and to the chapter "Going concern reporting according to the UK Corporate Governance Code" in the notes to the consolidated financial statements, in which the management board describes that as a result of the new travel restrictions in force since autumn 2020, and since it is possible that an increase in new travel bookings and associated payments on account might fail to materialise, there are not enough financial resources available to settle TUI AG's payment obligations. In order to maintain the solvency of TUI Group, the management board thus, in principle, agreed on a third financial package with the Economic Stabilisation Fund, KfW, the dominant shareholder of TUI AG, and further financial partners. If this financial package fails to be successfully implemented, there is a risk that TUI AG might encounter insolvency in the first quarter of fiscal year 2021. As is described in the "Viability Statement" section in the combined management report and in the chapter "Going concern reporting according to the UK Corporate Governance Code" in the notes to the consolidated financial statements, the successful implementation of the third financial package is subject to certain conditions yet to be met. Because of the future development in terms of the travel restrictions and the related impacts on the assets, liabilities, financial situation and financial performance, the financial covenants agreed with the creditors as a prerequisite for granting the loans can probably not be met as at 30 September 2021 and beyond. Moreover, risks regarding TUI Group's solvency arise from the uncertainty in view of the future development. If, in particular, the travel restrictions remain in force in the financial year 2020/21 and beyond, and/or a permanent reluctance to travel materialises, there is a possibility that the liquidity of TUI AG continues to be at risk. In the light of the situation described above, uncertainty moreover prevails as to whether the external loans can be refinanced. Therefore, the Group's existence as a going concern is endangered. As is presented in the above sections of the combined management report and the notes to the consolidated financial statements, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and constitute a risk endangering the existence of the Group as a going concern within the meaning of Section 322 (2) sentence 3 HGB.

During our audit, we considered whether the preparation of the consolidated financial statements using the going concern basis of accounting and the presentations of the matters that may cast significant doubt on the Group's ability to continue as a going concern set out in the notes to the consolidated financial statements and the combined management report are appropriate. To this end, we reviewed, in particular, the liquidity forecasts and plans for future measures of the management board underlying its forecasts and estimates, assessing whether the liquidity forecasts are plausible, and whether the management board's plans are feasible in the circumstances of the situation.

During our audit, we initially critically reviewed the draft of the Independent Business Review prepared by an external expert. We verified the plausibility of the multi-year planning on which this report is based and the assumptions it contains by comparing them with general and industry-specific market expectations and historical data.

In this process, we were supported by internal valuation and restructuring specialists. During the entire audit process, we regularly discussed the individual measures with representatives of TUI Group. Together with our specialists, we moreover critically discussed the results the draft of the Independent Business Review with the experts who had prepared the reports and the representatives of TUI.

As of the liquidity and financing measures already carried out during the preparation period, we inspected the relevant documents, contracts and agreements, critically reviewed them and – where they had not yet been implemented – assessed their feasibility.

In particular, we critically reviewed the current short-term liquidity forecast prepared by the Company until the completion of the audit. We also examined the underlying updated assumptions, particularly with regard to revenue expectations, based on supporting evidence, and assessed their traceability and plausibility. Involving internal specialists, we assessed the plausibility of the expectations regarding the further development of the COVID-19-pandemic underlying the short-term development.

We critically assessed the prospects for the successful implementation of the third financing package in terms of plausibility. In addition, we satisfied ourselves of the appropriateness of the disclosures made in the consolidated financial statements and in the combined management report.

Our audit opinions were not modified in respect of this matter.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2019 to 30 September 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In addition to the matter described in section "Material Uncertainty Related to Going Concern", we have identified the matters described in the following as key audit matters:

1. recoverability of goodwill,
2. recoverability of touristic prepayments for hotel services,
3. recoverability of deferred tax assets,
4. specific provisions, and
5. lease accounting under IFRS 16.

Our presentation of these key audit matters has been structured as follows:

Ⓐ description (including reference to corresponding information in the consolidated financial statements), and
Ⓑ auditor's response.

❶ Recoverability of Goodwill

Ⓐ In TUI AG's consolidated financial statements as at 30 September 2020, goodwill totalling mEUR 2,914.5 is reported under the item "Goodwill" reported in the statement of financial position. Goodwill is subject to an impairment test at least once a year. Valuation is made by means of a valuation model based on the discounted cash flow method. Since the outcome of this valuation strongly depends on the estimate of future cash inflows by the management board and on the discount rate used, in the light of the uncertainty of further impacts of the COVID-19-pandemic, there is an increased degree of forecasting uncertainty. Thus, the valuation is subject to significant uncertainty. Against this background, we believe that this is a key audit matter.

The Company's disclosures on goodwill are provided in Note (12) of the notes to the consolidated financial statements.

Ⓑ We evaluated the process for performing the impairment test on goodwill, and carried out an assessment of the accounting-relevant controls contained therein. Specifically, we satisfied ourselves of the appropriateness of the future cash inflows used in the calculation. To do so, among other things, we compared these figures with the current budgets contained in the three-year plan adopted by the management board and approved by the supervisory board, and reconciled it with general and industry-specific market expectations. Since even relatively small changes in the discount rate can have a material effect on the amount of the business value determined in this way, we also focused on examining the parameters used to determine the discount rate used, including the weighted average cost of capital, and analysed the calculation algorithm. Owing to the material significance of goodwill and the fact that the valuation also depends on macroeconomic conditions which are beyond the control of the Company, we also assessed the sensitivity analyses prepared by the Company for the cash-generating units with low excess cover (carrying amount compared to the present value).

❷ Recoverability of Touristic Prepayments for Hotel Services

Ⓐ Payments on account for hotel services amounting to mEUR 359.9 are recognised under the item "touristic prepayments" reported in the statement of financial position in TUI AG's consolidated financial statements as at 30 September 2020.

In our view, this is a key audit matter, as the valuation of this significant item is based to a large extent on estimates and assumptions made by the management board.

The Company's disclosures on "touristic prepayments" are provided in Note (18) of the notes to the consolidated financial statements.

Ⓑ We evaluated the valuation process for touristic prepayments, and carried out an assessment of the accounting-relevant controls contained therein. In the knowledge that there is an increased risk of misstatement in financial reporting when using estimated values, and that the valuation decisions of the management board have a direct and significant effect on the consolidated profit, we have assessed the appropriateness of the values recognised by comparing them against historical values and by means of the contractual bases presented to us. We have assessed the recoverability of touristic prepayments particularly in the light of the travel restrictions in force since March 2020 in connection with the COVID-19-pandemic and the resulting underutilisation of hotel capacities in a wide number of touristic destination areas. We did so taking into account, among other things, the repayment schedules agreed with the hoteliers concerned, the options for offsetting against future overnight accommodation, framework agreements concluded, and potential risks of insolvency affecting individual hotels.

❸ Recoverability of Deferred Tax Assets

Ⓐ TUI AG's consolidated financial statements as at 30 September 2020 report deferred tax assets totalling mEUR 299.6 under the statement of financial position item "Deferred tax assets". Recoverability of the capitalised deferred taxes is measured by means of forecasts about the future earnings situation.

In our view, this is a key audit matter because it strongly depends on estimates and assumptions made by the management board and is subject to uncertainties.

The Company's disclosures on deferred tax assets are provided in the notes to the consolidated financial statements in the chapter "Accounting and measurement methods" and under Note (20).

Ⓑ We involved our own tax experts in our audit of tax issues. With their support, we assessed the internal processes and controls established for recognising tax issues. We assessed the recoverability of deferred tax assets on the basis of internal forecasts on the future taxable income situation of TUI AG and its major subsidiaries. In this context, we referred to the planning prepared by the management board, and assessed the appropriateness of the planning basis used. Among other things, these were examined in the light of general and industry-specific market expectations.

❹ Specific Provisions

Ⓐ TUI AG's consolidated financial statements as at 30 September 2020 report provisions for maintenances of mEUR 734.9 under the statement of financial position item "Other provisions". Furthermore, provisions for pensions and similar obligations of mEUR 1,015.0 were recognised as of 30 September 2020. In our view, these facts are key audit matters, as the recognition and measurement of these significant items are based to a large extent on estimates and assumptions made by the management board.

The Company's disclosures on provisions are provided under the Notes (29) and (30) as well as under the disclosures on recognition and measurement methods set out in the notes to the consolidated financial statements.

Ⓑ We evaluated the process of recognition and measurement applicable to specific provisions, and carried out an assessment of the accounting-relevant controls contained therein. In the knowledge that there is an increased risk of misstatements in financial reporting with estimated values, and that the valuation decisions of the management board have a direct and significant effect on the consolidated profit, we assessed the appropriateness of the values recognised by comparing them against historical values and by means of the contractual bases presented to us.

Among other things, we

- assessed the computation of the expected maintenance costs for aircrafts. This was done on the basis of group-wide maintenance contracts, price increases expected on the basis of external market forecasts and the discount rates applied, supported by our own analyses;
- assessed the appropriateness of the valuation parameters used to calculate the pension provisions. Among other things, we did so by comparing them against market data and taking into account the expertise of our internal pension valuation experts.

❺ Lease Accounting under IFRS 16

Ⓐ Assets under leases of mEUR 3,227.9 are recognised under the item "Right-of-use assets" and "Lease liabilities" amounting to mEUR 3,399.9 are recognised under the item "rights of use" reported in the statement of financial position of TUI AG's consolidated financial statements as at 30 September 2020. They account for 26 % of the non-current assets and 21 % of the Group's total assets. The principles applicable to lease accounting under IFRS 16 were applied for the first time in the financial year 2019 / 20. They were applied as of 1 October 2019 using the modified retrospective approach. For the complete and accurate recognition, categorisation and classification of the different lease contracts, a software that is deployed throughout the Group is predominantly used.

In our view, the first-time application of IFRS 16 is a key audit matter since the large number of contracts and the present opportunities to exercise discretion – in particular in view of valuation – entail a risk that the impacts of the changes in lease accounting are materially misstated. This particularly relates to the estimate regarding exercising extension and termination options defined in the lease contracts, which affects the term of the lease, regarding, where relevant, the amount of the interest rate, the amount of the lease liability and the related effects on the consolidated statement of financial position, the consolidated statement of comprehensive income and the consolidated statement of cash flows. Therefore, the assessment of the accounting treatment of leases is a key audit matter within the scope of our audit.

The Company's disclosures on lease accounting under IFRS 16 are provided in Notes (15), (31) and (40) of the notes to the consolidated financial statements.

Ⓑ We have evaluated the implementation process concerning the principles conferred by the new IFRS 16. With regard to the implementation of IFRS 16, we focused on the assessment of the management board's interpretation of the criteria used for the categorisation and classification of the different contract types, and reproduced the valuation of the right-of-use and assets and of lease liabilities.

Among other things, we

- assessed the data entered in the used leasing software on a sample basis. In this context, we reconciled the accuracy of the data entry of the data transferred against the original contracts;
- assessed the determination of values by the leasing software used, and the transfer of these values to the consolidated financial statements; and
- the accuracy and completeness of the disclosures required to be made in the notes to the consolidated financial statements under IFRS 16.

Other Information

The management board and the supervisory board are responsible for the other information. The other information comprises:

- the unaudited content of those parts of the combined management report specified in the appendix to the auditor's report,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, respectively, and
- all the remaining parts of the annual report, with the exception of the audited consolidated financial statements and the combined management report and our auditor's report.

The supervisory board is responsible for the report of the supervisory board and for the report of the audit committee. The management board and the supervisory board are responsible for the statement pursuant to Section 161 German Stock Corporation Law (AktG) on the German Corporate Governance Code, which forms part of the statement on corporate governance included in the section "Corporate Governance Report" set out in the combined management report. Otherwise, the management board is responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our group audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The management board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the management board is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the management board is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the management board and the reasonableness of estimates made by the management board and related disclosures.
- conclude on the appropriateness of the management board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the management board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory Requirements

Further Information Pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 11 February 2020. We were engaged by the supervisory board on 8 / 15 June 2020. We have been the group auditor of TUI AG, Berlin and Hanover / Germany, without interruption since the financial year 2016 / 17.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Review of the Management Board's Declaration of Compliance with the UK Corporate Governance Code

Pursuant to item 9.8.10 R (1 and 2) of the Listing Rules in the UK, we were engaged to review the management board's statement pursuant to item 9.8.6 R (6) of the Listing Rules in the UK relating to compliance with provisions 6 and 24 to 29 of the UK Corporate Governance Code included in the report on the UK Corporate Governance Code, and the management board's statement pursuant to item 9.8.6 R (3) of the Listing Rules in the UK included in the "Viability Statement" section of the combined management report and in chapter "Going concern reporting according to the UK Corporate Governance Code" of the notes to the consolidated financial statements in the financial year 2019 / 20. We have nothing to report in this regard.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr Hendrik Nardmann.

Hanover / Germany, 9 December 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Christoph B. Schenk	Signed: Dr Hendrik Nardmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Appendix to the Independent Auditor's Report: Parts of the Combined Management Report Whose Contents are Unaudited

We have not audited the content of the following parts of the combined management report:

- the consolidated non-financial statement pursuant to Sections 315b and 315c HGB included in section "Combined non-financial declaration" of the combined management report, and
- the statement on corporate governance pursuant to Section 289f and Section 315d HGB included in section "Corporate Governance Report" of the combined management report, and
- the other parts of the combined management report marked as unaudited.

FORWARD-LOOKING STATEMENTS

The annual report, in particular the report on expected developments included in the management report, includes various forecasts and expectations as well as statements relating to the future development of the TUI Group and TUI AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provision or fundamental changes in the economic and political environment. TUI does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this annual report.

GLOSSARY

A

ABTA – Global Animal Welfare Guidance for Animals in tourism

All other segments – The category 'All other segments' includes our business activities for the new markets, the corporate centre functions of TUI AG and the interim holdings, as well as the central touristic functions.

Average daily rates – The average rate for hotels refers to the rate per day and guest. The average rate for cruise ships is calculated as revenue excluding transportation, onboard and other revenue divided by actual passenger days.

Average revenue per bed – Arrangement revenue divided by occupied hotel beds

C

Central Region segment – The Central Region segment comprises the Sales & Marketing activities and airlines in Germany and the Sales & Marketing activities in Austria, Poland and Switzerland.

Compliance – Compliance is generally a company's obligation to manage and control internal and external rules as well as voluntary commitments to avoid reputational or financial damages.

COSO – Committee of Sponsoring Organizations of the Treadway Commission

Corporate Governance – Corporate governance refers to the long-term, responsible and transparent management and control of a company. In Germany, the German Corporate Governance Code contains the main principles for the management and supervision of listed companies.

CRM – Customer Relationship Management

Cruises segment – The Cruises segment consists of the joint venture TUI Cruises and its subsidiary Hapag-Lloyd Cruises as well as the British cruise business Marella Cruises.

CSR – Corporate Social Responsibility

D

DCGK – Abbreviation for German Corporate Governance Code

DTR – Disclosure and Transparency Rules of the UK Listing Authorities

E

EBIT – Earnings before interest, taxes and expenses for the measurement of the Group's interest hedges. It includes amortisation of goodwill.

EBITDA – 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. The amounts of amortisation and depreciation represent the net balance including write-backs.

EBITDAR – For the reconciliation from EBITDA to the indicator EBITDAR, long-term leasing and rental expenses are eliminated.

EBT – Earnings before taxes

Economic Value Added – Economic Value Added is calculated as the product of ROIC less associated pre-tax capital costs multiplied by interest-bearing invested capital.

Engagement Index – The Engagement Index comprises the individual commitment and the team commitment of our employees and describes the loyalty with the company. The questions on commitment relate to the satisfaction of the individual with the working conditions, a possible recommendation of the employer, pride, motivation, belief in future orientation and willingness to exceed requirements and expectations.

EPS – Earnings per share are calculated by dividing the Group profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year.

EU GDPR – European General Data Protection Regulation

G

GCGC – German Corporate Governance Code

GEC – TUI Group Executive Committee

GSTC – Global Sustainable Tourism Council

H

HFM – The Oracle Hyperion Financial Management reporting system (HFM) is used as the uniform reporting and consolidation system throughout the Group so that no additional interfaces exist for the preparation of the consolidated financial statements.

Holiday Experiences – Holiday Experiences comprises our hotel, cruise and destination activities.

Hotels & Resorts segment – The Hotels & Resorts segment comprises TUI Group's diversified portfolio of Group hotel brands and hotel companies. The segment includes ownership in hotels, joint ventures with local partners, stakes in companies giving TUI a significant influence, and hotels operated under management contracts.

I

IFRS – International Financial Reporting Standards

IMF – International Monetary Fund

Invested Capital – The invested capital is derived from liabilities, comprising equity (including non-controlling interests) and the balance of interest-bearing liabilities and interest-bearing assets. The cumulative amortisations of purchase price allocations are then added to the invested capital.

J

JEV – The annual performance-based remuneration (JEV) is intended to motivate Executive Board members to achieve ambitious and challenging financial, operational and strategic targets throughout the financial year.

L

LTIP – The LTIP (Long Term Incentive Plan) is a performance share plan based on virtual shares and is assessed over a period of four years (Performance Reference Period). Virtual shares are granted in annual tranches.

N

Northern Region segment – The Northern Region segment comprises tour operator activities and airlines in the UK, Ireland and the Nordics. In addition, the Canadian strategic venture Sunwing and the associated company TUI Russia have been included within this segment.

O

Occupancy rate – The occupancy rate for hotels is calculated as the quotient of occupied beds and capacity. The occupancy rate for cruises is calculated as the quotient of the actual passenger days and the actual passenger days.

P

Passenger days – In the Cruises segment we differentiate between available and achieved passenger days. The number of available passenger days is calculated as the number of beds on the ship at full capacity multiplied by the operating days of the ship. The achieved passenger days show the number at achieved operating days and achieved occupancy.

R

ROC – TUI Group's Risk Oversight Committee

ROIC – ROIC is calculated as the ratio of underlying earnings before interest and taxes (underlying EBIT) to average invested interest-bearing capital (invested capital) for the segment.

T

TSR – Total Shareholder Return

TUI Musement segment – The TUI Musement segment delivers local services in the worldwide holiday destinations.

U

UK CGC – UK Corporate Governance Code

UN Global Compact – Since 2014 TUI is member of the UN Global Compact, a world-wide United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies. The TUI Group is comitted to 10 universally accepted principles in the areas of human rights, labour, environment and anticorruption.

Underlying EBIT – We define the EBIT in underlying EBIT as earnings before interest, taxes and expenses for the measurement of the Group's interest hedges. Unlike the previous KPI EBITA, EBIT by definition includes amortisation of goodwill. Underlying EBIT has been adjusted for income and expense items which, due to their level and frequency, impact or distort the assessment of operating profitability in the segments and the Group. These one-off items include gains on disposal of investments, major gains and losses from the disposal of assets, and major restructuring and integration expenses. The indicator is additionally adjusted for all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments. The reconciliation to underlying EBIT also adjusts for goodwill impairments.

UNWTO – UN World Tourism Organisation

W

WACC – Weighted Average Cost of Capital. The cost of capital is calculated as the weighted average cost of equity and debt capital (WACC).

Western Region segment – The Sales & Marketing activities and airlines in Belgium, the Netherlands and the Sales & Marketing activities in France are included within the segment Western Region.

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The Annual Report of TUI Group, the Magazine and the financial statements of TUI AG are available in German and in English:
annualreport2020.tuigroup.com

This report was published on 10 December 2020.

The German version is legally binding. The Company cannot be held responsible for any misunderstandings or misinterpretation arising from this translation.