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TUI Group Strategy

Tourism is a growth sector driven by strong fundamentals

The travel and tourism market is a significant contributor to the global economy¹, growing above global GDP levels pre-pandemic². Demand for tourism is driven by strong fundamental trends – people living longer, healthier lives; the growth of middle classes across the globe, which increases disposable income; and the desire for experiences, of which travel plays a significant part. This demand has proved highly resilient – after the disruption of COVID-19 and resulting travel restrictions, international arrivals are expected to return almost to pre-pandemic levels in 2023³. At TUI, we experienced a strong uplift in bookings for our destinations on the easing of government travel restrictions during the pandemic, and in Summer 2023, Markets & Airlines customer numbers rebounded almost completely to Summer 2019 levels, coupled with a strong 8% increase in average selling price versus prior season, and 26% increase versus Summer 2019. Therefore, we expect leisure tourism to continue to be an attractive growth market over the long-term.

The industry still faces some key challenges. Cost inflation (driven by higher energy costs and labour supply shortages), higher interest rates and foreign exchange fluctuations all impact supplier cost bases, as well as putting a squeeze on household income and hence consumer sentiment. In turn, this reinforces customer needs for brands which they can depend on, and which deliver choice and flexibility in configuring the right product for them. TUI's focus on delivering quality to our customers while increasing choice and flexibility, both in terms of our product offer, and by increasing the flexibility of flight and hotel sourcing, mean that we can deliver growth by offering value and choice, without additional risk capacity.

Climate change is a pressing global challenge. There is an urgency to act and for everyone to play a role in the transition to a low carbon economy. TUI has committed to Science Based Targets, in order to significantly reduce carbon emissions in our airline, hotels and cruise business by 2030, with a further commitment to reach net-zero by 2050 at the latest. In addition, our Sustainability Agenda sets out our wider commitments to sustainability, in terms of People, Planet and Progress.

→ Also see page 26–27 and the Non-financial Group Declaration from page 81 onwards.

TUI's business model – foundation for success

TUI is a leisure experiences group covering the entire holiday journey, serving millions of customers, operating 126 aircraft, 424 hotels (including our concept hotels) and 16 cruise ships⁴, as well as a sizeable experiences, transfers and tours business. The group is structured into two divisions – Holiday Experiences and Markets & Airlines.

Holiday Experiences delivers differentiated content in hotels, cruises, experiences, transfers and tours:

- Our hotel portfolio consists of own and differentiated leisure brands such as Robinson, TUI Magic Life, TUI Blue and TUI Suneo, complemented by JV hotel brands such as Riu, Atlantica, Blue Diamond and Grupotel. The portfolio is well-diversified in terms of product offer, destination mix and ownership models, and benefits from multi-channel and multi-source market distribution via Markets & Airlines, direct to customer, and via third parties such as Online Travel Agents (OTAs) and tour operators mainly outside our own source markets.
- Our three cruise brands (Mein Schiff, Hapag-Lloyd Cruises, Marella) cover the cruises sector from premium all-inclusive to luxury to expeditions, with leading positions in the German-speaking and UK markets⁵, benefitting from multi-channel distribution via Markets & Airlines, direct to customer and via third parties.
- TUI Musement is one of the largest⁶ digital providers in the online intermediary market for tours and activities, including experiences (excursions, activities and tickets) and tours (multi-day tours), connecting our own and third party product portfolio in destinations with Markets & Airlines customers, direct to customer and via third parties; as well as providing transfers and customer support in the destination.



¹ Based on WTTC Economic Impact Research 2023 – Travel & Tourism sector contributed 10.3% to global GDP in 2019; this decreased to 5.3% in 2020, 6.1% in 2021 and 7.6% in 2022, due to government restrictions on mobility. However, Travel & Tourism GDP is expected to reach 95% of 2019 levels in 2023.

² Based on UNWTO international travel arrivals CAGR versus global GDP CAGR for 2015 to 2019

³ UNWTO World Tourism Barometer September 2023

⁴ As at 30 September 2023, including concept hotels in third party properties

⁵ As measured by capacities

⁶ As measured by market share

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Markets & Airlines distributes and fulfills holidays to a large customer base in more than a dozen source markets. TUI is (according to consumer surveys for unaided brand awareness and consideration) a leading tourism brand⁷. We differentiate ourselves from the competition (such as tour operators, OTAs, hotels and airlines) based on our products and services. By covering the whole customer journey, TUI holds multiple digital and physical touchpoints with its customers, and therefore delivers a strong blend of digital and human interaction. This enables TUI to follow a customer centric approach, aiming to create long-term relationships with its customers.

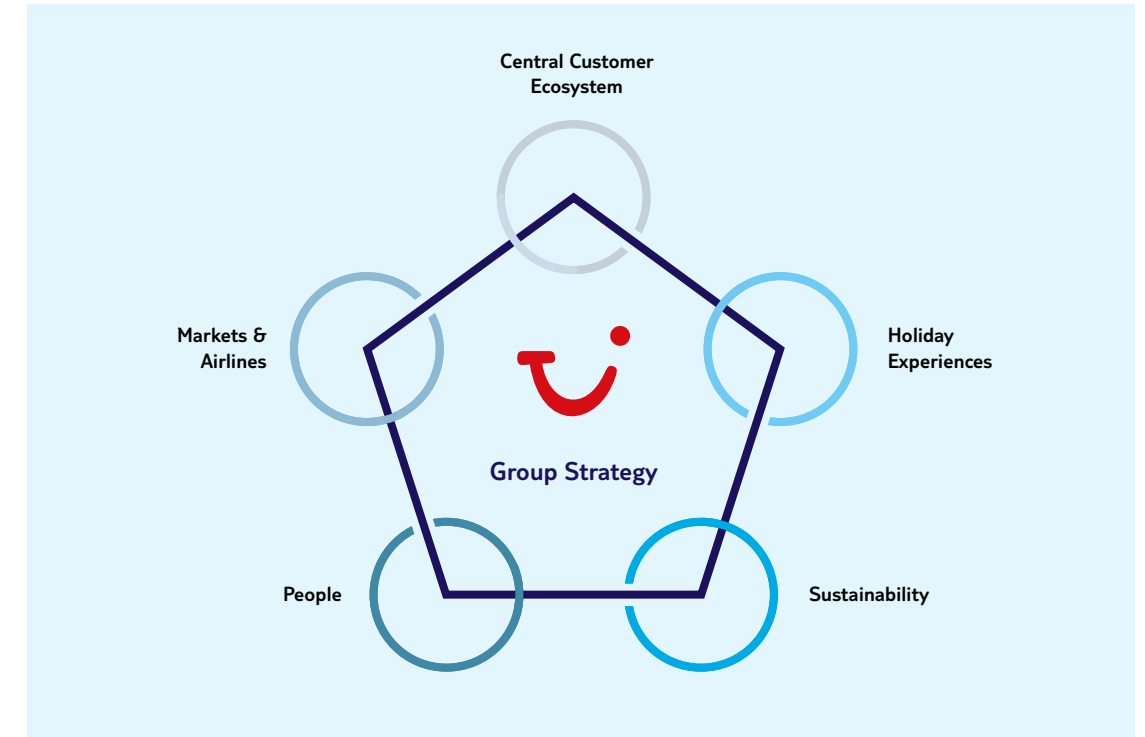
As a vertically integrated group, it is also important to leverage cross-sell and upsell potential across all divisions, and the power of our brand in order to reduce cost of sales. Our Central Customer Ecosystem creates the basis of this, covering all aspects of marketing, sales and service.

TUI's strategy for profitable growth

As demand recovers post-pandemic TUI is committed to delivering profitable growth. We have already laid the foundations for this, and delivery is underway.

Our strategy is defined across both of our business divisions, embedded onto one central customer ecosystem, underpinned by our Sustainability Agenda and by our people. The framework for implementation can be visualized with our "strategy diamond", based on five key elements – Holiday Experiences, Markets & Airlines, Central Customer Ecosystem, Sustainability and People.

Strategy Implementation – our strategy diamond



⁷ As measured by brand consideration in TUI brand performance tracking, completed by Metrixlab

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HOLIDAY EXPERIENCES

Our Holiday Experiences strategy focusses on asset-right, profitable growth in differentiated content and expanding the customer base with multi-channel distribution, in particular outside Markets & Airlines.

In Hotels & Resorts, product growth is delivered by expanding our portfolio in new and existing destinations. In financial year 2023 we added 41 new hotels to our pipeline. Growth in hotels is based on an asset-right and scaleable approach – through our joint ventures, the TUI Global Hotel Fund, launched by TUI and partners, and management and franchise contracts. We have continued to develop and enhance our own global distribution platform, with a focus on global distribution alongside our existing source markets; and we are also expanding our appeal across customer segments, with launch of new brands.

Product growth in Cruises is driven by investment into new-build ships by our TUI Cruises JV, with three new ships being delivered over the next three years. In addition, we are continuing Marella's fleet upgrade, by replacing older ships with newer, larger ones, including the launch of Voyager in June 2023 (previously Mein Schiff Herz). Customer growth will be driven by a broader marketing positioning for both TUI Cruises and Marella.

In TUI Musement, we have realigned our strategy to digitalise all three business sectors – experiences (excursions, activities and tickets), transfers and tours (multi-day tours), with a strong focus on delivering profitable growth from the marketing of our own products across all channels, and investing in particular in more of our own products. In this way, we simultaneously differentiate and position ourselves in the attractive producer margin area. The digitization of the Experiences segment has already been completed (with the acquisition in 2018 and subsequent integration of the Musement platform), and we are now focusing on the Tours and Transfers segments. This will help us generate further customer growth.

MARKETS & AIRLINES

Our Markets & Airlines strategy focusses on strengthening and leveraging our capabilities (including brand and distribution, differentiated and exclusive product, quality and service) and market positions, with growth delivered from new products and new customers, based on scaleable common platforms. Product growth is based on an expanded offer of accommodation only, flight only, car rentals, ancillaries and tours, as well as increasing the volume and proportion of dynamic packaging and supply, to deliver choice, flexibility and hence growth, without increasing risk capacity. Customer growth is driven by this increase in choice and flexibility, as we enlarge our appeal across more customer segments, supported by our brand and marketing strategy, and initiatives such as the relaunch of First Choice in the UK which targets new, especially younger, customers.

To increase efficiency and scaleability, we grow based on common platforms and central production. This year, we rolled-out our group-wide platforms for accommodation only, flight only and dynamic packaging to more markets, as well as continuing to develop and enhance the capabilities of these platforms. In TUI Airline, we operate a strong leisure network, with a high degree of integration with our Markets, on a modern and fuel efficient fleet. We leverage these strengths and continue to deliver transformation through increased flexibility and cost efficiency.

CENTRAL CUSTOMER ECOSYSTEM

As well as growing customer volumes, our marketing and distribution strategy focuses on maximizing customer value, leveraging the synergies between both of our business divisions, and lowering our cost of distribution. As the basis for this, we will continue to strengthen and leverage the TUI brand in existing and untapped customer segments and broaden our brand image for our growth products (such as cities, tours, accommodation only and experiences). We continue to enhance our app with a focus on native bookflows, targeting further growth in the proportion of digital sales made in-app. Our customer relation management strategy is focused on growing the marketing base through improved permission capture, extension of automated marketing to all products and channels, and growing revenue by improved cross-channel marketing. We also continue to streamline the digital customer experience via the operation of a single customer account and implementing a common payment process. All of this facilitates a full product suite offering and cross-selling, and increases the number of holiday and experience touchpoints we have with the customer, whilst at the same time reducing our cost of sales.

Sustainability agenda 'People, Planet, Progress'

As an industry leading Group, we want to set the standard for sustainability in the market. We believe that sustainable transformation should not be viewed solely as a cost factor, but that sustainability pays off – for society, for the environment, and for economic development. Our strategy is therefore underpinned by clear science-based goals and targets on sustainability. TUI's Sustainability Agenda consists of three building blocks – People, Planet and Progress.

[→ For details please refer to page 82.](#)



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PEOPLE

- We will ensure that local people and communities benefit from tourism and the local supply chain.
- We will empower a generation of sustainability changemakers. TUI Care Foundation will drive positive social and environmental impacts in tourism communities around the world.

PLANET

- In 2023, our emission reduction targets were recognised by the Science Based Targets initiative (SBTi). TUI commits to implementing these targets in line with the latest climate science findings.
- We will achieve net-zero emissions across our operations and supply chain by 2050 at the latest. We will change the way we use natural resources and become a circular business.

PROGRESS

- Together with our partners, we will co-create the next-generation sustainable business model for the tourism industry through our Destination Co-Lab Rhodes.
- We will enable our customers to make sustainable holiday choices in every stage of the customer journey.

We already operate one of Europe's most carbon-efficient airlines and we aim to continuously improve our environmental performance. We will build on the progress we have already made and reduce emissions further through our commitment to science-based targets and our emission reduction roadmap.

In 2023, relative carbon emissions of our airlines decreased by 3.9%. This improvement was primarily driven by higher load factors versus 2022, as well as our re-fleeting programme, with older aircraft being replaced by new, more carbon-efficient aircraft. In 2023, we still operated 19 Boeing 787 aircraft. In the period under review, our Boeing 737 Max fleet grew from 35 to 37 aircraft.

[→ Further information is provided on pages 85 to 90](#)

People strategy – digital, engaging, inclusive

Our employees make a key contribution to TUI Group's success. Our goal is to secure that success in the long term. In the period under review, we focussed on the continuation of our strategic initiatives defined in the framework of our People Strategy.

The vision of our People Strategy is to be digital, engaging and inclusive.

In order to implement our strategy, six relevant areas of action have been defined:

1. Simplification, harmonisation and focus
2. Digital transformation
3. Supporting growth
4. Positive employee experience
5. Diversity, equity and inclusion
6. Facilitating top performance

We are thus seeking to create a framework that empowers our employees to deliver the best performance and succeed as a team.

[→ Further information is provided on pages 91 to 98.](#)

TUI is set for profitable growth

Having driven the recovery post-pandemic, delivered our Global Realignment Programme and defined our strategy, TUI is well positioned and committed to capturing market growth. The execution of our strategy is well underway. As a result, TUI will continue to grow its differentiated Holiday Experience and Markets & Airlines product offerings, grow the volume and value of its customer ecosystem, increase flexibility for our customers and operations, and maximise efficiencies and synergies within the business.

