TUI GROUP

2021

ANNUAL REPORT

»We want to, we can and we will find our way back to economic strength. We are working on this relentlessly. The new TUI will be leaner, more digital, and more efficient. But it will continue to set standards in tourism in terms of quality, innovation, and sustainability. Tourism is and will remain a strong growth market – the pandemic has merely hit a pause button.«

Friedrich Joussen, Chief Executive Officer of TUI AG

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** The Annual Report of TUI Group and the financial statements of TUI AG are available in German and in English: https://www.tuigroup.com/en-en/investors/annual-reports*

This version does not comply with the statutory XHTML/iXBRL format, taking into account the requirements of the European Single Format (ESEF) Regulation.

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REPORT NAVIGATION

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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 HIGHLIGHTS

TUI Group – financial highlights

€ million		2021	2020 adjusted	Var. %	Var. % at constant currency
Revenue		**4,731.6**	**7,943.7**	**–40.4**	**–40.5**
Underlying EBIT[1]					
Hotels & Resorts		–152.7	–395.2	+61.4	+58.8
Cruises		–277.5	–322.3	+13.9	+14.2
TUI Musement		–105.3	–114.0	+7.6	+6.6
Holiday Experiences		–535.4	–831.5	+35.6	+34.4
Northern Region		–965.8	–960.9	–0.5	+1.4
Central Region		–328.6	–612.5	+46.4	+46.5
Western Region		–176.6	–433.7	+59.3	+59.9
Markets & Airlines		–1,470.9	–2,007.1	+26.7	+27.8
All other segments		–69.1	–158.4	+56.4	+56.8
TUI Group		**–2,075.5**	**–2,997.0**	**+30.7**	**+31.2**
EBIT[1]		**–2,012.8**	**–2,927.4**	**+31.2**	
Underlying EBITDA		**–1,145.2**	**–1,615.0**	**+29.1**	
EBITDA[2]		**–1,000.4**	**–1,355.0**	**+26.2**	
Group loss		–2,480.9	–3,139.1	+21.0	
Earnings per share	€	–2.58	–5.34	+51.7	
Net capex and investment		–699.1	–149.3	–368.3	
Equity ratio (30 Sept)[3]	%	–3.0	1.4	–4.4	
Net financial position (30 Sept)		–4,954.2	–6,420.9	+22.8	
Employees (30 Sept)		50,584	48,330	+4.7	

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 2021 of the TUI Group was prepared for the reporting period from 1 October 2020 to 30 September 2021.

[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 58

[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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INTERVIEW WITH FRIEDRICH JOUSSEN

»WE WANT TO, WE CAN AND WE WILL FIND OUR WAY BACK TO ECONOMIC STRENGTH.«

Last year was marked by transition: after a period of standstill, airlines, hotels and tourism companies made a successful new start. What has changed for TUI as a result of the pandemic? CEO Friedrich Joussen explains what is new, what remains – and why there are good reasons for optimism.

FRIEDRICH JOUSSEN
Chief Executive Officer of TUI AG

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How does TUI rate the 2021 season in tourism?

The reboot after Easter and the summer season were successful for TUI. This shows also in the results. Of course, 2021 was a transition year. The late restart, some European source markets lifting restrictions in our fourth financial quarter only, not all destinations being permanently open – this required a lot of flexibility. Like no one else, TUI delivers this flexibility, because we have all steps of the value chain inhouse and can take fast and coordinated decisions. When we open hotels in a destination, we set up the flightplan, we have the aircraft to operate the destination and the teams on site to look after our guests. Everything meshes together. This is important for the guest and our service, and it is economically efficient. The good news for 2021 is: the market is intact, the COVID-19 pandemic has not changed that. Holidays are extremely important for people. Bookings in the fourth quarter were, as expected, around 50 % of a normal booking year. Despite the challenging environment, Hotels & Resorts and the Central and West regions were able to achieve positive results for the first time since the beginning of the pandemic. This once again demonstrates the benefits of our integrated business model. Our hotel partners and all the companies operating in tourism have enabled people to enjoy a safe, relaxing holiday. We want to say thank you – to our guests for their loyalty, to our colleagues for their great commitment and to our hoteliers and local partners for being so professional and hospitable.

What are TUI's expectations for the 2022 season?

Looking ahead to the 2022 summer season, we are positive. The indicators and trends are intact, summer 2022 is well booked and currently in line with capacity expectations. Presently, at the end of 2021, we are seeing the fourth wave, among others in our home market Germany. At the same time, many countries in southern Europe are very stable, with low incidences and high vaccination rates. These are destinations that were also well booked and very safe last winter. However, it is crucial to look ahead to spring and summer 2022. It is still too early to make a real forecast for the 2022 summer season. But we are optimistic that tourism will be able to recover to 2019 levels next summer. At the same time, we also know from 2021 that bookings will be made much later and at shorter notice. Bookings for summer 2022 from all TUI markets are already very encouraging.

What new trends in travel behaviour have you been seeing since the pandemic?

One major, lasting trend is customer demand for higher-value travel and more add-on services. Holidaymakers are willing to spend more money on, for example, room upgrades, a higher quality hotel or individual, authentic experiences. There has also been a slight increase in the average length of stay. At the moment we are seeing a strong shift towards the Mediterranean countries. We expect recovery in the long-haul business to follow a little later. But the long-haul destinations are on the way back, including North Africa and the Cape Verde Islands.

What hasn't changed, in your view?

Tourism is and will remain a strong growth market. It benefits from overarching social trends that are already very evident today and will intensify in the long term: People are getting older, they are healthier and live more consciously. Many have the financial means and make a conscious decision to travel. For many people, experiences and encounters are more important than property and possessions. You could say that experiences are the new luxury. People want to experience special moments. That is the holiday, the hotel or the cruise segment. Travel benefits from this. The pandemic has merely hit a pause button, but the trends are unbroken and continue.

What plans does TUI Group have for investment? Has the pandemic changed those plans in any way?

We will press ahead with our asset-right strategy, which we launched back in 2019 before the pandemic crisis began. That means more hotels to be operated by us, fewer hotels under our ownership. We are a hotel company, not a real estate company. The growth of the Group and its hotels will no longer be linked to investment. We are separating hotel management and the holiday experience from the ownership of real estate.

»For many people, experiences and encounters are more important than property and possessions. Travel benefits from this.«

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The merits of the business case have been demonstrated globally by city hotels. With over 400 hotels, TUI is the global leader in the holiday hotel sector. For the customer experience, it's the brand and the quality of hotel that matter, not whether the property belongs to us. We will carry on creating a personalised hotel experience for our guests, and that can be done just as well through management contracts. We are on the look-out above all, for long-term strategic partnerships and we also give consideration to working with institutional investors. Basically, our growth plans include holiday hotels in Europe, East Asia, Africa and the Caribbean.

But you are also looking to transformation and digitalisation. Where does TUI stand there?

We began early to transform TUI from a vertically integrated tourism group into a digital platform company. That was already important before the crisis and was pushed forward massively. An extremely important building block is our business segment Activities and Experiences. We see great potential for the future there. As I said before, experience is the new luxury. We are active in more than 100 countries around the world, we connect the experiences of the world and the demands of the customers. For our own businesses and as a partner for third parties. Through the acquisition and integration of Musement, we have developed a strategic business area. The integration of Musement is complete and is delivering excellent results. The experiences platform is now so scalable and robust that other major travel portals are also using it for their customers.

Lots of destinations are looking to sustainability and quality, but that puts the price up. Does that fit in with your plans or does it reduce the number of people taking holidays?

Sustainability and quality are an important component in our strategy. We have invested in new aircraft, commissioned new cruise liners, and over 80 per cent of our hotels have been certified as sustainable. In 2019 we already cut out more than 250 million plastic items across all operations. The important thing is to protect the environment at the destination while enabling local people and local businesses to derive economic and social benefits from that. The way I see it, social and environmental sustainability belong together. I liked the motto they chose for the G20 summit: 'People, Planet, Prosperity'. Our sustainability agenda is called 'People, Planet, Progress'. Progress stands for moving forwards and the measurable advances that we want to achieve year by year. I look at greater sustainability and further transformation as entrepreneurial opportunities, not as a consequence of political regulation. We at TUI aren't starting out from scratch, but building on our programmes and successes of the last few years. TUI has always attached great importance to sustainability. Not only the

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company, but in particular our employees. At the same time, it is important to me that we do not outdo ourselves with promises, but set measurable targets, make conscious decisions and then make real progress. The decisions of recent years to invest in a modern, CO_2-efficient aircraft fleet have been made in this way, and the reduction of plastic parts has followed the same logic.

How are you organising the disposal of interests to the Riu Group? What impact will it have on customers?

None at all. TUI still holds a 50 % stake in Riu. The core is and remains the successful 50:50 joint venture held by the Riu family and TUI, the hotel company. The operation and marketing of all Riu hotels, 100 of them around the world, all take place under that roof. Nothing changes for our guests, and Riu – just like in the past – makes a substantial contribution to earnings in the TUI hotel segment. The changes have affected a second branch, essentially a company engaged purely in owning real estate, which managed 21 properties. TUI held a 49 % minority stake in that real estate company. The Riu family have now taken those properties over completely. The sale has already been concluded several months ago and it has no impact on operations. Those 21 properties are still being operated and marketed by our joint hotel venture. For a hotel operator, owning the property is not the decisive factor. In fact, it tends to be the exception with big hotel brands. What counts is the management, the marketing, the design of the hotel and holiday experiences, and the hotel brands. Nothing has changed there at Riu and TUI.

No doubt, 2020 and 2021 are bound to enter history as pandemic years. What about 2022?

Following the transformation and restructuring of our business segments, and the reboot in tourism over the last few months, our focus is now on refinancing and reducing the drawdown of public loans. We want to, we can and we will find our way back to economic strength. We are working on this relentlessly. The new TUI will be leaner, more digital and more efficient. But it will continue to set standards in tourism in terms of quality, innovation, and sustainability. What makes us unique is our enthusiasm for what we do: creating holiday experiences for our customers. The desire for this will be greater than ever after two years of pandemic. This also makes all of us at TUI optimistic for 2022.

Thank you for your time.

»I look at greater sustainability and further transformation as entrepreneurial opportunities. We at TUI aren’t starting out from scratch, but building on our programmes and successes of the last few years.«

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GROUP EXECUTIVE COMMITTEE[1]

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

PETER KRUEGER
Executive Board Member;
Chief Strategy Officer

DAVID BURLING
CEO Markets

FRIEDRICH JOUSSEN
Chief Executive Officer

SEBASTIAN EBEL
Executive Board Member;
Chief Financial Officer

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

SYBILLE REISS
(as of 1 July 2021)
Executive Board Member;
Chief HR Officer/ Labour Director[2]

ELIE BRUYNINCKX
CEO Western Region

DR HILKA SCHNEIDER
(until 31 December 2021)
Group Director Legal, Compliance & Board Office

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

DAVID SCHELP
CEO TUI Musement

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

[1] As of 30 September 2021 [2] Dr Elke Eller (until 30 June 2021)

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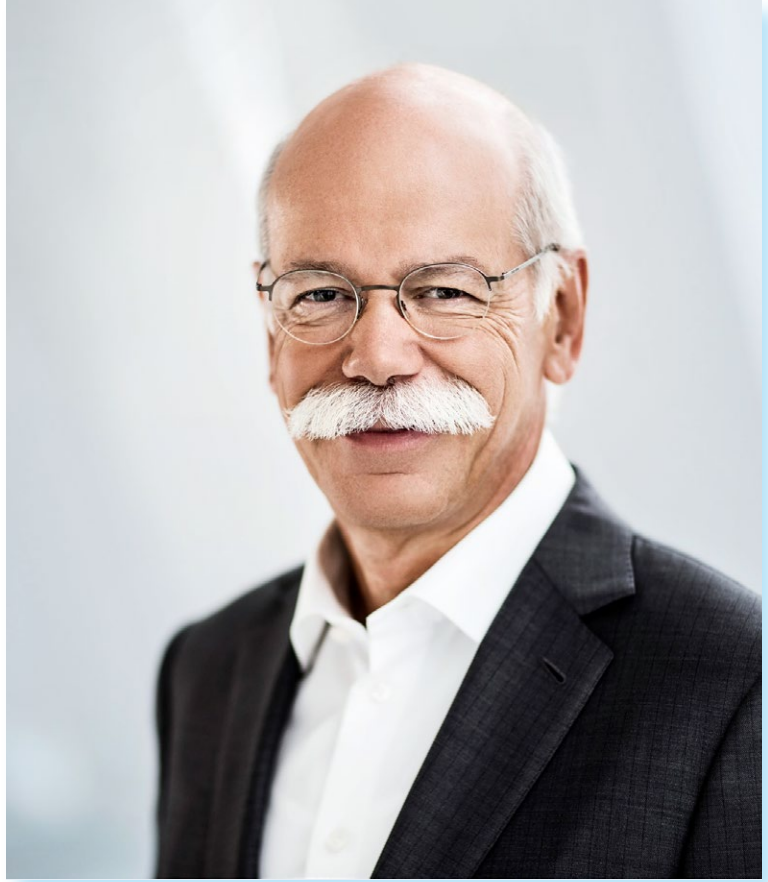
REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

The past financial year was marked by the effects of the COVID-19 pandemic. This brought many challenges. There were also bright spots, among other things. After the decline in the number of infections and initial relaxations, which also made travel to selected destinations possible again, had made us cautiously optimistic at the beginning of the financial year, the pandemic had us firmly in its grip again by November at the latest. The lockdown, which has been in effect since mid-December 2020, has significantly restricted public life and also brought travel to and from our key source markets and destinations to a virtual standstill once again. Large parts of Europe were declared risk areas again in autumn 2020, so that passenger traffic was severely restricted and strict testing and quarantine rules were implemented. The emergence of new virus variants as well as the bottleneck in the procurement of vaccines and the resulting delay in the start of the Europe-wide vaccination campaign has significantly dampened our expectations and hopes for the financial year at the beginning of 2021.

Even in this environment, our customers' desire to travel remained unbroken. As soon as destinations were able to reopen, bookings increased by leaps and bounds, despite testing obligations and strict hygiene measures. The best example of this was Mallorca over the Easter holidays. Our safety and hygiene concepts on the road and in the local hotels are effective and are regularly reviewed and revised. We have also revised and expanded our products and services to meet new customer needs: Flexible cancellation and rebooking options are now much more important than Last-Minute bargain prices. New offers such as workation and alternative accommodation are proving very popular. The TUI brand continues to stand for unforgettable holiday experiences, quality and safety and thus enjoys the trust of our customers. With the summer season, we were fortunately able to devote our full attention to the reopening of our hotels and the provision of flight capacity in most destinations and our ships were ready to set sail again.

However, the crisis is not over, the pandemic is not yet over and so we will closely monitor further developments in order to be able to react as flexibly as possible.



DR DIETER ZETSCHE
Chairman of the Supervisory Board

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However, not only COVID-19, but also political events have shaped the past business year. Brexit went almost unnoticed by the public. The concrete challenges that this will bring for the operating business and our customers in our largest source market, the United Kingdom, will presumably only become fully apparent when the market environment returns to normal.

You, dear shareholders, have repeatedly demonstrated your confidence in our inherently intact and competitive business model in the past financial year. At the Extraordinary General Meeting in January 2021, you approved a substantial capital increase, thereby signalling to us that you believe in TUI's continued existence, recovery and competitiveness in a post-COVID-19 market environment and have confidence in the management. On behalf of the entire Supervisory Board, I would like to take this opportunity to express my sincere thanks to you!

The 2021 business year, however, presented not only challenges but also opportunities. We have used the pandemic-related operational standstill to drive forward the transformation into a digital platform company. The first functions are already available and the roll-out to the various source markets is progressing rapidly. For more than a year, most employees have been working almost entirely from home without any loss of efficiency or major technical difficulties. We all miss the personal exchange, of course, and that should return as soon as the situation allows. However, our working world has changed permanently and we want to take the positive effects and experiences with us into the time after the pandemic. In future, employees will be free to choose where they want to work from, TUI will merge office buildings and set up flexible workplaces through so-called desk sharing. This will make us more attractive to our employees, more flexible, more efficient and, last but not least, save us considerable costs.

We as the Supervisory Board have also adapted and got used to the new circumstances. All meetings were held digitally. Of course, we also hope that it will be possible to meet in person again. But we are now more flexible and know that the Supervisory Board has also successfully taken the path into the digital world.

Cooperation between the Supervisory Board and the Executive Board

The Executive Board and the Supervisory Board are closely guided by the principles of responsible and good corporate governance and work together in a spirit of trust in accordance with the principles set out in the Corporate Governance Report (page 109). In doing so, the Supervisory Board has primarily monitored the legality and regularity, expediency and efficiency of the actions of the management and the Executive Board, naturally with a significant focus on managing the impacts of the COVID-19 pandemic. Further details can be found in the report below.

The Executive Board kept us regularly, promptly and comprehensively informed through written and verbal reports at and outside meetings. These reports contained all relevant information on the development and implementation of strategic goals, liquidity development, planning, business development during the year and the situation of the Group, the risk situation and risk management, compliance, but also reports from the capital markets (e.g. from analysts) and the press. In financial year 2021, the focus was primarily on overcoming the challenges in connection with the COVID-19 pandemic and thus both the structural and financial consequences of the operational standstill and the resumption of business operations. The impact of Brexit, which took place at the beginning of 2021, and the corresponding consequences, especially for the UK source market, were also the subject of discussion. The Supervisory Board was involved in all decisions of fundamental importance for the company in good time. We passed the resolutions required by law, the Articles of Association or the Rules of Procedure after thorough consultation. For this purpose, we regularly prepared ourselves on the basis of documents that the Executive Board made available to the Supervisory Board and the committees in advance. The Executive Board also informed the Supervisory Board immediately about urgent issues in writing and at extraordinary meetings convened at short notice. 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 of the Supervisory Board meetings.

Deliberations in the Supervisory Board and its Committees

Prior to the Supervisory Board meetings, the shareholder and employee representatives met in separate preparatory meetings. Members of the Executive Board also regularly participated in these meetings. Discussions of Executive Board and Supervisory Board matters take place without the members of the Executive Board, unless otherwise requested by the members of the Supervisory Board. All members of the Supervisory Board may also submit to the Chairman of the Supervisory Board the need to discuss an item on the agenda without the presence of the Executive Board. In addition, the agenda of each meeting of the Supervisory Board provides for a separate agenda item, irrespective of the topic, for which the members of the Executive Board are not present. Members of the Supervisory Board may raise all topics to be discussed without the Executive Board within the scope of this agenda item.

In addition to the plenum, a total of four committees were established in the past financial year: the Presiding Committee, the Audit Committee, the Strategy Committee and the Nomination Committee. The Mediation Committee, to be formed in accordance with section 27, paragraph 3 of the German Co-determination Act, did not have to meet. The chairpersons of the committees report regularly and in detail on the work of the committees at the regular meetings of the Supervisory Board. In connection with the application for further stabilisation measures and the use of financing instruments, Transaction Committees set up by the Supervisory Board and consisting of Dr Zetsche, Mr Jakobi and Prof. Dr Ernst met. This made it possible to pass resolutions at very short notice within the framework granted by the Supervisory Board, insofar as this was necessary. All documents and the minutes of the Transaction Committees were always accessible to all members of the Supervisory Board. In addition, the meetings were reported on at the respective subsequent Supervisory Board meeting. No additional remuneration or attendance fees were paid for the meetings of the Transaction Committees.

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Despite the high number of meetings, we were able to record a consistently high attendance rate at our consultations in financial year 2021, as in previous years. Attendance at the plenary meetings averaged 95.0 % (previous year 97.1 %) and at the committees 98.6 % (previous year 98.8 %). The vast majority of the members of the Supervisory Board participated in all meetings of the Supervisory Board and in its committees in accordance with their respective membership in financial year 2021. Members who were unable to attend the meetings generally participated in the resolutions by sending written votes. The timely distribution of documents by the Executive Board in advance of the meetings and the almost universal avoidance of table papers made the preparation of the meetings much easier for the members of the Supervisory Board. All Supervisory Board and committee meetings in the reporting period were held as video conferences against the background of the COVID-19 pandemic.

Attendance at meetings of Supervisory Board financial year 2021

Attendance at meetings of Supervisory Board financial year 2021

Name	Supervisory Board meetings	Transaction committees	Presiding committee	Audit committee	Nomination committee	Strategy Committee
Dr Dieter Zetsche (Chairman)	15 (15)	4 (4)	5 (5)[1]	8 (8)	3 (3)	6 (6)[1]
Frank Jakobi (Deputy Chairman)	15 (15)	4 (4)	5 (5)	8 (8)		6 (6)
Peter Long (Deputy Chairman) (until 25 March 2021)	7 (7)		3 (3)		3 (3)	4 (4)[1]
Ingrid-Helen Arnold	13 (15)					
Andreas Barczewski	15 (15)			4 (4)		
Peter Bremme	15 (15)		5 (5)			
Prof. Dr Edgar Ernst	15 (15)	4 (4)	2 (2)	8 (8)[1]	0 (0)	6 (6)
Wolfgang Flintermann	15 (15)					
María Garaña Corces	14 (15)					
Dr Jutta Dönges (since 25 March 2021)	5 (8)			3 (4)		2 (2)
Angelika Gifford (until 25 March 2021)	7 (7)		3 (3)			4 (4)
Stefan Heinemann (since 21 July 2020)	15 (15)			4 (4)		
Dr Dierk Hirschel (until 25 March 2021)	7 (7)			4 (4)		
Janina Kugel (since 25 March 2021)	7 (8)					
Vladimir Lukin	15 (15)			8 (8)		2 (2)
Coline Lucille McConville	15 (15)			4 (4)		2 (2)
Alexey Mordashov	7 (15)		3 (5)		3 (3)	6 (6)
Mark Muratovic (since 25 March 2021)	8 (8)			4 (4)		
Michael Pönipp (until 28 February 2021)	7 (7)		3 (3)	4 (4)		
Carola Schwirn	15 (15)					
Anette Strempel	15 (15)		5 (5)			
Joan Trían Riu	15 (15)					
Tanja Viehl (since 25 March 2021)	8 (8)					
Stefan Weinhofer	15 (15)			4 (4)		
Attendance at meetings in %	**95.0**	**100.0**	**94.4**	**98.4**	**100.0**	**100.0**
Attendance at Committee meetings in %	**98.6**					

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

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Main topics of the Supervisory Board's work

There were 15 meetings of the Supervisory Board. In addition, four resolutions were passed by circular decision. Furthermore, the respective Transaction Committees of the Supervisory Board met four times and another resolution was passed by circular resolution. The following focal points were the subject of the individual meetings:

1. At its meeting on 6 October 2020, the Supervisory Board first reviewed the past financial year and approved the budget for financial year 2021. Furthermore, the Supervisory Board dealt with the prerequisites of a possible capital increase with subscription rights, taking into account the existing regulations in the United Kingdom, and gave its approval to the establishment of a corresponding Transaction Committee to ensure a short-term resolution. Furthermore, a report was given on the current state of negotiations between the EU and the United Kingdom regarding the upcoming Brexit and possible consequences for free air traffic. The Supervisory Board also explored the possibility of holding the 2021 Annual General Meeting in virtual form. Among the Executive Board matters, the Supervisory Board decided to terminate the appointment of Ms Conix by mutual agreement at the end of the year and to give Mr Ebel responsibility for the finance department. In addition, Mr Krueger was appointed as a new member of the Executive Board for the business area 'Group Strategy, M&A, Airline and JV's' with effect from the beginning of 2021. In addition to approving the organizational chart of the Executive Board, the Supervisory Board decided, among other things, to waive the determination of the individual performance factor for the Executive Board's annual performance-related remuneration (STI) in view of the current circumstances and determined the appropriateness of the Executive Board's pension remuneration for the past financial year.

2. The extraordinary meeting on 19 October 2020 included an update on securing the Group's liquidity. The Executive Board reported on concrete considerations to forego the capital increase for the time being in view of the current market environment and to apply for further state aid instead.

3. At an extraordinary meeting on 20 November 2020, the Executive Board provided information on the impact of government measures to contain the COVID-19 pandemic, the current status of the application process at the WSF for further government aid and presented the updated liquidity forecast. In addition, the immunologist and scientific advisor to the Society, Prof. Dr Kaufmann, reported on the development and effectiveness of vaccines and current developments.

4. In its meeting on 2 December 2020, the Supervisory Board approved, after intensive discussion, the term sheet agreed with the WSF for a further stabilisation package, as well as the establishment of a corresponding committee consisting of Dr Zetsche, Mr Jakobi and Prof. Dr Ernst to enable a decision to be taken at short notice. The Executive Board also gave an overview of the current liquidity situation and forecasts based on it and discussed the draft of the non-financial statement. In addition, the impact of the pandemic on the workforce, such as through short-time working and the long-term changes in work design and culture, as well as internal restructuring and cost-saving programmes, were outlined.

5. At the meeting on 9 December 2020, the Executive Board informed the Supervisory Board about the current status of the process for the further granting of stabilisation measures and the associated anti-trust and state aid review by the EU: The financial statements of the Group and TUI AG, each of which had been issued with an unqualified audit opinion by the auditors, and the combined management report for the Group were then discussed. The auditors were also present. A discussion was also held with the auditors in the absence of the Executive Board members. We then approved the financial statements prepared by the Executive Board and the combined management report for TUI AG and the Group. The annual financial statements for financial year 2020 were thus adopted. The Supervisory Board also approved the Report of the Supervisory Board, the Corporate Governance Report and the Remuneration Report. In addition, the declarations of compliance with the German and UK Corporate Governance Codes and the proposal to the General Assembly to engage Deloitte GmbH Wirtschaftprüfungsgesellschaft for the 2021 half-year and annual financial statements were adopted. Furthermore, the Supervisory Board decided to hold the extraordinary general meeting on 5 January 2021 virtually and agreed to disclose the voting results and voting intentions of the members of the Supervisory Board.

6. At its meeting on 28 December 2020, the Transaction Committee approved the measures required for the implementation of the third package of stabilisation measures.

7. On 3 January 2021, the Transaction Committee approved the amendment to the revolving credit facilities in connection with stabilisation measures.

8. On 7 January 2021, the Transaction Committee lifted the closed period resulting from internal requirements by means of a circular decsision in order to allow the exercise of subscription rights for TUI employees against the background of the upcoming capital increase. These employees had, for example, participated in the Company's employee share programme in previous years and were thus shareholders of the Company.

9. The meeting of 8 February 2021 included explanations on the quarterly report and quarterly financial report. The Executive Board then presented the updated liquidity planning based on different recovery scenarios regarding the summer business. In addition to planning for the Annual General Meeting, the Supervisory Board dealt with the changes to the remuneration restrictions applicable to the members of the Executive Board from the second framework agreement with WSF and approved the conclusion of corresponding addenda to the service agreements.

10. In preparation for the Annual General Meeting 2021, the Supervisory Board formally adopted the remuneration systems for the Executive Board and the Supervisory Board in its extraordinary meeting on 26 February 2021. Furthermore, a resolution was passed on the election proposals concerning Dr Doenges, Ms Kugel, Prof. Dr Ernst and Mr Mordashov. In addition to an update on the new composition of the committees, the agenda and the holding of the Annual General Meeting as a virtual event were resolved and the Executive Board reported on the current liquidity situation of the company.

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11. At its constituent meeting on 25 March 2021, the Supervisory Board re-elected Mr Jakobi as Deputy Chairman of the Supervisory Board. In addition, it was decided that in future the Presiding Committee would only consist of three shareholder and three employee representatives. In addition, the Supervisory Board passed resolutions on the composition of the Presiding Committee, the Audit Committee, the Strategy Committee and the Mediation Committee as well as the respective chairmanship of the Audit Committee and the Presiding Committee. In addition, the composition of the Nomination Committee was discussed. In addition, the Executive Board gave an update on liquidity development, corresponding forecasts and possible measures.

12. In a circular desiscion on 1 April 2021, the Supervisory Board unanimously approved the divestment of all shares held by TUI in Entreprises Hotelieres et Touristiques Paladien Lena Mary AE ('Lena Mary').

13. The extraordinary meeting on 6 April 2021 dealt with the marketing of a convertible bond. The Supervisory Board approved the issue in principle and set up a Transaction Committee to enable a resolution to be passed at short notice if necessary.

14. In its first meeting on 9 April 2021, the Transaction Committee gave its approval to the marketing of a convertible bond in the early morning.

15. In its second meeting on 9 April 2021, the Transaction Committee gave its approval in the afternoon to determine the final terms of a convertible bond.

16. Following a cancellation at short notice of the transaction approved by the Supervisory Board on 1 April 2021, the Supervisory Board approved the sale of all TUI shares in Lena Mary to an alternative prospective buyer in a circular decision on 28 April 2021.

17. At the meeting on 11 May 2021, the Executive Board first reported on the liquidity development and financial recovery before presenting the report on the current financial year, the quarterly financial statements and the first half of 2021. The implications of the ownership structure in connection with the EU Ownership and Control Regulation and possible next steps in this regard were then discussed, and the measures for risk identification, safety concepts and implementation of testing and vaccination campaigns were presented. In the context of Executive Board matters, we appointed, on the recommendation of our Presiding Committee, Ms Sybille Reiss as successor to Dr Eller as member of the Executive Board and Labour Director with effect from 1 July 2021 and accordingly approved the termination of Dr Eller's appointment and the expiry of her service agreement at the contractual end. After addressing the results and derived measures of the self-assessment conducted in September 2020, we received an update on the preparations for the 2022 Annual General Meeting. In addition, the Executive Board informed us about the possibility of selling the Castelfalfi complex.

18. With the circular decision of 21 May 2021, the Supervisory Board approved the already announced sale of 100 % of the shares in Tenuta di Castelfalfi.

19. On 27 May 2021, we gave our consent to the divestment of the shares TUI has held in Riu Hotels S. A. We assured ourselves that the partnership cooperation in Riu II will not be affected by this transaction. In addition, we were provided with updated documents on the 3-year plan as well as on trading and liquidity.

20. In a so-called learning session on 2 June 2021, the Supervisory Board was informed in detail about the requirements of the UK Securities and Exchange Commission as well as the rights and obligations of Directors in connection with a possible capital increase, in particular with regard to the prospectus required for BaFin and FCA. Both our external legal advisors and representatives of the bank acting as sponsor participated in this meeting.

21. The extraordinary meeting on 25 June 2021 initially dealt with an update from the Executive Board regarding the resumption of business, the current liquidity situation and the corresponding planning. In addition, the Supervisory Board gave its approval in principle to the increase of the 2021 convertible bond and the establishment of a Transaction Committee in the usual composition in case it had to be set up. However, the Transaction Committee was not needed.

22. By circular resolution dated 26 July 2021, the Supervisory Board approved the maturity extension of the revolving credit facilities (RCF) until summer 2024.

23. At the strategy meeting on 8 September 2020, the Supervisory Board dealt with strategic issues relating to progress in the development of platform technologies and the strategic positioning of the Group's own airlines. In addition, the budget for the coming financial year and the three-year plan were discussed, which also included strategic topics due to the necessary balance sheet restructuring.

    On the second day of the meeting, the Supervisory Board received an update on the liquidity as well as the financial profile of the Group during its ordinary meeting on 9 September 2021. In addition, resolutions were passed on the determination of the target total remuneration of the Executive Board members, on the determination of the target values for the annual performance-related remuneration as well as on the determination of the performance criteria for the individual performance for the following financial year 2022. These resolutions were subject to the validity of the remuneration restrictions from the Framework Agreement II. Furthermore, the Supervisory Board dealt with the review of the appropriateness of the Executive Board remuneration and pensions as well as the review of the appropriateness of the Supervisory Board remuneration. With the resolution on the Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz – FISG), the Supervisory Board fulfilled its obligations arising from the statutory new provisions of the Act. In addition, the Supervisory Board approved the termination of the profit and loss transfer agreements between TUI AG and DEFAG I GmbH and between TUI AG and DEFAG III GmbH, along with other transactions requiring its consent.

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24. In its extraordinary meeting on 24 September 2021, the Executive Board reported to the Supervisory Board on the process, timetable and potential volume of a capital increase. The Supervisory Board approved the capital increase in principle and established a Transaction Committee.

Presiding Committee

The Presiding Committee is responsible for Executive Board matters (including succession planning, appointments, terms of service agreements, remuneration, proposals for the remuneration system). In addition, the Presiding Committee prepares the meetings of the Supervisory Board. Five meetings were held during the reporting period.

The Presiding Committee, which is equally represented, consists of:

- Dr Dieter Zetsche (Chairman)
- Peter Bremme
- Prof. Dr Edgar Ernst (since 25 March 2021)
- Angelika Gifford (until 25 March 2021)
- Frank Jakobi
- Peter Long (until 25 March 2021)
- Alexey Mordashov
- Michael Pönipp (until 28 February 2021)
- Anette Strempel

1. At the meeting on 6 October 2020, the Presiding Committee primarily dealt with Executive Board matters. The proposal to comply with the wish of Ms Conix and to terminate her appointment at the end of the year, to transfer the responsibility for the finance department to Mr Ebel and to appoint Mr Krueger to the Executive Board with effect from 1 January 2021 was developed. In this context, a change in the organizational chart of the Executive Board was also discussed. In addition, the Presiding Committee made the recommendation to refrain from setting the individual performance factor for financial year 2020 in view of the voluntary waiver of the members of the Executive Board.

2. On 8 February 2021, the Presiding Committee dealt with the liquidity situation, the Q1 report and the preparation of the Annual General Meeting.

3. TUI AG's Annual General Meeting was the subject of the extraordinary meeting on 26 February 2021. Apart from recommendations on proposed resolutions to the AGM concerning the remuneration systems for the Executive Board and Supervisory Board, the Presiding Committee dealt with possible election proposals, the future composition of the committees as well as the agenda and virtual format of the AGM.

4. At its meeting on 10 May 2021, the Presiding Committee prepared a recommendation for the appointment of Ms Sybille Reiss as a member of the Executive Board and as Labour Director as well as the early termination of the appointment of Dr Eller. In addition, the long-term succession planning for the Supervisory Board and especially for the Executive Board and the associated challenges against the background of the remuneration restrictions were discussed. The Presiding Committee also recommended approval of the change to the organizationl chart of the Executive Board, gave its consent to Mr Ebel taking on two further external Supervisory Board mandates. Finally, the results as well as derived measures from the self-assessment of the Supervisory Board conducted in September 2020 were discussed.

5. On 7 September 2021, the Presiding Committee dealt with the general process of succession planning in the Executive Board. In addition, the determination of the target total remuneration of the members of the Executive Board as well as the target values of the annual performance remuneration for the financial year 2022 were discussed. The performance criteria for the individual performance of the Executive Board, which is always also based on ESG criteria, was also discussed in preparation for a resolution by the Supervisory Board. In addition, the appropriateness of the remuneration of the Executive Board and the remuneration of the Supervisory Board was discussed. Furthermore, the preparation of the resolution of the Supervisory Board on the innovations from the Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz – FISG) was on the agenda of the Presiding Committee.

AUDIT COMMITTEE

The audit committee held six ordinary and two extraordinary meetings in financial year 2021. For the detailed report of the Audit Committee and for information on its composition, tasks, deliberations and resolutions, please see page 20.

NOMINATION COMMITTEE

The Nomination Committee proposes suitable shareholder candidates to the Supervisory Board for its election proposals to the Annual General Meeting or for appointment by the local court.

The members of the Nomination Committee, which met three times, were:

- Dr Dieter Zetsche (Chairman)
- Prof. Dr Edgar Ernst (since 25 March 2021)
- Peter Long (until 25 March 2021)
- Alexey Mordashov

1. At the meeting on 1 December 2020, the Nomination Committee dealt with the future composition of the Supervisory Board, in particular against the background of the requirement associated with the granting of stabilisation measures that two persons nominated by the WSF be appointed as members of the company's Supervisory Board.

2. In another meeting on 19 January 2021, the Nomination Committee discussed possible proposals for the future composition of the Supervisory Board and its committees.

3. At its meeting on 16 February 2021, the Nomination Committee recommended that the Supervisory Board propose the re-election of Prof. Dr Ernst and Mr Mordashov at the 2021 Annual General Meeting. Furthermore, the Nomination Committee recommended to propose the election of Dr Doenges and Ms Kugel as WSF nominees at the 2021 Annual General Meeting.

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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 corporate strategy. The committee held a total of six meetings during the financial year.

The members of the Strategy Committee were:

- Dr Dieter Zetsche (Chairman since 25 March 2021)
- Peter Long (until 25 March 2021, until then Chairman)
- Dr Jutta Doenges (since 25 March 2021)
- Angelika Gifford (until 25 March 2021)
- Prof. Dr Edgar Ernst
- Frank Jakobi
- Vladimir Lukin (since 25 March 2021)
- Coline McConville (since 25 March 2021)
- Alexey Mordashov

1. In its meeting on 5 October 2020, the Strategy Committee discussed the current liquidity situation, but also the financial profile and corresponding recovery scenarios. In addition, important key figures were discussed.

2. On 1 December 2020, the Strategy Committee discussed different approaches for cost-saving programmes that were developed together with an external consulting firm.

3. The Strategy Committee discussed a further update on cost savings on 12 January 2021. It also discussed which additional measures would be beneficial to the company's recovery in the longer term.

4. On 8 February 2021, the committee dealt with the concrete implementation of the cost-saving programmes. The progress of the individual projects, which are monitored in a separate project office, was presented and discussed.

5. In its meeting on 6 April 2021, the progress of the cost-saving programmes was reported again. In addition, feedback from customers was discussed, who had made their first experiences with holidays under hygiene protection measures in the slowly restarting business. The Strategy Committee also received an update on the restructuring of TUIfly and the current liquidity situation. The update also included a discussion on how to reduce the company's debt.

6. At its meeting on 10 May 2021, the Strategy Committee received a further update on the cost-saving programmes and liquidity. Different scenarios of a returning business with the respective effects on the company's earning power were also discussed. In addition, the Strategy Committee received an update on current IT projects and discussed the product strategy.

CORPORATE GOVERNANCE

The TUI AG share has its initial listing on the London Stock Exchange in the United Kingdom. In this context, TUI AG's constitution as a stock corporation under German law naturally requires the Supervisory Board to deal regularly and in great detail with the recommendations of both German and UK corporate governance. Apart from mandatory compliance with the provisions of the German Stock Corporation Act (Aktiengesetz – AktG), the Co-Determination Act (Mitbestimmungsgesetz – MitbestG), the Listing Rules and the Disclosure and Transparency Rules, TUI AG had declared in 2014 in the framework of the merger with TUI Travel PLC that it would comply with both the German Corporate Governance Code (DCGK) and – to a practicable extent – the UK Corporate Governance Code (UK CGC).

For the DCGK, which is based on the German Stock Corporation Act (Aktiengesetz – AktG) in its basic conception, we were able to submit the Declaration of Conformity 2021 with the Executive Board in accordance with section 161 AktG. The DCGK is complied with, with the exception of some recommendations in section G.I.3. The deviations from the UK CGC are largely due to the conceptual difference between the monistic management system of a public listed company in the United Kingdom (so-called one-tier board) and the dualistic management system consisting of Executive Board and Supervisory Board in a public limited company (so-called two-tier board) under German law.

In conducting the audit of the financial statements, the auditor did not identify any facts that would indicate that the declaration on the DCGK issued by the Executive Board and the Supervisory Board was incorrect.

Further information on Corporate Governance, the Declaration of Conformity 2021 pursuant to section 161 of the German Stock Corporation Act (AktG) and the declaration on the UK CGC can be found in the Corporate Governance Report jointly prepared by the Executive Board and the Supervisory Board in this Annual Report on page 109 and on TUI AG's website.

Conflicts of interest that have arisen

The Supervisory Board has continuously monitored whether conflicts of interest could arise in the current financial year. It has determined that no conflict of interest arose in the 2021 financial year.

Audit of the annual financial statements and consolidated financial statements of TUI AG and the TUI Group

The Supervisory Board examined whether the annual financial statements and the consolidated financial statements as well as the other financial reporting complied with the applicable requirements. The annual financial statements of TUI AG prepared by the Executive Board in accordance with the rules of the German Commercial Code (Handelsgesetzbuch – HGB), the combined management report of TUI AG and the TUI Group and the consolidated financial statements for financial year 2021 prepared on the basis of the International Financial Reporting Standards (IFRS) were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hanover, and issued with an unqualified audit opinion in each case. The aforementioned documents, the

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Executive Board's proposal for the appropriation of the balance sheet profit and the auditor's reports were submitted to all members of the Supervisory Board in good time. We discussed them in detail at the audit committee meeting on 6 December 2021 and at our balance sheet meeting on 7 December 2021, at which the Executive Board explained the financial statements in detail. At these meetings, the chairman of the audit committee and the auditor reported on the results of their audits, the focus of which had previously been determined with the audit committee for the reporting year. Neither the auditor nor the audit committee identified any weaknesses in the early risk detection and internal control system. On the basis of our own review of the annual financial statements, the consolidated financial statements and the combined management report, we had no cause for objections and therefore concurred with the Executive Board's assessment of the situation of TUI AG and the TUI Group.

On the recommendation of the Audit Committee, we approved the financial statements for financial year 2021; the annual financial statements of TUI AG are thus adopted.

Composition of the Executive Board and Supervisory Board

The composition of the Executive Board and the Supervisory Board as at 30 September 2021 is shown in the overviews on pages 105 and 106 for the Supervisory Board and on page 107 for the Executive Board.

SUPERVISORY BOARD

In the following I will give you an overview of the personnel changes in the Supervisory Board. It should be mentioned in advance that it was agreed with the Economic Stabilisation Fund (Wirtschaftsstabilisierungsfonds – WSF) within the framework of the agreed stabilisation measures to work towards appointing two persons nominated by WSF as members of the Supervisory Board.

Ms Angelika Gifford and Mr Peter Long retired from the Supervisory Board of TUI AG as shareholder representatives at the end of the 2021 Annual General Meeting. Ms Gifford had been a member of our Board since February 2016 and had noticeably enriched us with her expertise in digital technologies and social media. She has always closely followed and scrutinised the management's digitalization strategy and has made constructive contributions to highlight potential challenges as well as solutions. Due to her other professional commitments, Ms Gifford unfortunately did not stand for re-election to the Supervisory Board at this year's Annual General Meeting. We wish her every success in her future endeavours.

Mr Long has also decided not to stand for re-election to the Supervisory Board for the benefit of the Company with regard to the WSF's right of nomination and therefore left the Supervisory Board at the end of the 2021 AGM. Mr Long was extremely closely associated with TUI for many years: He had been CEO of the former TUI Travel PLC since 2007 and, following the successful merger, co-chaired the Executive Board of TUI AG together with Mr Joussen. Since 2016, he has been a member of the Supervisory Board and also Chairman of the Strategy Committee. The company and also the Supervisory Board have benefited greatly from his many years of experience and expertise in the tourism sector. Both operationally and strategically, Mr Long has played a key role in shaping and accompanying important developments at TUI. As Chairman of the Strategy Committee, he accompanied the transformation into a digital platform company with a well-founded critical eye. We thank him for his extraordinary commitment and wish him all the best for the future.

In place of Ms Gifford and Mr Long and at the proposal of the WSF and the Supervisory Board, Dr Jutta Doenges and Ms Janina Kugel were elected to the Supervisory Board of TUI AG by the shareholders at the 2021 Annual General Meeting. For more than three years, Dr Doenges has been Managing Director of state owned Finanzagentur GmbH, which, among other things, manages WSF's involvement with TUI AG. In this capacity, Dr Doenges has been proposed by WSF for membership of our Supervisory Board. As an economist engineer with a doctorate, she looks back on an impressive career as, among other things, Executive Director of the Investment Banking Division at Goldman Sachs and Chair of the Steering Committee of the Federal Agency for Financial Market Stabilisation. Particularly in view of the challenges still ahead, we are very pleased to have gained a true expert on investment and financing topics in her.

Janina Kugel, who studied economics, has many years of experience in human resources management in various companies and sectors. She is known to the public at the latest through her Executive Board mandate at Siemens AG. With her, we welcome an extremely experienced manager on board our Supervisory Board, especially with regard to transformation and restructuring, as well as the associated changes in working methods and culture, also on the international stage.

In view of the current challenges, which concern not only the purely operative business, but also our position on the financial market and our internal repositioning, both bring valuable experience and expertise and are an optimal addition to our Supervisory Board.

Upon retirement, Mr Poenipp resigned from the Supervisory Board of TUI AG as an employee representative on 28 February 2021. Mr Poenipp had been a member of the Supervisory Board since April 2013 and was a member of both the Presiding Committee and the Audit Committee. Due to his experience and in-depth understanding of the operative business, he was a highly valued contact for all of us. Moreover, TUI's employees have had a committed and extremely competent representative of their interests on the Supervisory Board in him, who most recently served as Chairman of the Works Council of the Tour Operator of TUI Deutschland GmbH and Deputy Chairman of the General Works Council of TUI Deutschland GmbH. We wish Mr Poenipp all the best in his well-deserved retirement and, above all, continued good health.

Dr Dierk Hirschel also resigned from the Supervisory Board of TUI AG as an employee representative at the end of the 2021 Annual General Meeting. Dr Hirschel, Head of Economic Policy at the Ver.di trade union, had been a member of our Supervisory Board and also of the Audit Committee for six years. With his outside view of the Company, he always had the macroeconomic context in mind and always encouraged the members of the Supervisory Board but also the management to discuss and pursue new approaches and ideas. We thank him for his commitment and wish him all the best for the future.

We were pleased to welcome Ms Tanja Viehl and Mr Mark Muratovic to the Supervisory Board as new employee representatives at the end of the 2021 Annual General Meeting. Ms Viehl has now been working for the Vereinigung Cockpit e. V. for four years as a lawyer specialising in collective bargaining policy. With her experience in labour law issues in the aviation industry, she is an competent addition to our board.

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Mr Muratovic has worked for TUI Deutschland GmbH since 1999 in various sales-related positions and currently holds the position of Deputy Chairman of the General Works Council of TUI Deutschland GmbH in addition to his role as Chairman of the Works Council of the Tours Operator of TUI Deutschland GmbH. With his in-depth knowledge of the operating business, he is a valuable partner for us on the Supervisory Board of TUI AG.

PRESIDING COMMITTEE

Mr Michael Poenipp retired from the Presiding Committee on 28 February 2021. Due to the upcoming Annual General Meeting, there was no immediate replacement for his vacant mandate. With their resignation from the Supervisory Board, Ms Angelika Gifford and Mr Peter Long also resigned from the Presiding Committee after the Annual General Meeting on 25 March 2021.

As the size of the Presiding Committee was reduced from eight seats to six seats, there was no replacement of Mr Michael Poenipp on the side of the employee representatives. On the side of the shareholder representatives, Prof. Dr Ernst was elected as a member of the Presiding Committee.

AUDIT COMMITTEE

Until the 2021 Annual General Meeting, the equally represented Audit Committee consisted of: Prof. Dr Edgar Ernst as Chairman, Mr Andreas Barczewski, Dr Dierk Hirschel, Mr Frank Jakobi, Mr Vladimir Lukin, Ms Coline McConville and Dr Dieter Zetsche. Mr Michael Poenipp retired from the Supervisory Board of TUI AG and thus also from its Audit Committee at the end of 28 February 2021.

The current Audit Committee was elected from the members of the Supervisory Board immediately after the Annual General Meeting in March 2021. The election of the committee members is valid for the respective duration of their Supervisory Board mandate. The audit committee, with equal representation, currently consists of Prof. Dr Edgar Ernst as chairman, Dr Jutta Doenges, Mr Stefan Heinemann, Mr Frank Jakobi, Mr Vladimir Lukin, Mr Mark Muratovic, Mr Stefan Weinhofer and Dr Dieter Zetsche.

NOMINATION COMMITTEE

Following the resignation of Mr Peter Long from the Supervisory Board and thus also from TUI AG's Nomination Committee, the vacant seat was filled by Prof. Dr Edgar Ernst.

STRATEGY COMMITTEE

Both Mr Peter Long as Chairman and Ms Angelika Gifford resigned from the TUI AG Supervisory Board Strategy Committee on 25 March 2021. The Committee is now chaired by Dr Dieter Zetsche. The vacant seats have been occupied by Dr Jutta Doenges and Ms Coline McConville since 25 March 2021.

EXECUTIVE BOARD

In financial year 2020, Ms Conix announced that she would not be renewing her service agreement, which was goin to expire on 14 July 2021. After intensive discussion, 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 with responsibility for Strategy, M&A, Airlines and Joint Ventures. In accordance with the wishes of Dr Elke Eller, her service agreement was also not extended. Dr Elke Eller's appointment as a member of the Executive Board was terminated at the end of 30 June 2021. She was succeeded as CHRO and Labour Director by Ms Sybille Reiss with effect from 1 July 2021.

Thanks!

The Supervisory Board would like to thank all employees of the TUI Group for their great commitment, which has carried TUI through a financial year with unprecedented challenges, as in the previous year. Against the backdrop of the still great uncertainties in 2021, your commitment is a remarkable achievement!

Hanover, 6 December 2021

For the Supervisory Board,

Dr Dieter Zetsche
Chairman of the Supervisory Board

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AUDIT COMMITTEE REPORT

Dear Shareholders,

As the Audit Committee, we are tasked with supporting the Supervisory Board in the performance of its monitoring function. In this context, we deal with the audit of accounting, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the audit of the financial statements and compliance. The accounting process includes, in particular, the consolidated financial statements and the Group management report, including CSR reporting, financial information during the year and the separate financial statements in accordance with the German Commercial Code (HGB). In the financial year under review, we dealt in particular with issues relating to the TUI Group's accounting and financial reporting, as required by law, the German Corporate Governance Code (DCGK), the UK Corporate Governance Code (UK CGC) and the rules of procedure of the Supervisory Board.

In addition, the Audit Committee is responsible for the selection of the external auditor, whereby it also reviews the qualification as well as the independence of the auditor. The selected auditor is then proposed by the Supervisory Board to the Annual General Meeting for appointment. After 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. The auditor is also commissioned to review the half-yearly financial report and any additional interim financial information that meets the requirements for the half-yearly financial report. The Audit Committee has agreed with the auditor that the latter will inform the Audit Committee without delay of all findings and events of significance for its tasks that come to its attention during the performance of the audit. Furthermore, the Audit Committee has agreed with the auditor that the auditor will inform the Committee and make a note in the audit report if, during the performance of the audit, the auditor ascertains facts that show a misstatement in the declaration on the DCGK issued by the Executive Board and the Supervisory Board. In addition, the Audit Committee regularly assesses the quality of the audit.

Until the 2021 ordinary Annual General Meeting, the Audit Committee consisted of as set out in the report of the Supervisory Board, an equal number of members of both shareholder representatives and employee representatives: Prof. Dr Edgar Ernst (Chairman), Andreas Barczewski, Dr Dierk Hirschel, Frank Jakobi, Vladimir Lukin, Coline McConville and Dr Dieter Zetsche. Michael Pönipp retired from TUI AG's Supervisory Board and thus also from its Audit Committee at the end of 28 February 2021.

PROF. DR EDGAR ERNST

Chairman of the Audit Committee

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The current Audit Committee was elected from the members of the Supervisory Board immediately after the Annual General Meeting in March 2021. The election of the committee members is valid for the respective term of their Supervisory Board mandate. The Audit Committee with equal representation currently consists of the following eight members of the Supervisory Board:

- Prof. Dr Edgar Ernst (Chairman)
- Dr Jutta Dönges
- Stefan Heinemann
- Frank Jakobi
- Vladimir Lukin
- Mark Muratovic
- Stefan Weinhofer
- Dr Dieter Zetsche

The Chairman of the Audit Committee has special knowledge and experience in the application of accounting principles and internal control procedures and is familiar with the auditing of financial statements. In the opinion of the Supervisory Board, he is independent of the Company and the Executive Board (for information on the independence of the other members of the Audit Committee, see page 110). At least one other member of the Audit Committee has expertise in the field of auditing. The members of the Audit Committee all have competencies relevant to the sector in which the Company operates.

The Audit Committee meets regularly six times a year. The meeting dates and agendas are based in particular on the Group's reporting cycle and the Supervisory Board's agendas. Additional meetings may be held on specific topics. These topic-related meetings generally also include a meeting at which the Executive Board explains to the Audit Committee the main content of the Pre-Close Trading Update, which is published shortly before the reporting date for the annual financial statements. Due to the market environment and the very short-term bookings, particularly at the end of financial year 2021, a Post-Close Trading Update was considered more suitable, which then already fell into the financial year following the reporting period. Moreover, the Audit Committee held two extraordinary meetings in the reporting period.

In addition to the members of the Audit Committee, 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 auditors were invited to attend the meetings to discuss relevant issues. Other members of TUI Group's senior management and managers with operational responsibility or external consultants were invited 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, divisional managers or the responsible partners of the auditor if this appeared necessary to go into more detail on individual topics and issues. The Chairman of the Audit Committee reported on the main results of these discussions at the following meeting of the Audit Committee.

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

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

Informational value 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) of the German Commercial Code (HGB), the annual financial statements must be clear and concise and provide a realistic overview of the company's economic situation. This is in line with the requirements of the UK Corporate Governance Code (UK CGC), according to which the annual financial statements and annual report must be accurate, balanced and comprehensible. Against this background, the Executive Board is satisfied – although the assessment was not delegated to the Audit Committee – that the submitted Annual Report meets the requirements of both legal systems.

In order to satisfy ourselves as well of the informative value of the annual financial statements and the interim reporting, we were informed in detail by the Executive Board about the business development and the 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, the auditors also reported in detail on material aspects of the financial statements and on the results of the audit or the auditors' review. In principle, discussions can always take place in the absence of the Executive Board.

In order to monitor accounting, we intensively dealt with individual aspects. As in the previous year, TUI's economic development due to the COVID-19 crisis was naturally a central topic in our meetings. We received detailed reports from TUI AG's Executive Board on the measures taken to secure liquidity, in particular with regard to state-backed financing, and planned capital measures.

In addition, we examined the accounting treatment of significant balance sheet items, in particular goodwill, tangible fixed assets, touristic payments on account for hotel services and other provisions. In consultation with the auditors, we satisfied ourselves that the assumptions and estimates underlying the accounting treatment were appropriate. Furthermore, material aspects arising from operations, in particular the impairment testing of the Group's assets in the light of the COVID-19 crisis, were assessed by the Audit Committee.

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In the period under review, we dealt in particular with the following individual aspects:

Even before the outbreak of the COVID-19 crisis, TUI AG's Executive Board initiated optimisation processes with regard to the structure of working capital and the associated cash flows. These measures also included the creation of a Corporate Finance structure. 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. As in the previous year, we received detailed reports on the corresponding measures.

For each quarterly report and for the annual financial statements, the consistency of the reconciliation to the key figure 'adjusted earnings' and the material items eliminated here (adjustments) were also discussed.

Furthermore, an assessment of the quality of the audit was carried out in order to obtain an ex ante picture of the effectiveness of the audit as well as to deal with the effectiveness of audits already carried out. Objectively assessable indicators were evaluated. As a result, for example, the intensive exchange with the sub-area auditors before, during and after the audit was assessed as positive.

We were also informed about the corporate transactions of the financial year. This related in particular to the sale of the shares in Riu Hotels S. A. The Audit Committee already previously had the internal procedure for the control of transactions with related parties being explained to it, whereby a control of the transactions within the financial year was carried out by the Chairman of the Audit Committee in preparation, as provided for in the internal procedure.

In addition, the agenda also included reporting on the monitoring of processes for compliance with the obligations resulting from the second framework agreement concluded with WSF. In addition, the Audit Committee dealt with the legal innovations resulting from the Financial Market Integrity Strengthening Act (FISG).

In addition to these topics, the going concern report prepared by the Company was discussed in particular against the backdrop of the COVID-19 crisis in order to verify the relevant going concern statements in the half-year report and the annual financial statements. The viability statement to be issued in the annual financial statements under the UK CGC regulations was also the 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 these disclosures. The Supervisory Board has decided to seek the support of TUI's Group Audit division in reviewing the disclosures. Accordingly, we were informed of the results of the review by Group Audit in the financial year under review and are of the opinion that the disclosures published in the CSR Report are appropriate and reasonable.

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

Effectiveness of the control and risk management system

The Audit Committee is guided in its statutory obligation to deal with the effectiveness of the internal control and risk management system by the conviction that a stable and effective internal control system is indispensable to ensure business success in the long term. In order to fulfil its monitoring task, the Audit Committee regularly obtains information on the maturity of the implemented controls and also on the further development of the internal control system.

The Group has continuously developed its internal control system based on the COSO concept. The routine review of key financial controls is performed by local management and monitored by the Executive Board. In the largest source markets, the UK and Germany, additional internal controls are also reviewed.

The compliance function in the Group is further divided into the areas of finance, legal and IT. This division plays a key role in identifying further control requirements and permanently improving the existing controls. In addition, the auditor also reports on any weaknesses in the Group's accounting-related control system that it identifies, and management follows up on their prompt elimination.

The Audit Committee receives regular reports on the effectiveness of the risk management system, as described in the Risk Report starting on page 35. The Risk Oversight Committee that has been set up plays a key role within the Group. We are convinced that an appropriate risk management system is in place.

The internal audit department ensures the independent monitoring of the implemented processes and systems as well as the material projects and reports directly to the Audit Committee at each regular meeting. In the reporting period, the Audit Committee was not informed of any audit findings that indicated material weaknesses in the internal control system or the risk management system. In addition, regular meetings are held between the Chairman of the Audit Committee and the Group Director of Internal Audit for closer coordination. The annual audit planning process is agile. The Audit Committee has received a detailed report on the methodology and has noted and approved it, together with the audits for the coming financial year that have already been defined in this context. The Audit Committee believes that regular coordination ensures the effectiveness of internal auditing.

At our meetings during the fiscal year, we were informed about the status of implementation of the provisions of the EU General Data Protection Regulation in the individual business units. Based on this report, we are convinced that both in the previous financial years and in the current reporting period the projects and measures initiated throughout the Group for this purpose are suitable for meeting the requirements of the EU GDPR.

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Whistleblowing systems for employees in the event of compliance violations

A standardised whistleblowing system has been set up in the TUI Group, enabling employees to draw attention to potential breaches of compliance guidelines.

As part of the reporting on the legal compliance system, we were presented with the key findings from the whistleblower system for the current fiscal year.

Review of the independence and objectivity of the auditor

For financial year 2021, the Audit Committee recommended to the Supervisory Board that Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte) be proposed to the Annual General Meeting as auditor. Following the appointment of Deloitte as auditors by the Annual General Meeting in March 2021, the Supervisory Board commissioned Deloitte with the audit of the 2021 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 2021. This plan includes the key audit areas and the group of companies to be audited from the Group's perspective. The Audit Committee is convinced that this plan ensures that the audit adequately takes into account the identifiable risks. It also considers the independence and objectivity of the auditor to be given.

On the basis of regular reporting by the auditor, we have satisfied ourselves of the effectiveness of the external audit and have decided to recommend to the Supervisory Board that Deloitte be proposed to the Annual General Meeting as auditor again for FY22. Deloitte was selected by us as auditor in a public tender process in the 2016 financial year 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, all engagements for the provision of non-audit services by the auditor must be submitted to the Audit Committee for approval before the engagement is awarded. The Audit Committee makes use of the possibility to delegate the approval to the company depending on its size. The Chairman of the Audit Committee is only involved in the decision if a specified cost limit is exceeded. Where the auditors provided services to the Group outside the scope of the audit, the nature and amount of these services were explained to the Audit Committee. This approach is in line with the Company's existing policy on the approval of non-audit services, which takes into account the requirements of the provisions of the German Audit Reform Act (Abschlussprüfungsreformgesetz – AReG) on prohibited non-audit services and on limitations on the amount of non-audit services. In financial year 2021, these regulations were complied with as in previous years. Globally, non-audit services accounted for around 35 % of Deloitte's audit fee in financial year 2021, which amounted to € 7.1 million.

I would like to thank the members of the Audit Committee, the auditors and the management for their trusting and committed cooperation in the past financial year.

Hanover, 6 December 2021

Prof. Dr Edgar Ernst
Chairman of the Audit Committee

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* 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 Statement on Corporate Governance and the Financial Highlights.

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TUI GROUP STRATEGY

Growing travel market driven by strong fundamental trends

Before the COVID-19 pandemic, the global travel market was growing above global GDP levels[1]. The crisis has had an unprecedented impact on the world of travel over the past two years. However, following the COVID-19 pandemic, the global travel market is expected to recover strongly, returning to pre-crisis levels and growth by 2022 to 2024. Furthermore, leisure travel is expected to recover more quickly than business travel.

In particular three megatrends will continue to drive the growth of tourism in the future. Firstly, we are seeing a shift in demographics with people living healthier, longer and with more money to spend which has a positive effect on travel and tourism. Secondly, middle classes continue to grow, particularly in South East Asia and Latin America. Thirdly, people are choosing experiences over the ownership of goods with increasing frequency. Therefore, tourism will continue to be an attractive growth market in the mid-term. Short-term, tourism markets have rebounded strongly from the COVID-19 crisis. The underlying desire of people to travel has been evident throughout the COVID-19 crisis, as we have seen immediate strong booking surges for our destinations on easings of governments' travel restrictions. Following the roll-out of successful vaccination programmes and further easing of more government travel restrictions this positive market momentum is expected to continue, in particular also for long-haul destinations[2].

TUI'S INTEGRATED BUSINESS MODEL YIELDS SYNERGIES

TUI is an integrated tourism group organised in two business divisions, Holiday Experiences and Markets & Airlines, offering synergies and scale. TUI serves millions of customers and operates 137 aircraft, 414 hotels[3], 16 cruise ships[4] and a digital platform for tours and activities with a strong portfolio of over 215 k offers[4]. While our Holiday Experience division benefits from our Markets & Airlines distribution capabilities, it supports our distribution division by offering own and differentiated products.

[1] As per Statista data for global tourism receipts (review period 2015 – 2019)
[2] https://www.reuters.com/world/us/exclusive-us-partly-lift-international-travel-curbs-nov-8-official-2021-10-15/
[3] As at 30 Sept. 2021, including third party hotels
[4] As at 30 Sept. 2021

Holiday Experiences: Sizeable and differentiated leisure hotel, cruise and tours and activities product portfolio

HOTELS & RESORTS – DIFFERENTIATED BRANDS, INVESTMENTS AND ASSET-RIGHT GROWTH

TUI features a portfolio of own and differentiated leisure brands such as Robinson, TUI Magic Life, TUI Blue and TUI Suneo. This brand portfolio is complemented by JV hotel brands such as Riu, Atlantica, Blue Diamond and Grupotel. Our hotel portfolio is well-diversified in terms of destination mix and ownership models including ownership, lease, management and franchise. The earnings development of our Hotels & Resorts business unit is driven by our vertical integration with the majority of our revenue being generated by our Markets & Airlines division. We will continue the asset-right strategy that we commenced in 2019 before the crisis. The growth of the hotel portfolio will be decoupled from investments, separating hotel management and the holiday experience from property ownership. The customer experience is driven by the brand and the quality of the hotel and we will continue to create tailor-made hotel experiences for our guests. We are committed to growing our global brand and hotel portfolio with a stronger focus on management and franchise in the future as well as long-term, strategic partnerships with hoteliers and institutional investors.

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CRUISES – DIFFERENTIATED BRANDS, ASSET-LIGHT INVESTMENTS AND GROWTH

TUI's cruise business consists of three brands covering the full cruise sector spectrum from premium all-inclusive to luxury to expeditions. Our JV brands TUI Cruises and Hapag-Lloyd Cruises are specifically designed for the German-speaking all-inclusive (Mein Schiff fleet of TUI Cruises), luxury (Europa and Europa 2 vessels at Hapag-Lloyd Cruises) and expedition (HANSEATIC class of Hapag-Lloyd Cruises) markets. Our Marella Cruises brand represents a bespoke UK cruise product with a focus on all-inclusive fly-cruising.

Our TUI Cruises JV will continue to grow by investing into new-build ships for all market segments. Marella Cruises will continue to pursue a fleet upgrading strategy by replacing older ships with newer and larger vessels, enabling it to increase product pricing.

TUI Markets & Airlines will continue to distribute our own and differentiated cruise product offerings, driving the performance of our cruise business unit.

TUI MUSEMENT – GROWTH AND UPSTREAM CONSOLIDATION

TUI Musement, one of the largest digital providers in the online intermediary market for tours, activities and experiences[5], connects our own and third party tours and activities product portfolio in the destinations with our own Markets & Airlines customers as well as third party customers through strategic partnerships such as with Booking.com or Trivago.

TUI Musement will focus on strongly growing its own and third party curated product offering and will therefore strategically focus on upstream market consolidation. Its product offering covers tours and activities globally, both in leisure and city destinations. TUI Musement will retain a strong focus on the curation and fulfilment of its experiences product offerings such as excursions & day trips, attractions & guided tours, multi-day tours, cruise shore excursions, transfers, tickets & events and other activities.

Markets & Airlines – Continued focus on customers, digitalisation and mass-individualisation

TUI is, according to consumer surveys for unaided brand awareness and consideration, a leading tourism brand[6]. More than a dozen source markets[7] deliver a strong and diversified customer base for our differentiated product offerings. Customers appreciate TUI's flexible, safe, differentiated and highly service-oriented holiday experience offerings, specifically designed for their needs[8]. 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. TUI follows a customer centric approach, aiming to create long-term relationships with its customers. Personalized experiences and new product development is a strategic priority, intended to improve the value for money for our customers while driving demand for our products at the same time.

TUI continues with the development and implementation of its own IT platform TRIPS, a comprehensive software stack covering the whole value chain from inventory management, creation of products offerings and pricing to customer relationship management. This comprehensive IT platform will replace various local legacy systems and therefore drive synergies and cost reductions as TUI will use one common system across all markets in the future. At the same time this platform will form the basis for our digital mass-individualisation product initiative and will therefore support to drive revenues. One central development allows for high agility and strong development and running cost control.

To further protect its strong market positions, TUI has established a global realignment programme, with the target of delivering € 400 m of cost savings p.a. by FY23, with a large proportion of such savings targets being allocated to our Markets & Airlines business. By the end of financial year 2021 more than 60 % of this target have been delivered already.

[5] According to Bernstein analysis, TUI Musement ranked 2nd for market share in the tours, activities and experiences market
[6] As measured by brand consideration in TUI brand performance tracking, completed by Metrixlab
[7] Germany, UK, Belgium, Netherlands, Sweden, Denmark, Norway, Finland, France, Austria, Switzerland, Poland, Canada and Russia
[8] Based on TUI research [e. g. brand/customer surveys]

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TUI is strongly committed to sustainability

Our responsibility as a world-renowned tourism company has never been greater. The travel and tourism industry needs to respond to global challenges such as climate change. With the next phase of our Sustainability Agenda, we will enter a decade of sustainable transformation. Our ambition is to lead the industry and to actively shape a more sustainable future for tourism. This ambition is anchored by the sigificant progress we've made to date.

Our airlines are already among the most environmentally efficient in the world, ranking first and fourth among the world's 200 largest airlines in terms of CO_2 efficiency[9]. In financial year 2021, our airline's relative carbon emissions rose by 15 % to 78g CO_2 / pkm (previous year: 67.8g CO_2 / pkm). This is attributable to the grounding of our fleet due to the COVID crisis, which led to a considerable decrease in flight operations and occupancy rates of all TUI airlines. The increased freight component of various TUI airlines caused the weight of the aircrafts to increase, which in turn elevated fuel consumption.

Between 2015 and 2019, TUI's cruises business has achieved a 13.6 % reduction in relative CO_2 emissions and a 60 % reduction in fresh water consumption on our cruise ships. In addition, by 2019 83.8 % of TUI Hotels & Resorts had their sustainability certification[10]. In total, we had removed 257 million pieces of single-use plastic[11] from our operations, between 2018 and 2019, a significant achievement on our journey to create sustainable holidays for our guests.

Our next steps will be anchored in several core deliverables: Empowering communities in destinations, driving transformation by increasing and sharing knowledge through our educational initiatives[12], reducing our environmental footprint[13] and working with partners across the tourism industry and outside to accelerate the transformation beyond TUI.

[9] According to latest atmosfair Airline Index from 2018
[10] Tangible environmental improvements (10 % less CO_2, 24 % less waste volume and 23 % more green energy in certified hotels vs. non-certified)
[11] 27 m pieces from the airline, 31 m pieces from cruises and 197 m pieces from our hotels
[12] https://www.tuigroup.com/en-en/media/press-releases/2021/2021-06-02-tcf-and-enpact-launch-tourism-recovery-programme
[13] Working with science-based emissions targets, water, energy & waste

TUI will emerge stronger and leaner from the crisis

TUI has accelerated its strategic transformation during the COVID-19 crisis. It is emerging as a more digital, leaner and stronger company, which we believe posititons us well to capture further market growth potential. TUI will continue to grow its differentiated Holiday Experience product offerings whilst in our pursuit to deliver high-quality and more individualised service and products to its customer base, based on a blend of digital and human interactions.

Our employees

In 2021, the COVID-19 pandemic again posed significant challenges for TUI Group, our HR Departments and our employees. It required us to build systematically on the measures already launched in 2020 to reduce staff costs. As we press ahead with our ongoing transformation and restructuring projects, TUI is moving towards its goal of future-proofing the Company and successfully counteracting the long-term effects of the COVID-19 pandemic.

In financial year 2021, key drivers were our digitalisation strategy and the transformation to a digital platform company, and these are also reflected our HR activities. In August 2021, we launched the 'TUI Way of Working', seeking to reach global agreement on a new way of working and develop a shared vision for the future of work at TUI. We have already implemented a number of initiatives and programmes, in particular in the leadership, workplace and technology modules.

In the next few months, we will focus on formulating a new People Strategy with our new Chief HR Officer and Labour Director. The strategy will create an HR view of the portfolio and also address the HR function as such. Its goal is to update the HR function and enhance its efficiency while aligning our HR activities to the changing requirements that define the world of work in our future digital platform company.

Details see page 84 onwards

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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 272 direct and indirect subsidiaries at the balance sheet date. A further 18 affiliated companies and 27 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 shareholders, see page 156 and 243.

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 if appplicable.

EXECUTIVE BOARD AND GROUP EXECUTIVE COMMITTEE (GEC)

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 107

The Executive Board is the Company's central decision-making body. In addition, there is the Group Executive Committee (GEC), which as of 30 September 2021 consisted of eleven members, including six Executive Board members, and is chaired by Friedrich Joussen, Chairman of the Executive Board. As a rule, the Group Executive Committee participates in all Board meetings, with the exception of items dealing with personnel matters relating to the composition of the Senior Leadership Team. The GEC was set up to enhance informed, effective decision-making and to create a flat hierarchy and strong execution environment. It reflects a culture of openness and information sharing.

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 as well as three regions: Northern, Central and Western Regions. TUI Group also comprises All other segments. The Group's reporting structure thus remained largely unchanged year-on-year in the reporting period.

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HOLIDAY EXPERIENCES

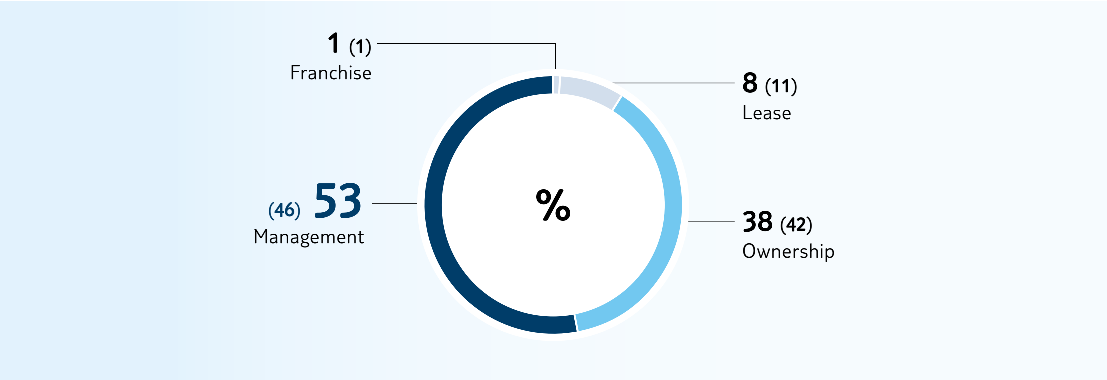
Holiday Experiences comprises our hotel, cruise and destination activities.

HOTELS & RESORTS

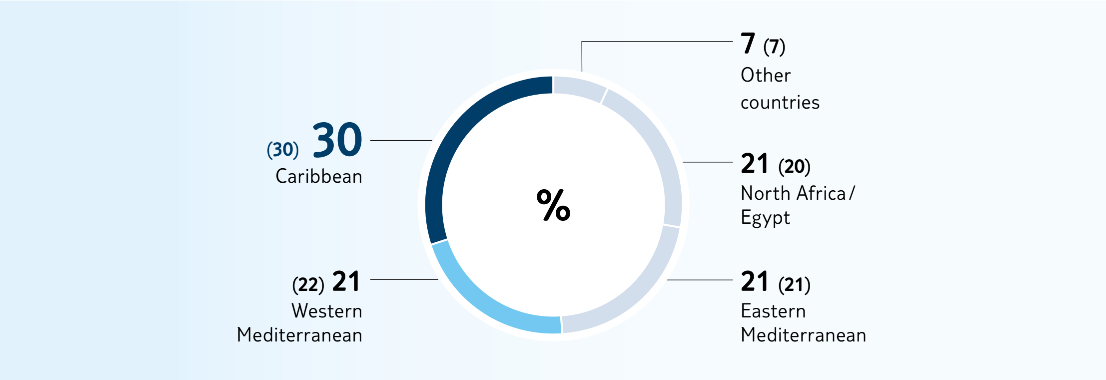
The Hotels & Resorts segment comprises TUI Group's diversified portfolio of Group hotel brands and hotel companies. The segment includes hotels majority-owned by TUI, joint ventures with local partners, stakes in companies giving TUI significant influence, and hotels operated under management contracts.

In financial year 2021, Hotels & Resorts comprised a total of 359 hotels with 275,773 beds. 333 hotels, i. e. the majority, are in the four- or five-star categories. 53 % were operated under management contracts, 38 % were owned by one of the hotel companies, 8 % were leased and 1 % of the hotels were managed under franchise agreements

Hotels & Resorts financing structure in %



Hotels & Resorts beds per region in %



In brackets: previous year

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Hotels & Resorts portfolio

Hotel brand	3 stars	4 stars	5 stars	Total hotels	Beds	Main sites
Riu	3	50	48	101	105,435	Spain, Mexico, Caribbean, Cape Verde, Portugal, Morocco
Robinson	1	17	8	26	16,015	Spain, Greece, Turkey, Austria
Blue Diamond	3	12	19	34	32,270	Cuba, Dom. Rep., Jamaica, Mexico, Saint Lucia
Other hotel companies	19	108	71	198	122,053	Spain, Greece, Turkey, Egypt
Total	**26**	**187**	**146**	**359**	**275,773**	

As at 30 September 2021

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.

In the framework of our asset-right strategy, which entails a decoupling of hotel growth and property investments, we sold our 49 % stake in the joint venture Riu Hotels S.A to a Riu Group company owned by Carmen and Luis Riu with effect from 31 July 2021. The transaction did not affect our subsidiary RIUSA II S.A., which continues to be in charge of management and distribution for all Riu hotels and resorts around the globe. The number of beds in our Group-owned hotel portfolio was not affected by this transaction as the 21 Riu hotels sold will continue to be operated under management contracts by RIUSA II S.A.

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 34 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 those rebranded as TUI Blue hotels, the brand has 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 55 hotels belonging to our international concept brands. This brings the total number of TUI Group hotels to 414.

CRUISES

The Cruises segment consists of the joint venture TUI Cruises, which also operates Hapag-Lloyd Cruises since the prior year, and Marella Cruises. With their combined fleet of 16 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)	12	0	12
of which Hapag-Lloyd Cruises	5	0	5
Marella Cruises	3	1	4
Total	**15**	**1**	**16**

As at 30 September 2021

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 'Mein Schiff' vessels, TUI Cruises is top-ranked in the German-speaking market for cruises. The Berlitz Cruise Guide 2020, the most important international reference guide for cruise ship ratings, ranked four ships operated by TUI Cruises among the Top 5 liners in the 'Large ships' category.

The traditional Hapag-Lloyd Cruises brand, which is also part of TUI Cruises, is a leading provider of luxury and expedition cruises in German-speaking markets. At the reporting date, the fleet comprised two luxury liners and three expedition cruise ships. As in the past, the flagships Europa and Europa 2 were the only ships to feature in the highest category of the Berlitz Cruise Guide, the 5-star-plus category.

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

TUI MUSEMENT

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 products and services. TUI also employs its own staff in numerous holiday destinations. In order to tap further growth potential, we entered into additional strategic B2B partnerships in the period under review.

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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. The stake in TUI Russia was sold in the period under review.

CENTRAL REGION

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

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, the corporate centre functions of TUI AG and 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 underlying EBIT. Accordingly, underlying EBIT 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. 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 2021, 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.

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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) and Environmental matters (page 77) and in the Report on Expected Developments (page 50).

Cost of capital

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 fiscal year 2021, we apply a cost of capital of 7.77 % for the Hotel & Resorts segment, 9.18 % for Marella Cruises, 8.36 % 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).

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 disruptions caused by COVID-19 and the associated negative underlying EBIT, the TUI Group's overall ROIC is negative at – 30.02 %. With a group weighted cost of capital of 10.27 %, this yielded negative Economic Value Addded of € 2.8 bn (previous year negative EVA of € 3.7 bn).

Invested Capital

€ million	Notes	2021	2020
Equity		**– 418.4**	**218.1**
Subscribed capital	(24)	1,099.4	1,509.4
Capital reserves	(25)	5,249.6	4,211.0
Revenue reserves	(26)	– 8,525.7	– 6,168.8
Non-controlling interest	(29)	667.3	666.5
Silent Participations		1,091.0	0.0
plus interest bearing financial liability items		**7,509.0**	**9,002.7**
Pension provisions and similar obligations	(30)	935.1	1,015.0
Non-current financial liabilities	(32), (36)	3,036.1	3,691.7
Current financial liabilities	(32), (36)	284.6	577.3
Derivative financial instruments	(32), (36)	23.7	318.8
Lease liabilities (IFRS 16)	(32)	3,229.4	3,399.9
less financial assets		**1,383.7**	**1,157.6**
Derivative financial instruments	(36)	62.3	96.4
Cash and cash equivalents	(22), (36)	1,583.9	1,233.1
Other financial assets		237.6	328.2
Seasonal adjustment[1]		– 500.0	– 500.0
less overfunded pension plans		**137.1**	**363.3**
Invested Capital before addition of effects from purchase price allocation		**5,569.7**	**7,699.9**
Invested Capital excluding purchase price allocation prior year		7,699.9	6,059.2
Ø Invested capital before addition of effects from purchase price allocation[2]		**6,634.8**	**6,879.6**
Invested Capital before addition of effects from purchase price allocation		**5,569.7**	**7,699.9**
plus effects from purchase price allocation		296.9	259.8
Invested Capital		**5,866.6**	**7,959.7**
Invested Capital prior year		7,959.7	6,310.0
Ø Invested Capital[2]		**6,913.1**	**7,134.8**

[1] Adjustment to net debt to reflect a seasonal average cash balance
[2] Average value based at beginning and year-end

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ROIC

€ million		2021	2020 adjusted
Underlying EBIT		**–2,075.5**	**–2,997.0**
Ø Invested Capital*		**6,913.1**	**7,134.8**
ROIC	**%**	**–30.02**	**–42.01**
Weighted average cost of capital (WACC)	%	10.27	10.32
Value added		**–2,785.6**	**–3,733.4**

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

Group performance indicators used in the Executive Board remuneration system

From the 2020 financial year onwards, the internationally more common earnings measure 'adjusted EBIT' is used for value-oriented corporate management. In the 2020 financial year, the adjusted EBIT was also adjusted for the earnings effect of IFRS16 ('adjusted EBIT [IAS17]') as part of internal reporting to facilitate comparability with the previous year. From the 2021 financial year onwards, adjusted EBIT (IFRS 16) is the segment performance indicator within the meaning of IFRS 8, and the previous year's figures were adjusted accordingly.

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 on a constant currency basis developed as follows in the financial year under review:

Reconciliation EBIT

€ million	2021
EBIT	**–2,012.8**
FX effects from translation to budget rates	10.6
EBIT at budget rates	**–2,002.2**

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	2021
EBIT	**–2,012.8**
FX effects from translation to budget rates	10.6
EBIT at budget rates	**–2,002.2**
plus amortisation / minus write-backs of other intangible assets and plus depreciation / minus write-backs of property, plant and equipment	1,012.4
plus Delta Working Capital	822.9
plus other non-cash result items	–107.9
minus share of result of joint ventures and associates	232.7
plus dividends received by TUI AG from joint ventures and associates	14.2
minus paid net interest	–398.4
minus paid income taxes	–9.0
minus pension contributions	–110.2
minus net capex and investments	699.1
Cash Flow before dividend	**153.7**

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Reconciliation cash flow before dividend to Cash Flow Statement

€ million	2021
Cash inflow from operating activities	–151.3
plus cash inflow from investing activities	704.7
less interest paid	– 404.8
less payments made for acquisition of minority interest	0.0
plus payments received for the issuance of employee shares	0.0
less payments made for the purchase of own shares	–1.7
less payments received from the sale of money markets fund shares	– 3.7
Cash Flow before dividend at actual rates	**143.2**
Effect from translation to budget rates	10.6
Cash Flow before dividend	**153.8**

PRO-FORMA UNDERLYING EARNINGS PER SHARE

The 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 in the prior year to 0 % against the background of the considerable decline in earnings caused by COVID-19; this rate was also applied for the year under review. The calculation is based on the 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	2021	2020 adjusted
Underlying EBIT	**– 2,075.5**	**– 2,997.0**
less net interest expense	– 448.9	– 275.9
Underlying profit before tax	**– 2,524.4**	**– 3,272.9**
Income taxes (0 % assumed tax rate)	0	0
Underlying Group profit	**– 2,524.4**	**– 3,272.9**
Minority interest	–13.8	9.4
Underlying Group profit attributable to TUI shareholders of TUI AG	**– 2,510.6**	**– 3,282.3**
Numbers of shares at FY end (in million)	1,099.4	590.4
Underlying earnings per share (€)	**– 2.28**	**– 5.56**

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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 & Assess

- *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.

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 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'), ensures that business risks are identified, assessed, managed and monitored across the businesses and functions of the Group. Meeting on 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 management's second line 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 three risk types:

Operational – moderate level to all operational risks where the board seeks to manage them responsibly to create unique holidays for our customers but recognizes as a matter of course we operate in a market environment characterized by external events.

Compliance – a low 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.

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Financial – low 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.

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.

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

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 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 %

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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 that the current risk position is within the Group's appetite, the risk is accepted and no further action is required to further reduce it. 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.

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.

Principal Risk Heat Map

RISKS ABOVE APPETITE

CURRENT RISK POSITION

TARGET RISK POSITION

1 *Lack of integration & flexibility*
2 *Reduced customer demand*
3 *Inability to attract & retain talent*
4 *Insufficient cash flow*
5 *Volatility of input costs*
6 *Impact of Brexit*
7 *Disruption to IT Systems (Cyber attack)*
8 *Lack of sustainability improvements*

RISKS WITHIN APPETITE

CURRENT RISK POSITION

A *Disruption within our destinations*
B *Security Health & Safety breach*
C *Reliance on key suppliers*
D *Breach of regulatory requirements*
E *Management of joint venture partnerships*

CURRENT RISK POSITION

The level of risk faced today taking account of the mitigation already in place and operating effectively

TARGET RISK POSITION

The acceptable level of risk, in line with the overall risk appetite

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EFFECTIVENESS OF THE RISK MANAGEMENT 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 pandemic has continued to affect TUI's business operations during the financial year causing a significant reduction to the companies' operations, and therefore resulting in a reduction in operational risks. Therefore financial risks in terms of liquidity management were the primary focus during the reduced operations. Unchanged to the beginning of the pandemic the Executive Board has monitored and managed the associated principal risk to ensure that the low level of appetite is being exercised. The requirements for risk reporting that is coordinated by the Group Risk department and reported to the ROC could therefore be paused. Despite this, business areas and functions continued to ensure all risks are managed effectively.

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, particularly in the next financial year where the formal requirements for risk reporting will be re-introduced in line with business as usual.

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 'Above' or 'Within' risk appetite.

Risks above the appetite are those that either require further mitigation in order to reduce them to an acceptable position or are heightened by external events beyond our control such as the COVID pandemic. 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.

Risks within the appetite are those that considered to be at an acceptable level. 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 within our risk appetite in each case.

In the heat map diagram, the assessment criteria used are shown on page 37.

Financial year 2021 Principal Risks

Similarly to other external factors that have previously impacted our Group (e.g. the volcanic ash-cloud or grounding of the B737 Max fleet), we regard the COVID-19 pandemic as an event which has led to travel restrictions across the world, both within the Markets as well as in destination countries. This has led to several of our principal risks to materialise simultaneously, including: customer demand, input cost volatility, cashflow, destination disruption and security, 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 lack of integration risk has increased, due to the volume and speed of transformation required within the Group in order to react to the impact; and the ability to attract and retain talent, due to the cost saving measures related to our employees.

The Executive Board believes that, despite the existing risks, the TUI Group currently has sufficient funds, and will continue to have sufficient funds in the future, resulting both from borrowing and from expected operating cash flows, to meet its payment obligations for the foreseeable future and to continue as a going concern. The Executive Board anticipates that, a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern no longer exists. The Executive Board no longer considers the remaining risk with regard to a further pandemic-related change in booking behaviour to be a threat to the Group's continued existence. In its assessment, the Executive Board assumes that the booking figures will gradually recover in the 2022 financial year and that the booking behaviour in the 2023 financial year will largely correspond to the pre-pandemic level. The Executive Board assumes that there will be no further long-term closures and lockdowns that could affect travel behaviour. Nevertheless, customer bookings may deteriorate due to new travel restrictions, insufficient vaccination coverage against the COVID-19 virus in individual countries, and virus variants for which there is insufficient vaccination protection, thereby affecting the Company's performance.

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

See chapter Going Concern Reporting in accordance with UK Corporate Governance Code, page 155

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.

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Principal Risks above risk appetite

Nature of Risk	Mitigating Factors
1. LACK OF INTEGRATION AND FLEXIBILITY WITHIN OPERATIONS AND IT SYSTEMS	
Our focus is on enhancing our operations and 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, a lack of integration and flexibility within our systems and operations, particularly in the Markets & Airline businesses could impact on our cost base. This would therefore impact on our competitiveness, our ability to provide a superior customer experience as well as on quality and operational efficiency. The COVID-19 pandemic has heightened this risk due to the shorter timescales required to deliver the integration of our businesses and flexibility of the IT systems and therefore there are a number of transformation projects currently in place to mitigate this risk.	• Progressing with the implementation of TRIPS, our new common IT platform, which will be introduced to all of our Markets businesses. • Integration and development of Musement IT platform as technology driver for Customer Experience. • An established Global Transformation Office to monitor all initiatives to ensure they are on track as well as regularly provide status updates to the Executive Committee. • An established Asset Transformation Board, chaired by the Chief Strategy Officer that reviews the current asset portfolio within our airline, hotels and cruise 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. • Centralised management structures to oversee the Markets and Airline businesses.
2. REDUCTION IN 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 COVID-19 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. This is particularly prominent during rhe pandemic where customers are seeking a higher level of security from reputable companies.

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Nature of Risk	Mitigating Factors
3. INABILITY TO ATTRACT AND RETAIN TALENT	
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. This risk has increased as a result of the cost saving measures related to our employees as well due to the tourism industry becoming a less attractive sector during the pandemic.	• Driving high performance and engagement through our performance review, development plans and career planning process. • Promoting a working from anywhere culture, allows us to attract and retain a wider pool of talent that does not require to be located close to our base offices. • 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.
4. INSUFFICIENT CASH FLOW	
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. As a result of 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 and the cash balances are subject to higher short tem movements.	• The Executive Board has continued to place significant focus on the review of the Group's cash flow position during this crisis period. • The partial resumption of holidays, particularly in mainland Europe source markets in the summer season has contributed towards stabilising the cash positon. • With the customer deposits received for the coming seasons, the funds from the financing measures implemented in the year under review (capital increase in January 2021 and the convertible bond placed in April), the cash inflow from the sale of Riu Hotels S.A., the extension of the revolving credit facilities including the further suspension of the review of the financial covenants as well as the further capital increase in October 2021, which took place after the balance sheet date, the Executive Board believes that, despite the existing risks, the TUI Group currently has and will continue to have sufficient funds resulting both from the borrowing and from operating cash flows to meet its payment obligations and to continue as a going concern. The Executive Board no longer considers the remaining risk with regard to a further pandemic-related change in booking behaviour as a threat to the company as a going concern. In its assessment, the Executive Board assumes that the booking figures will gradually recover in the financial year 2022 and that the booking behaviour in the financial year 2023 will largely correspond to the pre-pandemic level. The Executive Board assumes that there will be no further long-term closures and lockdowns that could affect travel behaviour. Nevertheless, customer bookings may deteriorate due to new travel restrictions, insufficient vaccination coverage against the COVID-19 virus in individual countries, and virus variants for which there is insufficient vaccination protection, thereby affecting the Company's performance.

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Nature of Risk	Mitigating Factors
	• 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. • 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 – on a daily basis when needed – , which the Treasury department use to manage cash resources effectively. We continue to maintain high-quality relationships with the Group's key financiers. TUI AG's RCF and KfW credit line are subject to compliance with certain financial target values (covenants) for debt coverage and interest coverage, the review of which is carried out based on the last four reported quarters at the end of the financial year or the half-year of a financial year. Against the backdrop of the ongoing pressures from the COVID-19 pandemic, the review is currently suspended. On 9 June 2021 and again when the credit lines were extended, TUI AG's creditor banks agreed to a further suspension of the review of these covenants until the end of March 2022, so that the review will now only be resumed in September 2022. In addition, higher limits will be applied at the first two cut-off dates before normalised limits have to be complied with from September 2023. • 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.

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Nature of Risk	Mitigating Factors
5. VOLATILITY OF INPUT COSTS	
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. E. g. when the majority of the competitors in a source market do not hedge (a certain destination) 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.	• 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. We are currently unable to exercise all controls as our banking lines do not sufficiently cover the hedging needs. We regard this as a temporary topic and acceptable in the current business environment. Further information on currency and fuel hedges can be found in the Notes to the consolidated financial statements in the Financial instruments section.
6. IMPACT OF 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.	• Established Brexit workstreams to coordinate suitable mitigation strategies where the UK exit from the European Union has an impact on our operations, particularly the airlines. • 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.

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Nature of Risk	Mitigating Factors
7. DISRUPTION TO IT SYSTEMS (CYBER ATTACKS)	
Our responsibility is to protect the confidentiality, integrity and availability of the data we process for our customers, employees, and businesses. This is an evolving risk due to increasing global cyber-crime activity and regulation (e.g. EU GDPR). At the same time our consolidation under the TUI brand and increasing dependence on online sales and customer care increases our exposure and susceptibility to cyber-attacks. 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 existing and future IT systems are secure by design, that exposure to vulnerability is managed, user access is monitored, and colleagues are made aware of information security risks through appropriate training – Security first in everything we do. • Implementation of a Security Operations Centre and monitoring tools to anticipate, detect and respond to criminal attacks and resolve information security incidents. • Launch of a Security Engineering initiative to ensure controls are embedded in the application development pipeline as TUI's information technology is transformed. • Continuous improvement through lessons learned from real or simulated cyber incidents.
8. LACK OF SUSTAINABILITY IMPROVEMENTS	
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.	• Implemented the 'Better Holidays, Better World' initiatives which included specific targets for key sustainability indicators. Furthermore, work is underway to rollout the newly developed TUI Sustainability Agenda. • A dedicated sustainability department to work closely with the business and external 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 for charitable donations and sustainability projects, with particular emphasis on maximizing the economic benefits of tourism in destinations.

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Principal Risks within appetite

A. DISRUPTION WITHIN OUR DESTINATIONS

Nature of Risk	Mitigating Factors
Providers of holiday and travel services are exposed to the inherent risk of external events affecting destinations. 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. We may 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.	• 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 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.

B. SECURITY HEALTH & SAFETY BREACH

Nature of Risk	Mitigating Factors
For all providers of holiday and travel services, ensuring the security, 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. This is particularly important during the pandemic where health & safety is under more scrutiny and requirements from are continuously changing.	• 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.

C. RELIANCE ON KEY SUPPLIERS

Nature of Risk	Mitigating Factors
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.	• 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.

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Nature of Risk	Mitigating Factors
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.	• 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.

D. BREACH OF REGULATORY REQUIREMENTS

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 many 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.

E. MANAGEMENT OF 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. the transaction completed with Riu this financial year). There are three significant joint ventures within the Group – Riu, TUI Cruises and Sunwing. *For details on our strategy refer to page 25* 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.

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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 September 2021and covers the period until 30 September 2024. A three-year horizon is considered appropriate for a fast moving competitive environment such as tourism.

The global travel restrictions to contain COVID-19 had a strong negative impact on the Group's earnings and liquidity development from the end of March 2020 and also throughout financial year 2021. Due to the reasons described above, the TUI Group had a liquidity requirement in financial years 2020 and 2021 that was significantly higher than the cash inflows resulting from ongoing business operations and the existing credit lines not yet utilised, despite the cost-cutting measures initiated. In order to close these liquidity gaps, silent participations of € 1.1 bn and credit lines totalling € 4.8 bn were granted in addition to the cost-cutting and payment deferral measures initiated in the Group as well as regional support measures in various countries. As of 30 September 2021, silent participation I and II were fully paid in.The financing commitments available until 30 September 2021 were utilised in the amount of € 2.6 bn as at the balance sheet date. In addition, the Group carried out various financing measures in the reporting year, in particular a capital increase and the placement of a convertible bond. Further funds accrued to the Group from the sale of Riu Hotels S.A.. On 27 July 2021, TUI agreed with the bank consortium and KfW on an extension of TUI AG's revolving credit facility (RCF) and KfW credit line (both tranches) totalling € 4.7 bn to summer 2024. In this context, TUI AG's creditor banks agreed to a further suspension of the review of these covenants until the end of March 2022, so that the review will now only be resumed in September 2022. In addition, higher limits will be applied at the first two reporting dates before normalised limits have to be complied with as of September 2023.

Upon entry of the new shares in the commercial register on 28 October 2021 and final settlement with the banks involved on 2 November 2021, TUI AG successfully completed another capital increase. The gross issue proceeds amount to around € 1.1 bn.

The support and stabilisation package as well as the further financing measures are described in detail in the chapter 'Going concern reporting according to the UK Corporate Governance Code' in the notes.

See chapter Going Concern Reporting in accordance with the UK Corporate Governance Code, page 155

Currently, the TUI Group continues to be affected by the negative financial impact of the COVID-19 pandemic. After a significant decrease in the number of COVID-19 cases in the summer of 2021, many countries are currently recording a significant increase in infections again. As a result, contact restriction measures have been tightened again in the affected countries. At the time of preparation of this report (6 December 2021) due to ongoing changes in travel restrictions, it remains impossible to predict when we will be able to fully resume our travel programme. In particular, it is not possible at this time to reliably predict how quickly vaccination against the COVID-19 virus can be completed in each country, whether new variants of the virus will emerge, and when medications will be available to treat COVID-19 disease. However, it is now foreseeable that sufficient vaccines will be available in our key source markets and destinations to ensure a further recovery in travel in the financial year 2022.

With the customer deposits received for the coming seasons, the funds from the financing measures implemented in the year under review (capital increase in January 2021 and the convertible bond placed in April), the cash inflow from the sale of Riu Hotels S.A., the extension of the revolving credit facilities including the further suspension of the review of the financial covenants as well as the further capital increase in October 2021, which took place after the balance sheet date, the Executive Board believes that, despite the existing risks, the TUI Group currently has and will continue to have sufficient funds resulting both from the borrowing and from expected operating cash flows to meet its payment obligations and to continue in the foreseeable future as a going concern. In this context, the Executive Board assumes that the credit lines expiring in summer 2024 will be refinanced. Therefore, as at 30 September 2021, the Executive Board no longer identifies a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The Executive Board has conducted a sound assessment of the company's main risks, including future events that would jeopardise 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 together. The going concern scenario used for the assessment assumes that booking figures will gradually recover in the 2022 financial year and that booking behaviour in the 2023 financial year will largely correspond to the pre-pandemic level. The Executive Board assumes that the booking figures will gradually recover in the financial year 2022 and volumes in the summer of 2022 will settle at approximately the normalised level of the summer of 2019. For the 2023 financial year, it is expected that the booking behaviour in the financial year 2023 will largely correspond to the pre-pandemic level. The Executive Board assumes that there will be no further long-term closures and lockdowns that could affect travel behaviour. Nevertheless, customer bookings may deteriorate due to new travel restrictions, insufficient vaccination coverage against the COVID-19 virus in individual countries, and virus variants such as the new Omicron virus variant, for which there may not be sufficient vaccination protection, thereby affecting TUI Group's performance.

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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 20

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.

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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.

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OVERALL ASSESSMENT BY THE EXECUTIVE BOARD AND REPORT ON EXPECTED DEVELOPMENTS

Actual business performance 2021 compared with our guidance

Due to travel restrictions in the first half of the year and in the course of Summer 2021, TUI Group's revenue at constant currency declined by 40.5 % year-on-year. After we had initially expected to deliver revenue growth, we updated our guidance to an expected year-on-year decline in revenue with the publication of our Half-Year Financial Report 2021.

As expected, TUI Group's underlying EBIT in financial year 2021 improved by € 921.5 m to an operating loss of € 2,075.5 m.

Including a gain on disposal from the sale of our 49 % stake in Riu Hotels S.A., not included in our original guidance, net adjustments for the financial year under review amounted to +€ 95.9 m. After our guidance had originally expected a net negative effect from adjustments, we modified our statement in this regard when we published our 9M results.

ROIC (IFRS 16) and Economic Value Added (IFRS 16) improved as expected in financial year 2021.

Due to lower gross capex and the sale of hotels, sales of aircraft and spare engines and in particular the 49 % stake in Riu Hotels S.A., the Group generated cash inflow from net capex and financial investments of € 699.1 m (previous year € 149.3 m). After our guidance had initially foreseen an increase in net capex and financial investments, we updated the relevant statement in our Half-Year Financial Report 2021, indicating that cash inflow from net investments in property, plant and equipment and financial investments would at least be flat year-on-year.

At € 5.0 bn, TUI Group's net debt carried at the end of financial year 2021 declined versus the prior year's figure of € 6.4 bn.

For financial year 2021, we had expected specific CO_2 emissions to decrease year-on-year. Due to lower average load factors for our aircraft, this expectation was not met.

Projected development of global situation

Projected development of World Output

Var. %	**2022**	2021
World	**+ 4.9**	**+ 5.9**
Eurozone	+ 4.3	+ 5.0
Germany	+ 4.6	+ 3.1
France	+ 3.9	+ 6.3
UK	+ 5.0	+ 6.8
US	+ 5.2	+ 6.0
Russia	+ 2.9	+ 4.7
Japan	+ 3.2	+ 2.4
China	+ 5.6	+ 8.0
India	+ 8.5	+ 9.5

Source: Projections of International Monetary Fund (IMF), World Economic Outlook, October 2021

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MACROECONOMIC SITUATION AND MARKET DEVELOPMENT IN TOURISM

The International Monetary Fund (IMF) expects the global economy to continue recovering from the effects of the COVID-19 pandemic with growth of 4.9 % in calendar year 2022 (IMF, World Economic Outlook, October 2021). Global travel is also slowly recovering from a very low level, albeit with regional variations. In a number of destinations, in particular those with large domestic markets, recovery in the tourism sector is being driven by demand for domestic travel. We expect that package tours in the low-cost land-based and short-haul segment will be the first businesses to pick up again once the effects of COVID-19 fade away and global travel restrictions are lifted. Restoring consumer confidence and resuming travel continue to depend on the progress of vaccinations, coordinated national responses to travel restrictions, harmonised safety protocols and clear communication (UNWTO, September 2021).

EFFECTS ON TUI GROUP

As a global tourism provider, TUI Group depends on the political and legal framework and on consumer demand in the big source markets in which we operate with our hotel, cruise and tour operator brands. Our budget is based on the IMF's assumptions about the future development of the global economy and takes its cue from UNWTO's long-term forecast.

In the completed financial year 2021, the TUI Group's business performance again was significantly impacted by the travel restrictions triggered by the COVID-19 pandemic. At present, it can be observed that the TUI Group will continue to be affected by the negative impact of the COVID-19 pandemic. In view of the uncertain environment, the Executive board believes it would not be appropriate to issue a specific forecast for the new financial year 2022 at this time.

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 substantial earnings and cash flow contributions in non-euro currencies, in particular the pound sterling and US dollar. Taking account of the seasonality in tourism, the value of these currencies against the euro in the course of the year therefore exerts a major impact on the financial indicators displayed in TUI AG's consolidated financial statements.

Our key financial performance indicators for our earnings position in financial year 2022 are revenue and underlying EBIT.

Definition of underlying EBIT in Value-oriented Group management on page 31.

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 2022 based on the constant currency rates for financial year 2021.

REVENUE

For financial year 2022, we expect TUI Group's revenue to grow significantly year-on-year.

UNDERLYING EBIT

For financial year 2022, we expect TUI Group's underlying EBIT to improve significantly year-on-year.

ADJUSTMENTS

Due to the non-repeat of the positive gain on disposal included in the results for financial year 2021, we expect a net negative effect from adjustments for financial year 2022, in contrast to the net positive adjustments carried in financial year 2021.

For details on objectives and strategies, see page 25 onwards; for details on risks, see Risk Report from page 35 onwards.

ROIC AND ECONOMIC VALUE ADDED

Due to the expected improvement in our operating result, ROIC and Economic Value Added are also expected to improve significantly year-on-year, depending on how capital costs for TUI Group develop.

Expected development of financial position

To forecast the Group's financial position in financial year 2022, 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 in financial year 2021, we expect a significant year-on-year increase in net capex and investments for financial year 2022.

NET FINANCIAL POSITION

For financial year 2022, we expect a significant decrease in the Group's net debt.

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Sustainable development

CLIMATE PROTECTION AND EMISSIONS

We have identified specific carbon emissions (in g CO_2 / pkm) from our aircraft fleet as the key non-financial performance indicator. In financial year 2021, the lower load factors for our aircraft due to the sustained travel restrictions caused by COVID-19 resulted in an increase in specific CO_2 emissions. For financial year 2022, we therefore expect specific CO_2 emissions to significantly fall in comparison with financial year 2021.

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

At the date of preparation of the Management Report (6 December 2021), TUI Group was still feeling the negative financial effects of the COVID-19 pandemic. In the light of the ongoing changes to travel restrictions, the Group still cannot foresee when we will be able to resume our travel programme in full. Despite continued uncertainty about COVID-19 vaccination rates in various countries, potential new virus variants and the arrival of drugs to treat COVID-19, we assume that suitable vaccines will be sufficiently available in our main source markets and destinations to ensure the further recovery of travel activities in financial year 2022. For financial year 2022, we therefore expect TUI Group's underlying EBIT to improve significantly year-on-year on a constant currency basis.

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 AND RISKS ARISING FROM MACRO TRENDS

The comprehensive lifting of current travel restrictions, in particular, 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. We will prioritise the planned transformation of our digital platform in the Destination Experiences segment.

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 are reviewing unprofitable activities and will divest them as appropriate.

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BUSINESS REVIEW

Macroeconomic, Industry and Market Framework

Macroeconomic development

Development of World Output

Var. %	2021*	2020
World	**+5.9**	**–3.1**
Eurozone	+5.0	–6.3
Germany	+3.1	–4.6
France	+6.3	–8.0
UK	+6.8	–9.8
US	+6.0	–3.4
Russia	+4.7	–3.0
Japan	+2.4	–4.6
China	+8.0	+2.3
India	+9.5	–7.3

* Projection
Source: International Monetary Fund (IMF), World Economic Outlook, October 2021

Following the historic slump in the global economy due to the global COVID-19 pandemic in the previous year, the International Monetary Fund projects global economic output to recover considerably with global GDP growth of 5.9 % in calendar year 2021. Recovery from the effects of the pandemic varied greatly from one region to another. Access to vaccines and early political support remain the crucial factors for overcoming the repercussions (IMF, World Economic Outlook, October 2021).

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's exit from the European Union, 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.

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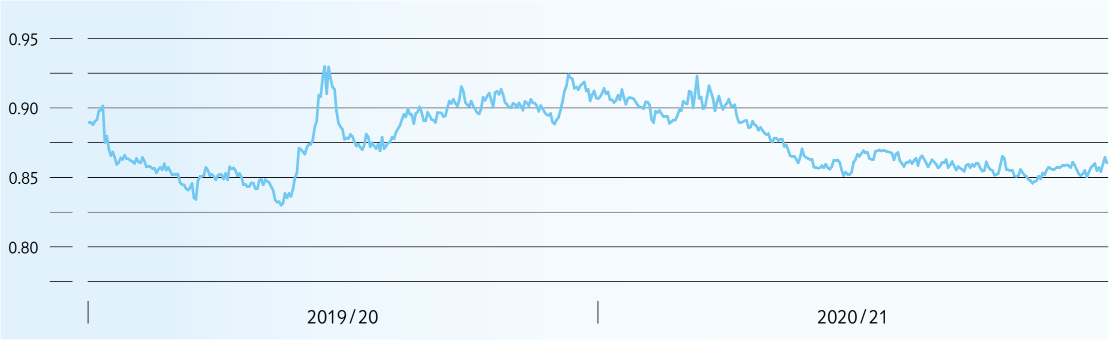
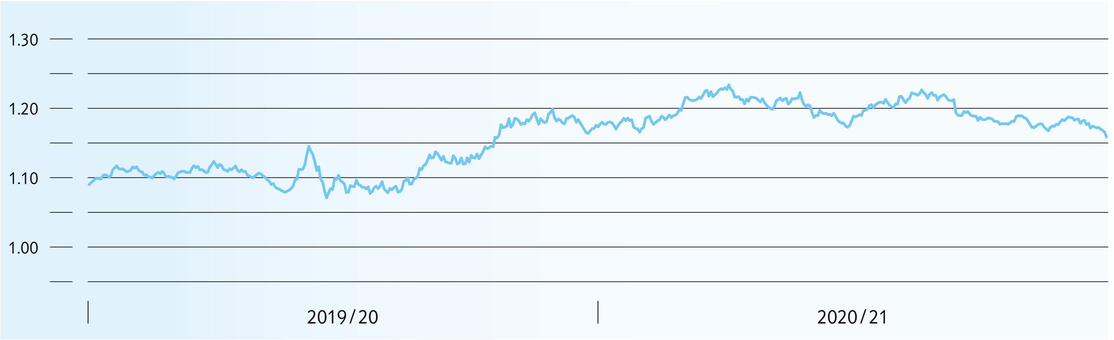
Exchange rate Sterling £ / €

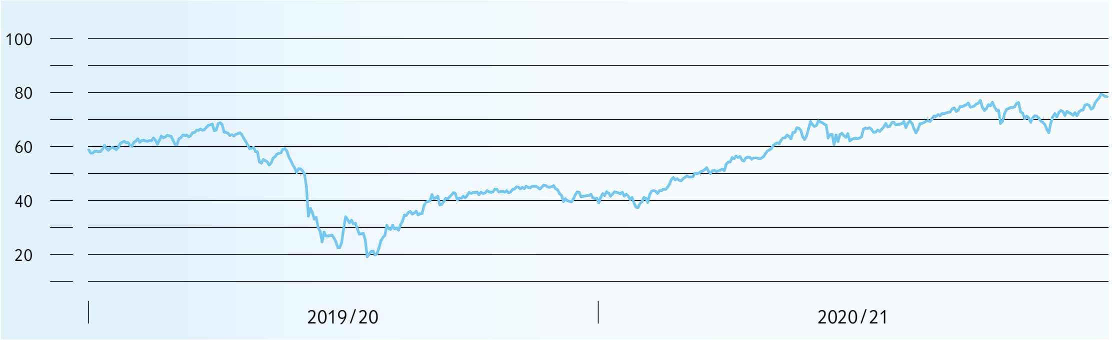


Exchange rate US dollar $ / €



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, risks relating to changes in exchange rates and price risks from fuel sourcing are partly 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 on page 68, Risk report on page 35 and Financial instruments in the Notes on 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 grew by around 5 % year-on-year from 2009 to 2019 (UNWTO, World Tourism Barometer, January 2020).

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

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 seven months of calendar year 2021, UNWTO reports a decline in international tourist arrivals of 40 % year-on-year and 80 % versus the 2019 reference period which was not impacted by COVID-19. Following a weak start to the year, international tourism saw a slight increase in tourist arrivals in the period

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from June to July 2021. This was attributable to the reopening of numerous destinations for global travel, above all in Europe and America. The lifting of restrictions on travel for vaccinated travellers and the progress delivered by COVID-19 vaccinations helped to boost consumer confidence and gradually restore safe mobility in Europe and other parts of the world (UNWTO, World Tourism Barometer, September 2021).

Change of international tourist arrivals vs. prior years

Var. %	**2021* vs. 2020**	2021* vs. 2019
World	**– 40.3**	**– 80.5**
Europe	– 31.1	– 76.9
Asia and the Pacific	– 81.0	– 95.3
Americas	– 19.1	– 68.0
Afrika	– 44.9	– 77.3
Middle East	– 50.5	– 82.5

Source: UNWTO World Tourism Barometer, September 2021
* Period January till July

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.

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; in return, they can expect the supplier to offer them a favourable rate and the opportunity to secure accommodation on an exclusive basis. OTAs, by contrast, typically do not commit to taking contingents. Their offering to suppliers is a digital distribution platform with broad customer reach. Both bigger OTAs and dynamic packaging* are gaining relevance.

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

AIRLINE MARKET

The airline industry was hit particularly hard by the COVID-19 crisis, as airlines around the world had to ground their aircraft and cancel flights due to global travel bans. Recovery scenarios vary; however, the first positive signs are emerging. When key European destinations reopened for visitors in Summer 2020, flight capacity was ramped up. A similar development was observed in Summer 2021, when travel restrictions were lifted once again. The holiday trip segment is expected to recover first and grow faster than the business travel market in the next few years (skift.com, 2021).

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

HOTEL MARKET

The COVID-19 pandemic had significant impacts on the hotel sector as travel and hotel restrictions imposed by governments in many countries resulted in the temporary closing of hotels and a significant decline in the number of bed nights. The recovery of the hotel market was initiated with the resumption of domestic travel. Following the lifting of governmental restrictions, international travel contributed to an increase in bed nights.

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 and differences in location, room features and 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 held by hotel chains is increasing.

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CRUISE MARKET

From 1990 to 2019, the global ocean cruise sector recorded annual passenger growth of 6.6 %. An estimated 29.7 m passengers undertook an ocean cruise in calendar year 2019. At around 15.4 m passengers, North America remains the largest cruise market in the world, followed by Europe with around 7.7 m passengers. In terms of passenger numbers, the most frequently visited destinations are the Caribbean, Asia and Africa as well as the central and western Mediterranean (CLIA, 2021 State of the Cruise Industry Outlook).

Restrictions imposed by governments due to COVID-19 temporarily brought the cruise sector to a standstill. Due to the pandemic, numerous ships were also decommissioned earlier than planned with a view to modernising fleets and improving their environmental performance. (Cruise Market Watch)

DESTINATION EXPERIENCES MARKET

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 forecast market growth on a five-year outlook varied between 3 % and 7 % (Company estimate based on Phocuswright & Euromonitor), depending how the market was defined.

Our TUI 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 above and beyond the actual holiday experience. In recent years, 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.

TUI Group is an integrated tourism group operating on a global scale. TUI is one of the best-known travel brands in our core markets in Europe. Seeking to emerge stronger from the COVID-19 crisis, we launched a freshly designed marketing campaign in October 2021. Its goal is to underpin the existing brand essence with our values reliability, credibility and quality, while also strengthening the links between TUI's brand identity and the leisure experience following the expansion of TUI Group's portfolio over the past few years to include TUI Musement. Our new brand strategy 'TUI creates the moments that make life richer' will visualise our goal of offering our guests sustainable, personally significant holidays and experiences.

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Group Earnings

Comments on the consolidated income statement

In financial year 2021, the development of TUI Group's revenue and earnings was significantly impacted by the continued suspension of most of TUI's tour operator, aviation, hotel and cruise businesses caused by the persistent global travel restrictions to curb the spread of COVID-19. In the period under review, TUI Group's operating loss (underlying EBIT) declined by € 921.5 m to a loss of € 2,075.5 m, an improvement of € 933.8 m year-on-year on a constant currency basis.

Consolidated Income Statement of TUI AG for the period from 1 Oct 2020 to 30 Sep 2021

€ million	2021	2020	Var. %
Revenue	**4,731.6**	**7,943.7**	**– 40.4**
Cost of sales	5,955.4	9,926.1	– 40.0
Gross loss	**–1,223.8**	**–1,982.4**	**+ 38.3**
Administrative expenses	840.5	1,017.3	–17.4
Other income	250.6	574.4	– 56.4
Other expenses	11.5	15.2	– 24.3
Impairment of goodwill	–	68.1	n. a.
Impairment (+) / Reversals of impairment (–) of financial assets	– 38.0	180.6	n. a.
Financial income	27.3	35.3	– 22.8
Financial expenses	464.1	321.7	+ 44.3
Share of result of investments accounted for using the equity method	– 232.7	–193.3	– 20.4
Impairment (+) / Reversals of impairment (–) of net investments in joint ventures and associates	5.0	34.5	– 85.5
Earnings before income taxes	**– 2,461.7**	**– 3,203.3**	**+ 23.2**
Income taxes (expense [+], income [–])	19.2	– 64.2	n. a.
Group loss	**– 2,480.9**	**– 3,139.1**	**+ 21.0**
Group loss attributable to shareholders of TUI AG	– 2,467.2	– 3,148.4	+ 21.6
Group loss / profit attributable to non-controlling interest	–13.8	9.4	n. a.

REVENUE AND COST OF SALES

Revenue

€ million	2021	2020	Var. %
Hotels & Resorts	440.5	402.4	+ 9.5
Cruises	27.0	472.6	– 94.3
TUI Musement	116.7	306.3	– 61.9
Holiday Experiences	584.1	1,181.3	– 50.6
Northern Region	807.7	2,462.0	– 67.2
Central Region	2,322.9	2,859.6	–18.8
Western Region	976.1	1,345.9	– 27.5
Markets & Airlines	4,106.7	6,667.5	– 38.4
All other segments	40.8	94.9	– 57.1
TUI Group	**4,731.6**	**7,943.7**	**– 40.4**
TUI Group (at constant currency)	**4,724.6**	**7,943.7**	**– 40.5**

In financial year 2021, TUI Group's revenue declined by 40.4 % to € 4,731.6 m due to the COVID-19 pandemic. On a constant currency basis, revenue decreased by 40.5 %. Customer numbers were 33.5 % down year-on-year. Reve-nue is presented alongside the cost of sales in the income statement, which declined by 40.0 % in the period under review.

GROSS LOSS

The difference between revenue and the cost of sales declined by € 758.6 m year-on-year to a gross loss of € 1,223.8 m.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by € 176.8 m year-on-year to € 840.5 m.

OTHER INCOME AND OTHER EXPENSES

In financial year 2021, other income mainly resulted from the sale of our 49 % stake in the Riu Hotels S. A. joint venture (real estate portfolio) to a Riu Group company. In the prior year, other income had mainly included income from the divestment of the German specialist tour operators and of Hapag-Lloyd Kreuzfahrten.

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As in the prior year, other expenses in financial year 2021 mainly included expenses incurred in connection with the disposal of Group companies and losses from the sale of aircraft assets.

FINANCIAL RESULT

The financial result declined by € 150.4 m to € – 436.8 m, primarily due to higher interest expenses driven by the use of credit facilities to cover the payments due, expenses incurred in connection with the early redemption of TUI's senior bond on 23 February 2021, and lower income from bank balances. Financial income mainly resulted from changes in exchange rates for lease liabilities in accordance with IFRS 16.

SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES

The share of result from joint ventures and associates of € – 232.7 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 the prior year, the result in Cruises had included a profit contribution from the Winter 2019 / 20 season.

EARNINGS BEFORE INCOME TAXES

In the period under review, earnings before income taxes totalled € – 2,461.7 m. The loss therefore declined by € 741.6 m year-on-year.

GROUP LOSS

The Group loss for financial year 2021 declined by € 658.2 m to € 2,480.9 m.

SHARE IN GROUP LOSS ATTRIBUTABLE TO TUI AG SHAREHOLDERS

The share in Group loss attributable to TUI AG shareholders amounted to € – 2,467.2 m in financial year 2021.

NON-CONTROLLING INTERESTS

In the completed financial year, non-controlling interests in the Group result totalled € – 13.8 m. They mainly related to RIUSA II Group.

EARNINGS PER SHARE

The interest in the Group result attributable to TUI AG shareholders resulted in basic earnings per share of € – 2.58 (previous year € – 5.34) in financial year 2021. The underlying average number of shares results from the number of shares at the beginning of the financial year and the prorated effect of the capital increase implemented in financial year 2021.

ALTERNATIVE PERFORMANCE INDICATORS

The Group's main financial KPI is 'underlying EBIT'. We define the EBIT in underlying EBIT as earnings before interest, income taxes and expenses for the measurement of the Group's interest hedges. 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.

The table below provides a reconciliation to underlying EBIT:

Reconciliation to underlying EBIT of TUI Group

€ million	2021	2020	Var. %
Earnings before income taxes	**– 2,461.7**	**– 3,203.3**	**+ 23.2**
plus: Net interest expense (excluding expense / income from measurement of interest hedges)	439.1	281.7	+ 55.9
less / plus: Expense (income) from measurement of interest hedges	9.8	– 5.9	n. a.
EBIT	**– 2,012.8**	**– 2,927.4**	**+ 31.2**
Adjustments:			
less / plus: Separately disclosed items	– 95.9	– 119.1	
plus: Expense from purchase price allocation	33.2	49.5	
Underlying EBIT	**– 2,075.5**	**– 2,997.0**	**+ 30.7**

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TUI Group's EBIT declined by € 914.6 m to € – 2,012.8 m in financial year 2021.

EBIT

€ million	2021	2020	Var. %
Hotels & Resorts	39.4	– 463.7	n. a.
Cruises	– 277.5	153.3	n. a.
TUI Musement	– 127.3	– 146.1	+ 12.9
Holiday Experiences	– 365.4	– 456.4	+ 19.9
Northern Region	– 995.1	– 1,036.1	+ 4.0
Central Region	– 297.3	– 720.8	+ 58.8
Western Region	– 236.6	– 533.9	+ 55.7
Markets & Airlines	– 1,528.9	– 2,290.7	+ 33.3
All other segments	– 118.5	– 180.3	+ 34.3
TUI Group	**– 2,012.8**	**– 2,927.4**	**+ 31.2**

TUI Group's operating loss adjusted for one-off effects (underlying EBIT) declined by € 921.5 m to € 2,075.5 m in financial year 2021.

Underlying EBIT

€ million	2021	2020 adjusted	Var. %
Hotels & Resorts	– 152.7	– 395.2	+ 61.4
Cruises	– 277.5	– 322.3	+ 13.9
TUI Musement	– 105.3	– 114.0	+ 7.6
Holiday Experiences	– 535.4	– 831.5	+ 35.6
Northern Region	– 965.8	– 960.9	– 0.5
Central Region	– 328.6	– 612.5	+ 46.4
Western Region	– 176.6	– 433.7	+ 59.3
Markets & Airlines	– 1,470.9	– 2,007.1	+ 26.7
All other segments	– 69.1	– 158.4	+ 56.4
TUI Group	**– 2,075.5**	**– 2,997.0**	**+ 30.7**

Since financial year 2020, the Group has used the indicator 'underlying EBIT', which is more common in the international sphere, for the purposes of value-oriented management. In financial year 2020, underlying EBIT was also adjusted for the IFRS 16 earnings effect in the framework of internal reporting ('underlying EBIT [IAS 17]') in order to enhance comparability with the prior year. From financial year 2021, underlying EBIT (IFRS 16) is the segment KPI within the meaning of IFRS 8. The prior year's numbers have been restated accordingly.

In financial year 2021, net income was adjusted by € 95.9 m for one-off effects.

For details, please refer to the Notes to the segment data.

For one-off effects, please see page 171.

OTHER SEGMENT INDICATORS

Reconciliation to EBITDA

€ million	2021	2020 adjusted	Var. %
EBIT	**– 2,012.8**	**– 2,927.4**	**+ 31.2**
Amortisation (+) / write-backs (–) of other intangible assets and depreciation (+) / write-backs (–) of property, plant and equipment	1,012.4	1,504.4	– 32.7
Impairment of goodwill	–	68.1	n. a.
EBITDA	**– 1,000.4**	**– 1,355.0**	**+ 26.2**

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EBITDA

€ million	2021	2020 adjusted	Var. %
Hotels & Resorts	257.2	–58.3	n.a.
Cruises	–214.1	393.3	n.a.
TUI Musement	–94.3	–103.9	+9.2
Holiday Experiences	–51.2	231.0	n.a.
Northern Region	–631.5	–631.1	–0.1
Central Region	–163.9	–535.8	+69.4
Western Region	–77.7	–287.6	+73.0
Markets & Airlines	–873.1	–1,454.5	+40.0
All other segments	–76.1	–131.5	+42.1
TUI Group	**–1,000.4**	**–1,355.0**	**+26.2**

Underlying EBITDA

€ million	2021	2020 adjusted	Var. %
Hotels & Resorts	63.1	–58.0	n.a.
Cruises	–214.1	–82.3	–160.1
TUI Musement	–79.9	–87.4	+8.6
Holiday Experiences	–230.9	–227.7	–1.4
Northern Region	–618.1	–593.6	–4.1
Central Region	–202.1	–435.9	+53.6
Western Region	–38.1	–237.2	+83.9
Markets & Airlines	–858.4	–1,266.7	+32.2
All other segments	–55.9	–120.6	+53.6
TUI Group	**–1,145.2**	**–1,615.0**	**+29.1**

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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 financial years 2020 and 2021. As our business operations were significantly restricted, the key performance indicators of financial year 2021 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	**2021**	2020 adjusted	Var. %
Revenue	584.1	1,181.3	– 50.6
Underlying EBIT	– 535.4	– 831.5	+ 35.6
Underlying EBIT (at constant currency)	– 545.6	– 831.5	+ 34.4

Hotels & Resorts

€ million	**2021**	2020 adjusted	Var. %
Total revenue	666.7	751.4	– 11.3
Revenue	440.5	402.4	+ 9.5
Underlying EBIT	– 152.7	– 395.2	+ 61.4
Underlying EBIT (at constant currency)	– 162.7	– 395.2	+ 58.8
Capacity hotels total[1] ('000)	**27,070**	**24,013**	**+ 12.7**
Riu	10,604	11,144	– 4.8
Robinson	2,289	2,083	+ 9.9
Blue Diamond	4,671	2,543	+ 83.7
Occupancy rate hotels total[2] (in %, variance in % points)	**53**	**66**	**– 13**
Riu	55	72	– 17
Robinson	58	62	– 4
Blue Diamond	51	70	– 19
Average revenue per bed – hotels total[3] (in €)	**70**	**71**	**– 1.7**
Riu	59	67	– 12.8
Robinson	103	100	+ 3.0
Blue Diamond	104	122	– 14.8

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 € 152.7 m, a € 242.5 m improvement on the prior year (previous year: € 395.2 m loss). This improvement reflects in part the improved operational result from easing of travel restrictions, particularly in the second half of the financial year, as well as a non-repeat benefit from impairment charges in the prior year of € 78 m.

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- The segment not only beneffited from our portfolio ownership of hotel and club brands across multiple destinations, but also the distribution power of our integrated model. Our multi-destination portfolio of hotels enabled us to reopen as soon as destination specific travel restrictions were progressively lifted around the world, whilst our high level of direct distribution allowed us to optimise customer volumes into our own assets, as well as flexing our distribution to third party channels.
- As at 30 September 2021, 331 hotels were in operation (~92 % of 359 Group hotel portfolio) increasing from the 142 hotels at previous year end (previous year: ~40 % of 355 Group hotels), reflecting the wider lifting of travel restrictions and progress of vaccination programmes across both markets and destinations. Important destinations in summer 2021 were Spain, Greece, Turkey and Mexico, with Mexico benefiting from US travellers and local domestic market holiday customers.
- Available bed nights increased by 13 % year-on-year reflecting the drivers above. The average occupancy rate (based on open hotels) was 53 % with the prior year benefitting from five months of normal operations pre-pandemic (previous year: 66 %). Average rate per bed was broadly in line at € 70 versus prior year. (previous year: € 71).
- Riu occupancy declined by 17 % pts to 55 % versus prior year (previous year: 72 %) and average rate declined 13 % to € 59 (previous year: € 67), with the prior year benefitting from five months of normal operations pre-pandemic.
- Robinson occupancy declined 4 % pts to 58 % versus prior year (previous year: 62 %) and average rate increased 3 % to € 103 (previous year: € 100), reflecting the strength of our Robinson brand which remains highly popular for our German customer base.
- Blue Diamond occupancy reduced by 19 % pts to 51 % versus prior year (previous year: 70 %) and average rate declined 15 % including FX to € 104 (previous year: € 122), with the prior year benefitting from five months of normal operations pre-pandemic.
- Our Other hotel brands with hotels in Turkey, Balearics and Canaries benefitting from higher demand, as these destination reopened more widely to receive leisure customer versus the prior year.

Cruises

€ million	2021	2020 adjusted	Var. %
Revenue[1]	27.0	472.6	– 94.3
Underlying EBIT	– 277.5	– 322.3	+13.9
Underlying EBIT (at constant currency)	– 276.4	– 322.3	+14.2
Occupancy (in %, variance in % points)			
TUI Cruises	41	87	– 46
Hapag-Lloyd Cruises[2]	45	67	– 22
Marella Cruises	39	96	– 57
Passenger days ('000)			
TUI Cruises	1,227	2,965	– 58.6
Hapag-Lloyd Cruises[2]	114	207	– 45.0
Marella Cruises	153	1,366	– 88.8
Average daily rates[3] (in €)			
TUI Cruises	132	142	–7.0
Hapag-Lloyd Cruises[2]	514	567	– 9.4
Marella Cruises[3] (in £)	124	146	–15.1

[1] No revenue is carried for TUI Cruises and Hapag-Lloyd 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 £

- TUI Cruises and Hapag-Lloyd Cruises, our two cruise brands in Germany, have been operating a partial fleet since July 2020, which was made possible by Germany's decision to permit cross-border travel in EU states and Schengen Area since Summer 2020. The UK in contrast only permitted Cruise liners to resume almost a year later, from May 2021.
- The Cruise segment reported an underlying EBIT loss of € 277.5 m (previous year: € 322.3 m loss, including impairments of € 150 m). The operational loss, taking into account previous year's impairments, reflects a full year of partial operations by TUI Cruises and Hapag-Lloyd Cruises and Marella only in operation for the final quarter of the financial year versus a prior year which benefitted from five months of normal operations pre-pandemic. Occupancy rates ranged between 39 % and 45 % across our Cruise brands, with an element of capped occupancy requirements still in place by some destinations during the course of the year. 14 ships out of 16 total fleet (including the new expedition class Hanseatic spirit) were in operation as at 30 September 2021.
- TUI Cruises' average daily rate of € 132 declined 7 % versus prior year (previous year: € 142). Occupancy rate was 41 %, 46 % pts lower versus prior year (previous year: 87 %) with a short-term booking trend very evident and the prior year benefitting from five months of normal operations pre-pandemic. Six out of the seven-ship fleet were in operations.

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- Hapag-Lloyd Cruises' average daily rate of € 514 declined 9 % versus prior year (previous year: € 567). Occupancy of 45 % declined by 22 % pts versus prior year (previous year: 67 %) reflecting the same factors as TUI Cruises. Four ships were in operation with the fifth (brand new) expedition class Hanseatic spirit joining the fleet on 26 August 2021.
- Marella Cruises (our UK cruise brand) remained fully suspended for first nine months of the financial year with Marella Explorer the first ship to return sailing at the end of June 2021. As at end of the financial year, three out of the four ship fleet were back in operation, offering itineraries around the British Isles and to the Mediterranean. The average daily rate was £ 124, down 15 % on prior year, reflecting international fly-cruising in the prior year pre-pandemic (previous year: £ 146). Occupancy was 39 %, down 57 % pts versus prior year (previous year: 96 %), with shorter lead time to market itineraries limiting the opportunity in the final quarter, and the prior year benefitting from five months of normal operations pre-pandemic.

TUI Musement

€ million	2021	2020 adjusted	Var. %
Total revenue	178.3	461.3	– 61.3
Revenue	116.7	306.3	– 61.9
Underlying EBIT	–105.3	–114.0	+7.6
Underlying EBIT (at constant currency)	–106.5	–114.0	+ 6.6

- TUI Musement made an underlying EBIT loss of € 105.3 m, a € 8.7 m improvement on prior year (previous year: € 114.0 m), benefitting from savings delivered through our Global Realignment Programme, reflecting ~3K FTE reductions realised to date.
- In addition, a higher number of customers were able to travel this Summer 2021 versus Summer 2020 as travel restrictions eased, with much of the volume driven by our Markets & Airlines business. 1.5 m excursions and activities were sold in the year.
- We continue to accelerate and enhance our digitilisation transformation at TUI Musement, adapting our 'Digital First' service model to ensure we remain guest centric throughout all channels, providing support and expertise in resort both in person and through our dedicated TUI App 24–7 when needed.

Markets & Airlines

Markets & Airlines

€ million	2021	2020 adjusted	Var. %
Revenue	4,106.7	6,667.5	– 38.4
Underlying EBIT	–1,470.9	– 2,007.1	+ 26.7
Underlying EBIT (at constant currency)	–1,449.2	– 2,007.1	+ 27.8
Direct distribution mix[1] (in %, variance in % points)	73	73	–
Online mix[2] (in %, variance in % points)	50	49	+1
Customers ('000)	5,361	8,057	– 33.5

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

- Our Markets & Airlines business made an underlying EBIT loss of € 1,470.9 m, a € 536.2 m improvement on prior year (previous year: € 2,007.1 m loss), with ~€ 200 m of this improvement delivered through our Global Realignment Programme.
- A total of 5.4 m customers departed for their holidays during the period under review, reflecting the limitation on leisure travel across our markets, particularly in the first half of the year which saw many of our key source market governments imposing strict lockdowns over the winter period. Overall volume was down 34 % year-on-year (previous year: 8.1 m) with the prior year benefitting from five months of normal operations pre-pandemic.
- The second half of the financial year, saw vaccination programmes launched across our source markets and key destinations, breaking the correlation between incidence rate and hospitalisation. The high vaccination take-up rate paved the way for the EU to ease travel restrictions.
- This earlier easing of travel restrictions by the EU compared to UK, enabled our Central and Western regions to restart business operations for the summer season. In the UK, despite a high vaccination take-up rate and a clear impact in lowering hospitalisation rates, a highly restrictive travel traffic light system remained in place until 17 September 2021, limiting the opportunity for our UK customers to depart in the summer saison 2021 compared to our Continental European customers.
- Short-haul destinations such as the Balearics, Canaries, Greece, Cyprus and Turkey remained important for our guests, with regular long-haul destinations such as Mexico and Domincan Republic largely restricted for our European markets. As a result, we operated a capacity of ~50 % of the volume in financial year 2019 for our peak Summer period July to October.

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Northern Region

€ million	2021	2020 adjusted	Var. %
Revenue	807.7	2,462.0	– 67.2
Underlying EBIT	– 965.8	– 960.9	– 0.5
Underlying EBIT (at constant currency)	– 947.4	– 960.9	+ 1.4
Direct distribution mix[1] (in %, variance in % points)	94	91	+ 3
Online mix[2] (in %, variance in % points)	74	67	+ 7
Customers ('000)	826	2,438	– 66.1

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

Northern Region comprises UK, Nordics and joint ventures in Canada and Russia.

- Northern Region delivered a similar underlying EBIT loss of € 965.8 to the prior year (previous year: € 960.9 m loss) reflecting the extent of travel restrictions which remained largely in place in the UK throughout the course of the financial year, heavily limiting the opportunity for our UK and Nordic customers to depart this summer. Savings were delivered by our Global Realignment Programme, with the reduction of our UK & Ireland retail estate to 315 stores (previous year: 355) one of our many initiatives.
- Customer volume declined 66 % to 826 k versus prior year (previous year: 2.4 m) reflecting the factors covered, with the prior year benefiting from five months of normal operations pre-pandemic.

Central Region

€ million	2021	2020 adjusted	Var. %
Revenue	2,322.9	2,859.6	–18.8
Underlying EBIT	– 328.6	– 612.5	+ 46.4
Underlying EBIT (at constant currency)	– 327.7	– 612.5	+ 46.5
Direct distribution mix[1] (in %, variance in % points)	61	54	+ 7
Online mix[2] (in %, variance in % points)	34	26	+ 8
Customers ('000)	2,673	3,230	–17.2

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

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

- Central Region underlying EBIT loss of € 328.6 m, is an improvement of € 283.9 m versus prior year (previous year: € 612.5 m loss) firstly reflecting the operational development as well as benefits delivered through our Global Realignment Programme, largely driven by the significant down-sizing of TUI fly airline fleet and reduction of our Germain retail estate to 402 stores (previous year: 445). Operationally, the more open travel environment permitted by the EU, enabled many of our customers from Germany in particular, to resume their international holidays this summer.
- Customer volume declined 17 % to 2.7 m versus prior year (previous year: 3.2 m) with the prior year benefiting from five months of normal operations pre-pandemic.

Western Region

€ million	2021	2020 adjusted	Var. %
Revenue	976.1	1,345.9	– 27.5
Underlying EBIT	–176.6	– 433.7	+ 59.3
Underlying EBIT (at constant currency)	–174.1	– 433.7	+ 59.9
Direct distribution mix[1] (in %, variance in % points)	81	79	+ 2
Online mix[2] (in %, variance in % points)	63	60	+ 3
Customers ('000)	1,862	2,388	– 22.1

[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 € 176.6 m, is an improvement of € 257.1 m versus prior year (previous year: € 433.7 m loss). Similar to the Central Region, as well as benefits delivered by our Global Realignment Programme, the more open travel environment permitted by the EU, enabled many of our customers from Belgium and the Netherlands in particular, to resume their international holidays this summer.
- Customer volume declined 22 % to 1.9 m year-on-year (previous year: 2.4 m) with the prior year benefiting from five months of normal operations pre-pandemic.

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All other segments

€ million	2021	2020 adjusted	Var. %
Revenue	40.8	94.9	– 57.0
Underlying EBIT	– 69.1	–158.4	+ 56.4
Underlying EBIT (at constant currency)	– 68.4	–158.4	+ 56.8

- The result for All other segments improved by € 89.3 m versus prior year, (previous year: € 158.4 m loss), reflecting the non-repeat of negative valuation effects in prior year as well as the benefit of our ongoing cost savings measures across head office and other entities, as part of our Global Realignment Programme.

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Net Assets

Development of the Group's asset structure

€ million	30 Sep 2021	30 Sep 2020	Var. %
Fixed assets	10,300.8	11,345.1	– 9.2
Non-current receivables	921.6	1,302.7	– 29.3
Non-current assets	11,222.3	12,647.8	– 11.3
Inventories	42.8	73.2	– 41.5
Current receivables	1,210.2	1,329.9	– 9.0
Cash and cash equivalents	1,583.9	1,233.1	+ 28.4
Assets held for sale	96.5	57.2	+ 68.7
Current assets	2,933.3	2,693.4	+ 8.9
Assets	**14,155.7**	**15,341.1**	**– 7.7**
Equity	– 418.4	218.1	n. a.
Liabilities	14,574.1	15,123.0	– 3.6
Equity and liabilities	**14,155.7**	**15,341.1**	**– 7.7**

The Group's balance sheet total decreased by 7.7 % year-on-year to € 14.2 m.

Vertical structural indicators

Non-current financial assets accounted for 79.3 % of total assets, compared with 82.4 % in the previous year. The capitalisation ratio (ratio of fixed assets to total assets) decreased from 74.0 % to 72.8 % .

Current assets accounted for 20.7 % of total assets, compared with 17.6 % in the previous year. The Group's cash and cash equivalents increased by € 350.8 m to € 1,583.9 m. They thus accounted for 11.2 % of total assets, as against 8.0 % in the previous year.

Horizontal structural indicators

Due to the suspension of our business operations driven by COVID-19 and the resulting losses, Group equity was negative at the balance sheet date. In the prior year, the ratio of equity to non-current assets had been 1.7 %. The ratio of equity plus non-current financial liabilities to fixed assets was 25.4 %, compared with 34.5 % in the previous year.

Development of the Group's non-current assets

Structure of the Group's non-current assets

€ million	30 Sep 2021	30 Sep 2020	Var. %
Goodwill	2,993.1	2,914.5	+ 2.7
Other intangible assets	498.6	553.5	– 9.9
Property, plant and equipment	3,159.3	3,462.5	– 8.8
Right of use assets	3,009.2	3,227.9	– 6.8
Investments in joint ventures and associates	640.5	1,186.7	– 46.0
Fixed assets	10,300.8	11,345.1	– 9.2
Receivables and assets	630.5	1,003.1	– 37.1
Deferred tax claims	291.1	299.6	– 2.8
Non-current receivables	921.6	1,302.7	– 29.3
Non-current assets	**11,222.3**	**12,647.8**	**– 11.3**

GOODWILL

Due to foreign exchange translation effects, Goodwill rose by 2.7 % to € 2,993.1 m €.

For details, please refer to the section Goodwill in the Notes from page 181.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment totalled € 3,159.3 m at the balance sheet date, down by € 303.2 m year-on-year. This decline was driven by various factors including disposals of property, plant and equipment from the sale of spare engines. Major additions to property, plant and equipment related to the acquisition of shares in a hotel company in Croatia and investments by Riu Group in the construction and renovation of hotels. In addition, tests of the carrying amounts performed due to the travel restrictions caused by COVID-19 resulted in impairment losses, above all for hotels and aircraft.

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Development of property, plant and equipment

€ million	30 Sep 2021	30 Sep 2020	Var. %
Real estate with hotels	1,675.8	1,613.8	+3.8
Other land	165.5	185.1	–10.6
Aircraft	127.1	239.4	–46.9
Ships	446.3	438.3	+1.8
Machinery and fixtures	351.7	393.9	–10.7
Assets under construction	134.6	220.6	–39.0
Payments on accounts	258.3	371.4	–30.5
Total	**3,159.3**	**3,462.5**	**–8.8**

RIGHT-OF-USE ASSETS

As a lessee, TUI recognises right-of-use assets and lease liabilities in the statement of financial position in accord-ance with IFRS 16. The right-of-use assets relate to moveable assets such as aircraft, vehicles and cruise ships, as well as property such as hotel buildings and land, office buildings and travel agencies.

COMPANIES MEASURED AT EQUITY

Eightteen associated companies and 27 joint ventures were measured at equity. At €640.5 m, their value decreased by 46.0 % 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 2021	30 Sep 2020	Var. %
Inventories	42.8	73.2	–41.5
Trade accounts receivable and other financial assets[1]	537.1	590.2	–9.0
Other non-financial assets[2]	615.3	668.8	–8.0
Current tax assets	57.7	70.9	–18.6
Cash and cash equivalents	1,583.9	1,233.1	+28.4
Assets held for sale	96.5	57.2	+68.7
Current assets	**2,933.3**	**2,693.4**	**+8.9**

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

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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. Some 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.

In the wake of the COVID-19 pandemic, currency and fuel hedging activities were heavily restricted. Predictability of the required hedging was limited by constantly changing travel restrictions. Moreover, the banks considerably reduced their derivative trading lines with TUI. As a result, there were frequent deviations from targeted hedge ratios for the underlying transactions.

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, 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 issued by the major rating agencies. The credit ratings and the corresponding limits are regularly reviewed. In the event of changes in the fair value of derivatives or rating changes, new business with these counterparties may temporarily be suspended until the limits can be applied appropriately 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 35 ff. or 214 ff.

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Capital structure

Capital structure of the Group

€ million	30 Sep 2021	30 Sep 2020	Var. %
Non-current assets	11,222.3	12,647.8	–11.3
Current assets	2,933.3	2,693.4	+8.9
Assets	**14,155.7**	**15,341.1**	**–7.7**
Subscribed capital	1,099.4	1,509.4	–27.2
Capital reserves	5,249.6	4,211.0	+24.7
Revenue reserves	–8,525.7	–6,168.8	–38.2
Silent participation	1,091.0	–	n. a.
Non-controlling interest	667.3	666.5	+0.1
Equity	–418.4	218.1	n. a.
Non-current provisions	1,665.5	1,895.7	–12.1
Current provisions	572.7	421.6	+35.8
Provisions	2,238.2	2,317.3	–3.4
Non-current financial liabilities	3,036.1	3,691.7	–17.8
Current financial liabilities	284.6	577.3	–50.7
Financial liabilities	3,320.8	4,269.0	–22.2
Non-current lease liabilities	2,606.1	2,712.6	–3.9
Current lease liabilities	623.3	687.3	–9.3
Lease liabilities	3,229.4	3,399.9	–5.0
Other non-current liabilities	402.8	503.7	–20.0
Other current liabilities	5,332.3	4,608.6	+15.7
Other liabilities	5,735.1	5,112.3	+12.2
Debt related to assets held for sale	50.6	24.5	+106.5
Liabilities	**14,155.7**	**15,341.1**	**–7.7**

Capital ratios

€ million		30 Sep 2021	30 Sep 2020	Var. %
Non-current capital		7,292.1	9,021.8	–19.2
Non-current capital in relation to balance sheet total	%	51.5	58.8	–7.3*
Equity ratio	%	–3.0	1.4	n. a.*
Equity and non-current financial liabilities		2,617.7	3,909.8	–33.0
Equity and non-current financial liabilities in relation to balance sheet total	%	18.5	25.5	–7.0*

* percentage points

Overall, non-current capital decreased by 19.2 % to € 7,292.1 m. It accounted for 51.5 % (previous year 58.8 %) of the balance sheet total.

The equity ratio was – 3.0 % (previous year 1.4 %). Equity and non-current financial liabilities accounted for 18.5 % (previous year 25.5 %) of the balance sheet total.

EQUITY

The capital stock was reduced in the framework of an ordinary capital decrease for the purpose of transferring a part of the capital stock into the capital reserves and subsequently increased in the form of a cash contribution by issuing new registered no-par value shares. At the end of the financial year under review, the subscribed capital therefore consisted of 1,099,393,634 shares with a proportionate share in the capital stock of € 1.00 per share. Revenue reserves declined by € 2.4 bn to € – 8.5 bn in the period under review. Non-controlling interests accounted for € 667.3 m of equity.

SILENT ESF PARTICIPATIONS

In financial year 2021, two silent participations were issued to the ESF. They are both carried in equity in accordance with IAS 32. The first silent participation was fully paid in at € 420.0 m. It is convertible at any time in whole or in part into shares in TUI AG at a conversion price of € 1.00 per share as long as the ESF does not obtain a participation in TUI's equity capital of more than 25 % plus one share. The second silent participation is not convertible into shares. It amounts to € 671.0 m and has been fully paid in.

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 € 2,238.2 m, down by € 79.1 m year-on-year.

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FINANCIAL AND LEASE LIABILITIES

Composition of financial liabilities and lease liabilities

€ million	**30 Sep 2021**	30 Sep 2020 adjusted	Var. %
Bonds	641.5	298.9	+114.6
Liabilites to banks	2,612.6	3,953.7	–33.9
Other financial liabilities	66.6	16.4	+306.1
Financial liabilities	**3,320.7**	**4,269.0**	**–22.2**
Lease liabilities	**3,229.4**	**3,399.9**	**–5.0**

Non-current financial liabilities decreased by € 655.6 m as against 30 September 2020 to € 3,036.1 m. The decline primarily results from the reduction in liabilities to banks of € 1,027.9 m and the early redemption of senior bonds issued by TUI on 26 October 2016 with a nominal volume of € 300.0 m on 23 February 2021. This decrease is offset by an increase in liabilities from the issuance of a convertible bond in April 2021 of € 400.0 m, which was upsized by € 189.6 m in July 2021.

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 2021 with a nominal value of € 589.6 m and a seven-year term.

Listed bonds

Capital measures	Issuance	Maturity	Amount initial € million	Amount outstanding € million	Interest rate % p.a.
Convertible Bond 2021	April / July 2021	April 2028	589.6	589.6	5.000

CONVERTIBLE BONDS 2021

In April 2021, TUI AG issued senior unsecured convertible bonds maturing in 2028 with a total nominal amount of € 400.0 m. The convertible bonds have a denomination of € 100,000 per bond and a coupon of 5.0 % p.a., payable semi-annually in arrears. The initial conversion price was set at € 5.3631 per share. In July 2021, the convertible bond was upsized through a further issue with a nominal amount of € 189.6 m at a price of 104.75 %.

With the exception of the issue price, the new convertible bonds were issued on the same terms and conditions as those of the convertible bonds issued in April and have been consolidated with the existing convertible bonds to form a single series. In October 2021, the conversion price was reduced to € 4.5827 per share in the wake of the capital increase.

See Other information from page 238

ESF WARRANT BOND

On 1 October 2020, an unlisted bond with warrants totalling € 150.0 m was issued to the Economic Stabilisation Fund (ESF). 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 an initial price of € 2.56 per share. Due to the capital reduction in January 2021, the subscription price for the same number of shares was reduced to € 1.00 per share.

SYNDICATED CREDIT FACILITY OF TUI AG

In January 2021, the extension of a part of the existing KfW credit facility of € 500.0 m that would have been due for redemption in April 2021 was agreed on the basis of the financing package adopted in December 2020. Moreover, an additional collateralised syndicated credit facility of € 200.0 m was agreed with KfW and six private banks. The term of the extension and the new credit line was adjusted to July 2022 to match the existing syndicated credit line.

In July 2021, an agreement was reached with the banks to extend TUI AG's syndicated credit facilities totalling € 4.8 bn (including a tranche of € 215.0 m for bank guarantees) ahead of schedule to July 2024. For regulatory reasons driven by Brexit, the contribution to the syndicated credit line of € 4.6 bn made by a British bank (around € 80 m cash and € 25.0 m guarantee line) cannot be extended beyond July 2022. In September 2021, the credit line was reduced by € 30.0 m from € 200.0 m to € 170.0 m through a partial termination by TUI AG.

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 155

As of the balance sheet date, the cash utilisation of syndicated credit facilities was around € 1.9 billion.

BANK CREDITS AND LEASE LIABILITIES

Liabilities to banks largely relate to the drawdowns from TUI AG's syndicated credit facilities and TUI AG's Schuldschein worth € 425.0 m.

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Lease liabilities essentially relate to aircraft 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 touristic advance payments received. At € 5,735.1 m, it was € 622.8 m up year-on-year.

Key credit facilities

SYNDICATED CREDIT FACILITIES OF TUI AG

TUI AG's syndicated credit facilities of € 4.8 bn includes a tranche of € 215.0 m for bank guarantees. At the balance sheet date, cash drawdowns from this credit facility amounted to around € 1.9 bn. In addition, an amount of € 149.4 m was drawn from this credit facility through the use of bank guarantees.

BILATERAL GUARANTEE FACILITIES OF TUI AG WITH BANKS

TUI AG has concluded bilateral guarantee facilities with a total volume of € 22.1 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 guaranteed amount. At the balance sheet date, an amount of € 9.4 m from these facilities had been used.

In October 2021, TUI AG concluded a guarantee facility of € 152.0 m with a multi-year term with a bank in order to meet a regulatory requirement. This guarantee facility was fully used.

Obligations from financing agreements

TUI AG's Schuldschein worth € 425.0 m issued in 2018, the bond with warrants worth € 150.0 m issued in October 2020, the convertible bond worth € 589.6 m issued in 2021 and the credit and guarantee facilities contain a number of obligations.

Under its syndicated credit facilities worth € 4.8 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 its 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 agreed to a waiver for this financial covenant obligation up until and including 31 March 2022, with higher ratio limits set for testing during the period up until and including 31 March 2023. Until 31 March 2022, compliance with the suspended financial covenants will be replaced by compliance with a liquidity reserve (as defined in the contracts) of at least € 400.0 m. In addition, TUI's scope for pledging or selling assets, acquiring other companies or shareholdings, or effecting mergers has been restricted.

TUI AG's Schuldschein worth € 425.0 m, the bond with warrants worth € 150.0 m, the convertible bond worth € 589.6 m and the credit and guarantee facilities also contain additional clauses typical of financing instruments of this type. 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

	2017	2018	2019	2020	2021	Outlook
Standard & Poor's	BB	BB	BB	CCC+	CCC+	stable
Moody's	Ba2	Ba2	Ba2	Caa1	Caa1	stable

In particular due to the COVID-19 pandemic with 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)'. In January 2021, Moody's upgraded TUI's rating outlook to 'stable', with Standard & Poor's following suit in February 2021.

Due to a significant improvement in the business environment and the strengthening of the balance sheet structure, both rating agencies upgraded the rating to 'B- (stable outlook)' (Standard & Poor's) and 'B3 (stable outlook)' (Moody's) in October 2021.

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Standard & Poor's also upgraded the rating for amounts totalling around € 1.5 bn granted by private banks within TUI AG's syndicated credit facility from 'CCC+' to 'B-' in October 2021.

Financial stability targets

TUI considers a constant credit rating to be a prerequisite for the future 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 were then lowered to CCC+ and Caa1, respectively. We consider the return to the B range to be essential, not only in order to benefit from financing terms, but also to retain 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 in financial years 2020 and 2021 resulted in a leverage ratio that lacked meaning. 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 in the medium term.

* 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 236.

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, the ECB again increased its pandemic emergency purchase programme for private and public sector securities 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.

In the financial year under review, quoted credit margins (based on CDS levels) for corporates in the sub-investment grade area returned to a level more or less corresponding to the long-standing average. In Q1 2021, credit margins for TUI AG initially rose strongly as the pandemic spread and subsequently remained high on a long-standing comparison. In April 2021, for the first time since the outbreak of the pandemic, TUI secured non-public refinancing by issuing convertible bonds in an improved capital market environment.

Liquidity analysis

At the balance sheet date, TUI AG, the parent company of TUI Group, held cash and cash equivalents worth € 592.5 m.

RESTRICTIONS ON THE TRANSFER OF LIQUID FUNDS

At the balance sheet date, there were restrictions worth around € 0.5 bn (previous year: € 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 97

Cash flow statement

Summary cash flow statement

€ million	2021	2020
Net cash outflow from operating activities	– 151.3	–2,771.9
Net cash inflow from investing activities	+704.7	–161.8
Net cash out- / inflow from financing activities	–233.5	–2,112.5
Change in cash and cash equivalents with cash effects	**+ 319.9**	**–497.6**

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 with the Nordotel S. A. disposal group included. The prior year's cash flow statement had included the cash flow statement of the Hapag-Lloyd Kreuzfahrten disposal group until its disposal.

In the period under review, cash and cash equivalents increased by € 353.0 m to € 1,586.1 m.

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CASH INFLOW / OUTFLOW FROM OPERATING ACTIVITIES

In the period under review, the cash outflow from operating activities totalled € 151.3 m (previous year € – 2,771.9 m), including interest payments received of € 6.4 m (previous year € 25.1 m) and dividends of € 14.2 m (previous year € 7.7 m). Income tax payments resulted in a cash outflow of € 9.0 m (previous year inflow of € 56.1 m).

CASH INFLOW / OUTFLOW FROM INVESTING ACTIVITIES

In financial year 2021, the total cash inflow from investing activities amounted to € 704.7 m (previous year €+161.8 m). This includes a cash outflow for capital expenditure on property, plant and equipment and intangibles of € 299.7 m (previous year € 587.0 m). The Group recorded a cash inflow of € 357.9 m (previous year € 109.9 m) from the divestment of property, plant and equipment and intangible assets. A Group cash inflow of € 105.5 m was posted in connection with the sale of consolidated companies, including € 32.9 m for the divestment of Hapag-Lloyd Kreuzfahrten, effected in the prior year, and € 50.0 m for the divestment of Nordotel S. A., completed after the financial year under review ended. TUI Group also recorded a cash inflow of € 543.8 m from the sale of its stakes in Riu Hotels S. A. and Karisma Hotels Caribbean S. A., and € 19.6 m from repaid loans in connection with the sale of its interests in Togebi Holdings Limited (TUI Russia). A cash outflow of € 21.0 m resulted from a capital increase in TUI Cruises GmbH.

CASH INFLOW / OUTFLOW FROM FINANCING ACTIVITIES

The cash outflow from financing activities fell by € 233.5 m (previous year inflow of €+ 2,112.5 m). TUI AG recorded a cash inflow of € 1,743.8 m from a number of equity measures after deduction of borrowing costs. TUI AG took out loans and bonds resulting in an inflow of € 598.6 m after deduction of borrowing costs. Other TUI Group companies took out loans worth € 257.0 m. In the financial year under review, TUI AG reduced its syndicated credit facility by € 1,445.1 m and paid € 300.0 m for the early redemption of a senior bond. Other Group companies recorded a cash outflow of € 94.1 m for the redemption of financial liabilities. A further outflow of € 587.2 m related to the redemption of lease liabilities, while interest payments accounted for an outflow of € 404.8 m.

Change in cash and cash equivalents

€ million	2021	2020
Cash and cash equivalents at the beginning of period	**+1,233.1**	**+1,747.6**
Changes due to changes in exchange rates	+33.2	– 17.0
Cash changes	+319.8	–497.6
Cash and cash equivalents at the end of period	**+1,586.1**	**+1,233.1**

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 152 and 237

Analysis of investments

The development of fixed assets, including property, plant and equipment, intangible assets as well as shareholdings and other financial 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.

Net capex and investments

€ million	2021	2020 adjusted	Var. %
Cash gross capex			
Hotels & Resorts	113.9	327.2	– 65.2
Cruises	22.5	48.8	– 53.9
TUI Musement	13.8	12.8	+7.8
Holiday Experiences	150.2	388.8	– 61.4
Northern Region	10.2	35.7	–71.4
Central Region	5.1	14.6	– 65.1
Western Region	8.2	15.6	– 47.4
Markets & Airlines*	52.4	85.1	– 38.4
All other segments	82.1	61.4	+33.7
TUI Group	**284.8**	**535.2**	**– 46.8**
Net pre delivery payments on aircraft	– 86.0	– 41.5	–107.1
Financial investments	28.0	132.1	–78.8
Divestments	– 925.9	–775.1	–19.4
Net capex and investments	**– 699.1**	**–149.3**	**– 368.3**

* Including € 28.9 m cash gross capex for financial year 2020 for the aircraft leasing companies (previous year: € 19.2 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, TUI Group's cash gross capex totalled € 284.8 m. The decline of 46.8 % reflects the continued strict management of investment projects.

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Divestments related in particular to the sale of our 49 % stake in the Riu Hotels S.A. joint venture to a Riu Group company and the sale-and-leaseback of spare engines and aircraft. In the prior year, divestments had included in particular the divestment of Hapag-Lloyd Kreuzfahrten to our joint venture TUI Cruises and the sale of two German specialist tour operators.

In the period under review, net capex and investments declined by € 549.8 m year-on-year to € – 699.1 m.

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	**2021**	2020
Cash gross capex	**284.8**	**535.2**
Additions right of use assets	27.4	– 11.3
Advance payments	15.0	52.1
Ship debt financing	–	115.6
Other non-cash changes	15.2	– 2.1
Additions to other intangible assets and property, plant and equipment	**342.3**	**689.4**

Investment obligations

ORDER COMMITMENTS

Due to agreements concluded in financial year 2021 or in prior years, order commitments for investments totalled € 2,386.1 m as at the balance sheet date; this total includes an amount of € 456.5 m for scheduled investments in financial year 2022.

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

Net debt

The net debt of continuing operations as of 30 September 2021 declined by € 1,467 m year-on-year to € 4,954 m.

Net debt

€ million	**30 Sep 2021**	30 Sep 2020	Var. %
Financial debt	3,320.8	4,269.0	– 22.2
Lease liabilities (IFRS 16)	3,229.4	3,399.9	– 5.0
Cash and cash equivalents	1,583.9	1,233.1	+ 28.4
Short-term interest-bearing investments	12.1	14.9	– 18.8
Net debt	**– 4,954.2**	**– 6,420.9**	**+ 22.8**

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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. We firmly believe that sustainable development is critical to long-term economic success. Together with our many partners around the world, we are actively committed to promoting sustainable development in the tourism sector.

In the following section, in line with CSR reporting legislation, we report on sustainability issues that promote a better understanding of our business operations, context and future development. In compliance with section 315b, paragraph 1, sentence 3 of the German Commercial Code (HGB) we also refer, in a number of respects, to non-financial disclosures found in other parts of the Group Management Report.

Our materiality analysis generated insights into the risks and opportunities relating to sustainability. We describe our risk management system and principal risks associated with our business activities, business relations and services in our Risk Report from page 35 onwards, where the principal risks relating to sustainability are listed and explained.

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

Review report from Group Audit regarding the combined non-financial declaration (page 92)

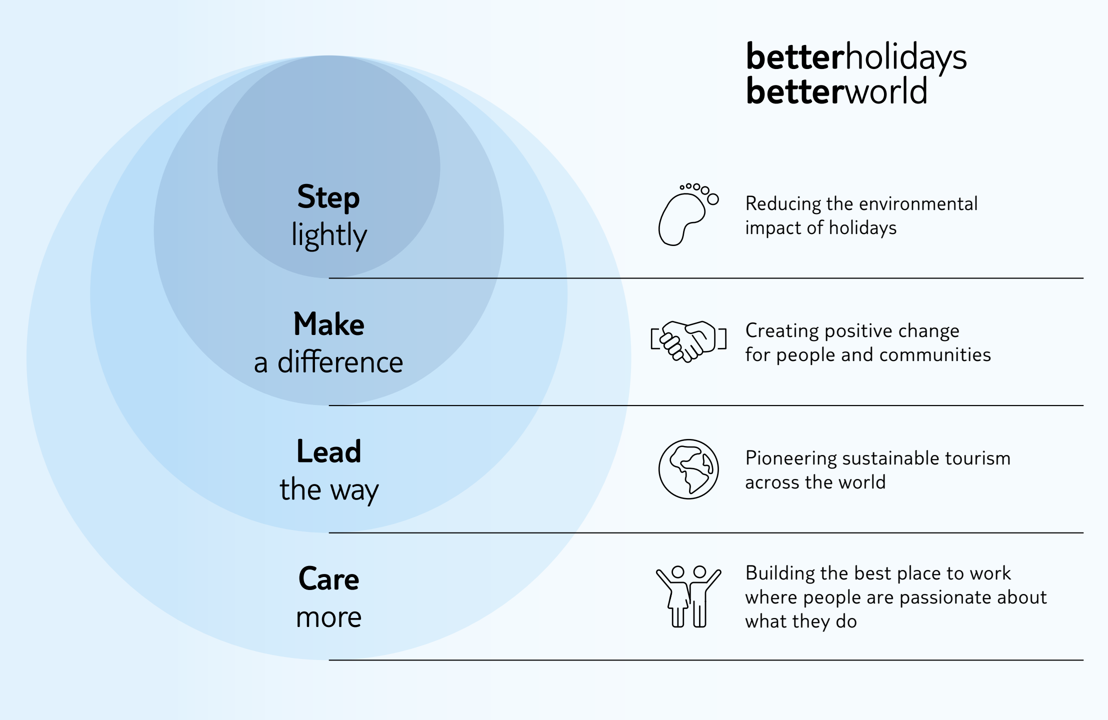
Our reporting covers the United Nations Global Compact principles, which TUI signed up to in 2014. Furthermore, we reviewed our sustainability activities against the United Nations Sustainable Development Goals (SDGs). These goals provide a useful framework with which to view the material impact of our business operations and a bench-mark to assess the relevance of our initiatives. The tourism value chain is closely linked to many different sectors. This enables us to influence progress on many SDGs.

Business model

TUI Group's business model is outlined on pages 25 ff and 28 ff in accordance with section 315c paragraph 1 in conjunction with section 289c, paragraph 1 HGB.

Sustainability strategy and implementation

TUI Sustainability Strategy



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In 2020 TUI Group closed out its sustainability strategy 'Better Holidays, Better World'. These sustainability actions and objectives adopted in 2015 addressed the environmental and social challenges facing the tourism sector which had been the subject of public debate. Due to the continued major restrictions on business operations caused by the COVID-19 crisis, the key figures as of 30 September 2021 presented in the following sections are of limited or no communicative value, not least by comparison with the previous year.

Our reporting for financial year 2021 is again based on the fields of action defined in our previous strategy. In the period under review, under the continuing impact of the COVID-19 pandemic, we built on existing core objectives and activities, delivering further progress through our commitment to sustainability.

In the financial year under review, TUI Group's international sustainability team focussed on developing TUI's Sustainability Agenda. New priorities and strategic directions for TUI's future sustainability activities were drawn up in consultation with internal and external stakeholders, taking account of current challenges, global scenarios and mechanisms such as the EU Green Deal. Alongside the work invested in finalising the Sustainability Agenda, a number of specific initiatives were launched, in particular with a view to reducing our carbon footprint (adoption of an Emission Roadmap) and promoting a circular economy (training programmes and cooperation with suppliers).

With the next phase of our Sustainability Agenda, we will enter a decade of sustainable transformation. Our ambition is to continue to lead the industry and to actively shape a more sustainable future for tourism.

Our next steps will be anchored in core deliverables, building on the significant progress made – with a focus on:

- Empowering communities in destinations
- Driving transformation by increasing and sharing knowledge through educational initiatives open for many
- Reducing our environmental footprint (energy, waste, water) and working with science-based emissions targets
- Working with partners across the tourism industry and outside to accelerate the transformation beyond TUI
- Introducing industry-leading initiatives (e. g., on the topic of circularity or sustainable destination management)

In active pursuit of this sustainable transformation, TUI also launched its Sustainability Academy in the period under review. This online learning platform enables TUI Group employees to undergo further training around sustainability, and in particular around TUI's strategic priorities. The first stage of the online platform with appropriate learning content has now gone live and additional content and functions will be added successively.

MATERIALITY

TUI Group carried out a formal materiality assessment involving a variety of key stakeholder groups. Applying recognised qualitative and quantitative methods, a global stakeholder survey and an impact analysis identified the leading material aspects and set priorities. A repeat of the global stakeholder survey scheduled for 2021 had to be postponed due to the ongoing COVID-19 pandemic. Thanks to direct contact with our stakeholders and sector initiatives, we also benefited from important input, which was subsequently incorporated into our sustainability activities.

SUSTAINABILITY MANAGEMENT

Across TUI Group, a team of experienced sustainability professionals are working in close collaboration with senior management at Group and at divisional level to ensure that TUI's business and sustainability strategies are well aligned. The role of our sustainability team is to drive implementation of more sustainable business practices across TUI Group and along its supply chain. The TUI Group Executive Committee is regularly updated on our performance in delivering the sustainability strategy and tackling other key sustainability issues. These are also regularly included on the agenda for meetings of divisional and platform management boards (e. g. in hotels and aviation) and the Risk Oversight Committee (ROC).

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

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Managing sustainability-embedding

SUSTAINABILITY INDICES

TUI AG is represented on the sustainability index FTSE4Good. In 2021, TUI participated in the CDP Climate Change programme and in the S&P Dow Jones Sustainability Index Assessment and engaged in dialogue with other researchers.

Environmental matters

Respecting the environment in our products, services and processes is an essential feature of our quality standards. We have prioritised improving our carbon and resource efficiencies, with a particular 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.

We aim to reduce the environmental impact of our operations and are setting clear stretch targets to deliver these improvements across aviation, cruise, hotels, offices, retail shops and ground transport. We have liaised with the Science Based Targets Initiative to develop carbon roadmaps. TUI continues to run carbon reduction initiatives across the business – from airline and cruise efficiency programmes, to retail energy savings and the reduction of printed brochures.

In financial year 2021, TUI Group's total emissions decreased by 43 % year-on-year in absolute terms as a consequence of the impact of the COVID-19 pandemic across our businesses.

Carbon dioxide emissions (CO_2)

tons	2021	2020	Var. %
Airlines & Aviation	1,317,865	2,725,937	–51.7
Cruises	391,475	602,794	–35.1
Hotels	362,474	328,282	+10.4
Major premises/shops	15,949	18,189	–12.3
Ground transport	5,440	5,235	+3.9
Scope 3 (indirect emissions from TUI's value chain)	27,911	41,073	–32.0
Total	**2,121,114**	**3,721,510**	**–43.0**

As part of TUI's environmental reporting the breakdown of energy usage by business area shows that Airlines and Aviation represented more than 67 % of the total energy used.

Energy usage by business area

MWh	2021	2020	Var. %
Airlines & Aviation	5,371,454	11,110,512	–51.7
Cruises	1,518,886	2,328,410	–34.8
Hotels	1,021,997	947,324	+7.9
Major premises/shops	60,766	64,931	–6.4
Ground transport	23,314	20,986	+11.1
Total	**7,996,417**	**14,472,163**	**–44.7**

CLIMATE PROTECTION AND RESOURCE EFFICIENCIES BY TUI'S AIRLINES

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

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- 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 and minimum fuel programme
- Implementation of fuel management systems to improve fuel analysis, identify further opportunities and track savings

We did not achieve the target set as part of our Better Holidays, Better World strategy to reduce our carbon intensity from aviation operations by 10 % by 2020. We had hoped to deliver against this target through the deployment of efficiency measures as well as through fleet renewal. Unfortunately, the grounding of the Boeing 737 Max and delays to deliveries of further aircrafts significantly impacted our ability to deliver against this target. The ongoing COVID-19 crisis made it impossible to deliver further relative carbon emissions improvements as they are based on load factors and fuel burn.

TUI's airlines play a pioneering role in maintaining 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

		2021	2020	Var. %
Specific fuel consumption	l / 100 rpk*	3.10	2.69	+ 4.0
Carbon dioxide (CO_2) – total	t	1,300,942	2,357,195	– 44.8
Carbon dioxide (CO_2) – specific	kg / 100 rpk*	7.80	6.78	+15.0

* rpk=revenue passenger kilometer

TUI Airlines – Carbon intensity

g CO_2 / rpk*	2021	2020	Var. %	g CO_2e / rpk*
TUI Airline fleet	**78.0**	**67.8**	**+15.0**	**78.8**
TUI Airways	83.3	65.5	+ 27.2	84.1
TUI fly Belgium	82.8	75.1	+10.3	83.6
TUI fly Germany	75.8	69.4	+ 9.2	76.6
TUI fly Netherlands	70.3	66.4	+ 5.9	71.0
TUI fly Nordic	69.7	66.1	+ 5.4	70.4

* rpk=revenue passenger kilometer
We commissioned Verifavia to provide assurance on the carbon intensity metrics for 2021 as displayed in the table 'TUI Airlines – Carbon Intensity' above. To read our airline carbon data methodology document and the assurance report in full, please visit www.tuigroup.com/en-en/sustainability/reporting-downloads

Relative carbon emissions across our airlines increased by 15 % in the financial year 2021. This has been caused by the grounding of our fleet due to the COVID-19 crisis with significantly reduced operations and load factors across all airlines. Additional cargo sectors across some TUI airlines have led to greater aircraft weight resulting in increased fuel burn.

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 include the latest technologies to minimise fuel burn. A smart energy management system, efficient air conditioning, innovative lighting controls and the use of exhaust heat from the engines all contribute to a significantly reduced carbon footprint compared to other vessels not equipped with these technologies.

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

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

The ships are fitted with advanced emission purification systems, which operate around the clock – 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.

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Hapag-Lloyd Cruises ships 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 the 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, Inspiration and Spirit are also equipped with modern environmental technologies. 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 %, and have the option of using shore power.

In the financial year 2021 Marella Cruises have introduced an environmental data management dashboard to track and drive environmental performance.

Cruises – carbon intensity, fresh water and waste

	2021	2020	Var. %
Carbon dioxide (CO_2) – relative kg / Cruise passenger night	240	130	+ 83.8
Fresh water – relative l / Cruise passenger night	89	107	– 16.4
Waste – relative l / Cruise passenger night	23.7	13.6	+ 73.9

In financial year 2021, relative carbon emissions in Cruises increased by 83.8 % due to the significant reduction in load factors caused by COVID-19. Per cruise passenger night 23.7 litres of waste were measured – a 73.9 % increase – and 89 litres of fresh water consumed, a decrease of 16.4 % due to less bunkering of fresh water.

CLIMATE PROTECTION AND RESOURCE MANAGEMENT BY HOTELS

Together with our hotel partners we constantly work on improving our sustainability performance. TUI research shows that 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

	2021	2020	Var. %
Carbon dioxide (CO_2) – relative kg CO_2 / guest night	13.25	12.49	+ 6.1
Water – relative l / guest night	843	773	+ 9.1
Waste – relative kg / guest night	2.22	2.20	+ 1.0

* Includes water for domestic, pool and irrigation purposes

Effective waste management aims to conserve resources and reduce its environmental impact 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 2.22 kg of waste was measured in financial year 2021, and remained stable. The increases of carbon emissions, water and waste per guest night is due to impact of the COVID-19 crisis resulting in the temporary closure of hotels and overall lower occupancy rates.

MOVING TOWARDS CIRCULARITY

The new TUI Sustainability Agenda focuses on the circular economy and the promotion of a closed-loop system in which raw materials, components and products lose as little value as possible through the use of renewable energy sources. TUI Group has set itself the goal of operating an increasingly circular business model, the details of which are set out in TUI's Circular Economy Commitments. To inform about the necessity of the topic, numerous information and workshop events were held, in which more than 300 employees and interested persons participated in the financial year 2021.

As part of the membership to the Sustainable Transformation Group on Circular Economy, coordinated by the Antwerp Management School, cross-industry approaches to promoting the circular economy are presented and discussed. The TUI Group participates in order to be informed about current developments for the promotion of a circular economy.

An important aspect of the Circular Economy is the reduction of unnecessary and problematic single-use plastic items. To this end, the TUI Group joined the Global Tourism Plastic Initiative in July 2021 and signed up to its commitments. UNWTO and UNEP are leading the implementation of the initiative in cooperation with the Ellen MacArthur Foundation and with the support of an advisory group, of which TUI Group is a member. As part of this, TUI's airlines have replaced certain single-use plastic items on board with more sustainable alternatives.

To further determine the acceptance of certain single-use plastic alternatives TUI Group has launched a project in summer 2021 in cooperation with the sustainability initiative Futouris. The initiative aims to use more sustainable alternatives in certain guest rooms in two TUI Clubs on the Balearic Islands. The effectiveness will be measured by using guest surveys, successful measures will be transferred to other hotels.

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Social matters and destination collaboration

Through our sustainability agenda 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.

SUSTAINABLE HOLIDAYS

Hotels play a key role in raising the bar for 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 independent sustainability certifications that meet the standards of the Global Sustainable Tourism Council (GSTC) and demonstrate social and environmental good practice To support hotel partners 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.

TUIPARTNERS.COM / SUSTAINABILITY

This year we have added a sustainability section to our B2B platform TUIPartners.com accessed by our accommodations and tours, activities, excursions and transport providers. Its purpose is to serve as an online platform for sharing knowledge and experiences on the various sustainability topics therefore, keeping TUI's partners fully updated with the latest trends, requirements, technologies and opportunities.

Sustainable holidays

	2021	2020	Var. %
Number of customer (millions) staying at certified hotels[1]	2.8	3.8	–25.6
Number of contracted hotels with certifications[2]	630	1,069	–41.1
% of TUI hotels with certifications (variance in % points)	54	79	–25[3]

[1] Hotels that are certified to a GSTC-recognised certification
[2] Hotels that are certified to a GSTC-recognised certification and welcomed a minimum of 100 TUI customers in financial year 2021
[3] Variance is given in percentage points

By financial year 2019 we were able to increase the number of customers staying in a hotel certified to a GSTC-recognised standard to 10.3 million (exceeding our 2020 target), however, in the last two financial years, the severe disruption to operations caused by the COVID-19 pandemic has meant that we have not been able to report any further growth.

The number of certified hotels has decreased year-on-year by 41.1 % to 630 hotels. Travel restrictions and auditor availability at our main certification partner, Travelife, resulted in the many audits necessary to renew the certification not taking place until the final three months of the TUI financial year. This meant there was insufficient time for the hotels to regain their certification to be included in this year's report.

We expect to see a significant increase in certifications next year, as our hotel partners remain committed to sustainability and are actively engaged in this process. However, the combined impact of the COVID-19 pandemic and the timing of our financial reporting year has meant the numbers are particularly depressed this year.

⊕ *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 driving a 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 enhanced the content of this online platform in financial year 2021.

Initially launched in the Netherlands, we enable customers to more easily choose sustainable accommodations and automatically contribute to an additional two ways of sustainable development. Customers who book the fair travel concept contribute to social and economic development in tourist destinations through an integrated donation made to the TUI Care Foundation and contribute to investments in the development of sustainable transportation through projects such as upscaling sustainable aviation fuels.

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 to deliver improvement plans, however a number of venues were taken out of the programme for not meeting the required standards.

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DESTINATION COLLABORATION

The TUI Care Foundation is the main channel utilised to coordinate our approach for developing tourism in a sustainable manner, together with the destinations and the industry.

We measure the effects of enhancing the positive impact of tourism by the amount invested in charities, projects, and initiatives as well as memberships that support good causes.

Investments into projects and good causes

€ million	2021	2020	Var. %
Amount raised for research / good causes	2.3	3.8	– 41.1

Our businesses, colleagues and customers raised € 2.3 m in financial year 2021, a decrease of 41 % due to the ongoing impact of the COVID-19 pandemic.

TUI CARE FOUNDATION

The TUI Care Foundation was adopted as our Group's corporate foundation in 2016. It is an independent charitable foundation, with a majority of non-TUI trustees. The 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 younger generations.

In 2021 enpact and the TUI Care Foundation launched the joint Tourism Recovery Programme which supported young founders in the travel and tourism industry. Participants were micro, small, and medium-sized tourism enterprises in Egypt, Mexico, South Africa and Kenya.

The Tourism Recovery Programme was designed to support innovative tourism businesses on their path to economic recovery. The future of tourism depends on resilient touristic businesses offering sustainable products and services, particularly in developing and emerging economies. With the United Nations Sustainable Development Goals at its core, the Tourism Recovery Programme builds capacity around leadership, resilience, sustainability, innovation, and digital transformation. Additionally, the aim of the continuing programme is to create a flourishing international network of tourism businesses.

Under the six-month programme, participating businesses have the opportunity to gain access to dedicated mentoring, business development training and financial support The support package drew on the experience of the previous COVID-19 Relief Programme for Tourism, where already 352 participants from 150 tourism businesses from Mexico, Kenya, Indonesia and Jordan benefited from the same opportunity.

More on TUI Care Foundation: www.tuicarefoundation.com

Group Security, Health & Safety (SHS)

TUI operates holistic safety and security standards for customers and employees, the company's reputation and its assets, setting the tourism industry standard in security, health and safety. In financial year 2021 the business made a significant push in its efforts to centralise security and safety activities. Through extensive continuous dialogues with stakeholders including all subsidiaries we aligned their needs with the professional security, health and safety management delivered. Additionally, the department steered all measures related to health, safety, crisis response and business continuity and supported the markets coming back to business as usual adjusting to the dynamic, pandemic environment.

The travel experience is about relaxing and winding down, or discovering and exploring something new. However, the travel experience can also entail a wide range of risks. As far as possible, our activities aim to minimise these risks for customers and employees. The business takes a risk based approach to prevent intentional risks to the well-being of our customers, such as crime or terror (Security) and offer all customers a travel experience with the most 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). TUI continually monitors and analyses safety-critical developments in destinations and discusses response measures with the markets.

SAFETY

In financial year 2021 TUI saw the creation of a new Safety and Risk team to support the Markets Transformation strategic initiative and to create a centre of excellence within the Group for safety management. This new team was created by combining the Markets' Health & Safety teams and the TUI Musement Safety Management Team in to one global function with a single management structure – accountable via the newly introduced Group Security, Health & Safety Governance Committee represented by senior stakeholders from across the Group's business units and functions.

This Safety and Risk team retains the policy and oversight remit across the Group but also now has an operational focus on accommodation, transfers, excursions, activities, tours and all other in-destination activities.

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The consolidation of our in-destination operational safety management is driving increased operational efficiency and enabling us to lead the way with a risk-based safety management approach, maximising the use of data from across TUI and from key industry partners.

TUI has implemented a group-wide incident reporting system (Riskonnect), more effectively enabling us to view consolidated data and safety related trend analysis. 5,746 health and safety incidents were reported this year including 1,638 for COVID-19.

Operationally we have worked to adapt to the evolving COVID-19 environment reviewing and updating protocols to support the operational restart and increasing customer volumes. We have reviewed the requirements from our Source Markets and our destinations and led work to procure COVID-19 testing solutions for colleagues and guests. For example for the UK market where the government required PCR testing on return to the UK, we established a contract with Chronomics to provide cost effective testing solutions for all TUI UK customers and travelling collegues.

Working on a safe return to operations has been a continued focus throughout financial year 2021 supporting the business with measures required in response to COVID-19 whilst maintaining a focus on the other safety related risks. In partnership with specialist assessment industry partners, TUI has conducted 4,347 safety assessments across our portfolio using a multi-layered assessment approach. TUI has also implemented a data driven, digital process which enables the sharing of safety related data from our RIU hotels. TUI Hotels and Resorts COVID protocols have been regularly updated to meet the changes in requirements relating to the prevention of the virus, Group Security, Health and Safety (SHS) continue to support TUI Hotels and Resorts with technical guidance. The management of COVID-19 within our owned and managed hotels remains a key focus, however is now business as usual activity within these hotels and will remain so for the foreseeable future. Strong hygiene concepts are the key to reducing the risk of spread COVID-19 as well as many other infectious diseases and we will continue to promote this activity.

Our airlines and cruise lines have continued to ensure appropriate health and safety protocols are in place for our passengers, colleagues and contracted suppliers meeting industry and international standards.

Group SHS is supporting the strategic direction of the business and ensuring that TUI remains a brand that can be trusted by our customers, clients, colleagues, and industry partners.

SECURITY

In October 2020, TUI unified operations for Security, Health & Safety, Crisis, Business Continuity Management and Occupational Health. As such, security expertise in the markets was centralised to align destination and corporate security. Both security functions have large crossovers in scope and expertise with responsibility to support TUI business units across the globe when actioning security-related risk management.

Group SHS develops and aligns Group-wide security standards in close corporation with the business units and supports the local implementation, such as the development and implementation of a guideline for protest and demonstration hand-ling in retail stores across our key markets. TUI has established an internal Group Security Forum, which brings together all markets and business units to strengthen security corporation, share best practices and work closely together to set aligned security standards. As a result of the COVID-19 pandemic security risk assessments in third party hotel units had to be postponed to financial year 2022.

OCCUPATIONAL HEALTH AND SAFETY

TUI is determined to ensure all employees are given appropriate support to ensure their physical and mental health and occupational safety. The business ensures compliance with all applicable occupational health and safety standards and offers a varied 'TUI-fit' package of services with professional support.

At the Hanover site, for sports courses, we offer health-related talks and measures (TUI Wellbeing Days), various forms of health coaching and nutrition counselling to (preventive) medical check-ups and chiropractic therapy. In Luton TUI offers a package of wellbeing services such as guided meditation and mindfulness sessions. Especially in times of crisis TUI attaches great importance to support our employee's mental health. Various internal and external counselling offers are implemented across the Group. That includes training managers to identify and prevent psychosocial risks, offering access to an Employee Assistance Programme 24/7 or offering information and webchats on mental health via internal channels.

In addition, intensive dialogue within TUI serves to analyse TUI Group's structure in the pursuit of common processes and shared standards. Some of the ´TUI-fit´ offers have had to be paused because of the COVID-19 pandemic and to ensure our compliance with local government regulations. Where possible, digital versions were offered instead.

CRISIS MANAGEMENT AND BUSINESS CONTINUITY

TUI operates Group wide crisis and business continuity protocols and governance modules. They were successfully applied, in particular, 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. This will be enhanced by the introduction of a Group wide crisis management system software for monitoring, escalation and managing of day-to-day incidents and crisis by the end of 2021. With the ability to work individually within each business and to come together as a group when needed with oversight and direction at a group level, 24/7 control centers in different source markets form the basis for fast and pertinent responses to critical events, with the additional support of our destination teams.

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Experienced crisis managers work within a team to cover areas such as customer, commercial, communications and insurance management. These experts across the Group facilitate a fast, flexible response to levels of crisis. Appropriate reporting and coordination within TUI ensures that management is updated on all key incidents and developments and can immediately take decisions if necessary.

In 2021 we embarked on three key areas of alignment across the Group, which includes the Group crisis system software, which will be implemented in all markets, at the airlines, the cruise, Hotels & Resorts, and TUI Musement. In addition, both the Group Crisis Manual and the Group Business Continuity Manual have been reviewed, amended, and cascaded to all areas of the business. All projects have included representation from all business areas and have been successful in re-writing our roles and responsibilities but also with an enhanced governance process supported by Group SHS.

COVID-19 PANDEMIC

We moved the COVID-19 crisis back into business as usual in October 2020 while still continuing to support as required. The reporting and manageing of COVID-19 cases became part of the regular Health & Safety illness processes including the required protocols to mitgate risk. In addition Group SHS continue to update all business areas with the latest destination information as approved by government affairs. Understanding and communicating the country information has been challenging and we have supported projects including an on-line travel restrictions system as a solution for customers and colleagues.

Group SHS continued working in collaboration with occupational health teams across the Group. Implemented measures like hygiene and distance rules were reassessed and adjusted in the light of the current situation and the applicable legal requirements on a regular basis. 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 an interdisciplinary team implemented measures required by regulations like e. g. SARS-CoV–2 occupational health and safety regulation at the campus Hanover, which were shared with other German business units as best practice. In addition to mandatory COVID-19 trainings continuous communication on COVID-19 information was ensured via internal channels.

We coordinated step-by-step re-opening of operations and established safe working conditions to reduce the risk of infection. 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 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.

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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. The e-learning sessions have been integrated into TUI People, a global internal HR and learning platform, which is a more efficient and better tool to track completion. 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.

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.

Our internal Child Protection Guidelines now also include information for our colleagues on 'voluntourism' and visits to orphanages and schools, what activities are currently being offered on the market, the issues surrounding it and what TUI is doing to this respect, including prohibiting any type of visits to orphanages during TUI activities and no interaction between local children and TUI guests during any activities.

TUI JUNIOR ACADEMY

The TUI Care Foundation and Mentor International continued to work together on a mentoring programme to empower more than 800 young people from vulnerable communities in Jordan and Sweden. The programme focused on schools in socially vulnerable areas, targeting students (13–17 years old) who are refugees or struggling to integrate. Workshops designed to strengthen self-esteem, social inclusion and parental involvement aimed to support the young people's development, reduce isolation, improve school results, strengthen school-to-work transition and motivate and support the young people to thrive. Due to the restrictions of COVID-19, workshops continued either online or on a rescheduled timetable. The programme also involved the recruitment of volunteers by Mentor and TUI Care Foundation from local communities, including employees from across TUI Group, to lead and take part in inspirational and motivational workshops.

Employee matters

The COVID-19 pandemic again posed significant challenges for the tourism sector and hence also TUI Group, our HR Departments and our employees in financial year 2021. The lifting of some restrictions in Summer and Autumn 2020 was followed by renewed massive travel and contact restrictions in Winter 2020 / 21 and Spring 2021. This required us to continue systematically on the measures already launched in 2020 to reduce staff costs. As we press ahead with our ongoing transformation and restructuring projects, TUI is moving towards its goal of future-proofing the Company and successfully counteracting the long-term effects of the COVID-19 pandemic. The ongoing transformation and restructuring projects were continued and consistently driven ahead. In financial year 2021, key drivers were our digitalisation strategy and the transformation to a digital platform company. With the launch of the 'TUI Way of Working', we are seeking to reach global agreement on a new way of working and develop a shared vision for the future of work at TUI. In addition, a number of strategic HR projects were completed or continued in the period under review. In the next few months, we will focus on developing a new People Strategy with our new Chief HR Officer and Labour Director. The strategy will create an HR view of the portfolio and also address the HR function as such. Its goal is to make the HR function even more modern and enhance its efficiency while aligning our HR activities to the changing requirements that define the world of work in our future digital platform company.

COVID-19

Due to the persistent COVID-19 pandemic and the uncertain market environment, staff costs had to be kept at a low level. The measures already adopted in the previous financial year such as salary cuts, unpaid leave, vacancy freezes and other measures to reduce staff costs were therefore continued in financial year 2021 for the duration of restricted business operations. Since April 2020, short-time work benefit programmes have been agreed for all German Group companies, and they have been extended for financial year 2021 and beyond. In financial year 2021, Group companies also benefited from state-supported programmes and measures available in other countries. Some of these programmes have already been terminated or will successively end in the wake of the gradual lifting of restrictions to contain the COVID-19 pandemic.

In Spring and Summer of financial year 2021, booking numbers rose again as travel and contact restrictions were increasingly lifted, so that business operations were gradually resumed. Hotels and destinations were allowed to reopen in many places. Consequently, many employees returned to work, with some of them having spent several months on short-time work arrangements or other state-sponsored programmes. New projects were launched and some projects that had been suspended were resumed. In order to support the return of people to their teams and workplaces, a 'reboarding toolbox' was provided in the TUI Learning Lounge. This toolbox comprises, for instance, tips for the optimal use of Microsoft 365 and a refresher on TUI's values as well as information on health and well-being offerings.

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GLOBAL REALIGNMENT PROGRAMME

Apart from the operational measures to cut staff costs, TUI's transformation was driven further ahead in financial year 2021. The consistent implementation of our Global Realignment Programme will serve to bundle our strengths and secure and expand our market position. The Global Realignment Programme comprises various projects in the core functions, Markets & Airlines as well as TUI Musement. The focus of the transformation is on platforms and cost-efficient structures, increasing digitalisation and process automation. The programme goes hand in hand with job cuts, which for the most part were implemented or agreed by the end of financial year 2021.

The implementation of the transformation projects is actively supported by our global and local HR Business Partners. This includes the measures taken in cooperation with the local co-determination bodies as well as support and advice for our executives in the transformation process as new global organisational structures have been defined. These were also implemented in the global HR IT Platform TUI People in order to reflect the current structure of the organisation.

Regular reports about the Global Realignment Programme are presented to the Group Executive Committee and the Supervisory Board. The employees and executives, too, are continually updated about the current situation, the transformation plans and changes within TUI Group via e-mail and through the intranet.

'TUI WAY OF WORKING'

Before the pandemic, TUI Group was well on its way towards becoming a Digital Platform Business. This evolution has accelerated even faster due to COVID-19. This resulted in new requirements for the daily local and global cooperation of our employees. In March 2020, a large part of the work was switched to mobile working, which was also continued in the financial year 2021. Mobile working using web-based applications has become the norm for many employees and will also shape future collaboration. Reflecting these unique circumstances, we have created the TUI Way of Working to provide a holistic framework for all the challenges and the world of working of tomorrow.

The TUI Way of Working is our common vision of what work at TUI looks like and how it is organised on a global level, which can be adapted locally. We will use it to create a culture of trust that enables a sense of belonging for colleagues, wherever they choose to work, giving them flexibility whilst keeping performance and efficiency high. The key message for this vision is that 'work is something we do, not somewhere we go'.

TUI Way of Working

The TUI Way of Working contains four building blocks that focus on Leadership, Workplace, Technology and Organisation, with our Culture and Mindset providing a firm foundation for the whole concept. Naturally, our Culture and our Mindset are shaped by the central TUI values of 'Trusted, Unique, Inspiring'.

- **Culture & Mindset:** We create a sense of belonging, with the TUI Values as our shared foundation, and strive to find new learning opportunities and help each other grow.
- **Leadership:** Our leaders embrace change, empower our teams, and create an environment based on trust and openness.
- **Workplace:** We choose hybrid formats and encourage use of our office spaces for creativity, networking, and collaboration.
- **Organisation:** Our global teams and agility are the framework for our organisation, enabling an environment that fosters innovative ideas.
- **Technology:** We will provide and use technology to optimise our hybrid working and collaboration opportunities.

The TUI Way of Working was launched globally in August 2021. Initial initiatives and programmes were implemented in financial year 2021, in particular in the areas of Leadership, Workplace and Technology. Further development is planned for financial year 2022.

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LEADERSHIP

The second half of financial year 2021 saw the launch of 'Global VIBE' (Vision, Inspire, Build Teams, Execute), the Group-wide development programme for executives, in the framework of the TUI Way of Working. This programme enables our executives to expand their knowledge and build their skills, helping them in particular to bring the new global teams together and lead them. The learning content is provided in a virtual environment in the format of 60-minute master classes on the top themes, complemented by the Global VIBE Toolkit for in-depth learning. Executives also have the opportunity to engage and exchange with the Peer-to-Peer Learning Community and learn from one another. In financial year 2021, a total of 246 executives took part in three master classes. The Global VIBE Toolkits were retrieved 1,779 times, and 123 executives joined the MS Teams Learning Community.

'How2' is another leadership programme seeking to develop knowledge and skills for all new executives and ensure that they are able to fully exercise their roles. The programme consists of six modules, offering different online formats such as e-learning modules, teamcasts and facilitated meetings. 223 employees had been admitted by the end of the financial year under review. The programme will kick off at the start of financial year 2022.

WORKPLACE

The new Group-wide TUI Workwide programme was rolled out in August 2021 and enables employees to work abroad for up to 30 workdays per year if their role allows this. This makes TUI Workwide a key module in the TUI Way of Working. Trust is one of TUI's key values. That is why the programme was designed with a maximum of flexibility in mind. Our employees can freely choose where to work, the focus is on outcomes. By the end of September, as many as 69 employees had applied for or participated in TUI Workwide. The most popular countries for our employees to spend their TUI Workwide assignments are Spain, Greece and Portugal. Ten employees requested to be given the opportunity to stay the full 30 workdays abroad. On an average, employees apply for eight workdays of work abroad in the framework of TUI Workwide. More than one third of all applications were from Germany, followed by the UK and Spain.

Another project related to the Workplace module is the TUI Campus project in Hanover. It aims at combining three locations into one central site in Hanover. In this context, TUI focuses, among other things, on a shared-desk concept in order to create a modern and contemporary work environment for eight companies under one roof.

TECHNOLOGY

The TUI Way of Working requires a high-performance IT landscape. With Microsoft 365, we have already responded to that need in order to facilitate e.g. hybrid work. An efficient HR system is also required. That is why TUI continued to drive the expansion of its global HR IT platform TUI People further ahead in the period under review, focusing on various aspects including the alignment and digitalisation of processes. In Switzerland and the Nordics, the new core HR system Employee Central was initiated with success. It will be rolled out in other countries in future. TUI People was also expanded to include a digital desktop assistant in September 2020, which was further rolled out in the period under review. The assistant offers practical step-by-step instructions to facilitate the use of TUI People. In addition, the 360° feedback tool for TUI Musement went live. Moreover, Language Mentoring was launched as a pilot project, enabling our employees to improve their foreign language skills as mentees or teach language skills as mentors. Another milestone was reached with the further consolidation of ten recruiting processes into two global processes aligned with the global process strategy.

The TUI Way of Working will only be successful if TUI also strengthens the sense of belonging in a hybrid-working environment. We need to ensure that colleagues who work elsewhere are also part of the team, feeling like they belong and can live the TUI values. For this, TUI will arrange activities – both globally and, especially, locally – which encourage use of our offices as places of exchange, engagement, creativity and learning.

OTHER HR PROJECTS

EMPLOYEE LISTENING

The COVID-19 pandemic has caused a volatile work situation at TUI, which led to the decision to pause the TUIgether employee survey in 2020, as it would have delivered an incomplete snapshot without generating a profound data base for future decisions. As part of the crisis response, local business surveys were carried out to provide support to their employees during those challenging times and to gain insights to support the design of a future hybrid work model. In autumn 2020 the businesses in Germany, UK&I as well as Belgium and the Netherlands conducted specialised surveys about their employees' experience with working from home. Within the UK&I 769 out of 1,661 participants are planning to come back to the office on one or two days a week. In Belgium and the Netherlands the majority of participants stated that they are either generally satisfied (54 %) or very satisfied (36 %) with home / telecommuting. Other parts of TUI Group recently went through a major transformation, e.g. TUI Musement and Group IT Domain, and therefore focused their local surveys on transformation topics and agility. Even once the pandemic's impacts are reduced, TUI will still be faced with a fast-paced and digitalised work environment. The chosen path for the future is therefore to evolve into a more holistic Listening approach with a focus on Employee Experience. This concept will focus on three main types of surveys, that each will be tailored to the specific needs of different participant groups. Lifecycle Surveys will focus on key moments in the Employee Journey to capture feedback that significantly impacts employee experience (e.g. Onboarding, Change of roles, returning from parental leave). Business Insight Surveys will be triggered by insight needs on topics for a specific target group of employees (e.g. transformation). The Global People Surveys are short (pulse) survey(s) for all TUI Group employees with focus on Engagement and other topics with a strategic impact.

It is the mid- / long-term ambition to create a holistic view of needs during the different stages of the lifecycle, and for different employee segments, enabling better data driven decisions about to best evolve our processes, culture, and ways of working.

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TUI LEARNING

The strategic Learning@TUI approach supports employees and executives around the world with a great variety of learning content in the framework of leadership and management programmes. The goal is to enable our employees to assume responsibility for their own growth and career in a world characterised by constant change. In financial year 2021, TUI People offered more than 1,253 online programmes and 489 in-person schemes. More than 200,000 trainings were completed in TUI People in the period under review. The number of trainings offered in Summer 2021 reflects the increasing resumption of our business operations. In June 2021 alone, the number of training sessions successfully completed rose from around 14,000 in the prior year to 40,000. During the COVID-19 pandemic, our employees also had access to other attractive development opportunities such as the TUI Learning Lounge, the TUI Academy and the master classes. In Germany, the TUI@University and TUI@Expertise programmes were resumed in September 2021. TUI@University supports our employees wishing to enrol at university alongside their jobs, while TUI@Expertise offers further training and continuing professional development, e. g. for business administrators or economists.

In IT, the new learning tool 'for:ward' was successfully rolled out. for:ward is a programme offering employees the opportunity to learn new skills and acquire new knowledge. Due to the changes in our business, we need to adjust our IT roles and create a learning organisation culture. for:ward offers a basis to support the development of the IT Domain Organisation. The programme is open for all employees in the IT Domain Organisation. To this end, for:ward offers participants two options: learning on demand or learning with the support of an external partner. Employees can apply for a licence that includes access to the highest-ranking business and technology programmes. The second option, also supported by the external partner, relates to role transition. Learning paths have been established for certain roles that either develop employees into a new role or deepen their expertise in their current role. Employees can spend 30 % to 50 % of their working hours on this programme for five to six months and complete the learning path at their own pace.

PERFORMANCE & TALENT MANAGEMENT

In the light of the special conditions driven by the COVID-19 pandemic, it was important to offer our employees clarity and guidance. In order to offer our employees a simple tool to engage in dialogue, we continued to provide a 'light' version of our global Performance & Talent Management format Great Place to Grow. In doing so, we not only encourage all executives and their teams to provide feedback, but can also check their progress and show appreciation for their performance and engagement.

In the TUI Musement segment, Great Place to Grow was accompanied by the launch of the Objectives Key Results (OKR) concept. OKR is a collaborative tool for defining objectives, used by teams and organisations to set challenging, ambitious short-term goals with measurable results. The 'objectives' describe the goals employees are seeking to achieve. The 'key results' stand for the levers employees will use to reach their goals. The approach is supported by the overarching key values Transparency and Cooperation. The introduction of the OKR concept supports our employees in understanding the corporate strategy and aligning their day-to-day work to this strategy. The concept also enables teams to work together effectively and to deliver shared priorities in a fast-paced environment while continuing to improve and innovate.

RECRUITING & TALENT ACQUISITION

In Recruiting und Talent Acquisition, the focus in the completed financial year was on Talent Acquisition Transformation, aiming to digitise processes in this area. The first phase of the digital Talent Acquisition Transformation was completed with the harmonisation of the recruitment processes and tools in most of our customer-facing units and in Early Careers. and we are now ready to launch the campaign in October 2021. TUI works with a software providing a fully digital measurement and selection process, which improves the candidate experience in a cost-efficient, consistent manner. In financial year 2022, the recruiting processes and tools will be aligned and adjusted across markets and platforms. The goal of the campaign is to strengthen the TUI employer brand across all recruiting channels and tap new recruiting markets to win the best talents for TUI.

EARLY TALENTS

The COVID-19 pandemic continued to affect our training activities in the period under review. Most selection processes, trainings and meetings were carried out in a virtual format. Learning materials such as e-learnings, presentations and specialist articles were, for instance, provided in the Trainee Learning Lounge. In the last few months of the financial year, many trainees returned to their workplace in travel agencies or the tour operator. In Hanover, an information week was held with an in-person format, taking account of the relevant hygiene measures, to enable the new trainees and sandwich course students to visit locally and get to know their employer TUI. In Summer 2021, our junior company 'TUI Youngsters' also resumed operation, attracting attention with a range of marketing activities. Students enrolled in a practice-oriented dual study programme completed their first project by progressing the portfolio of activities and overall framework for 'TUI Youngsters'. They also partnered with the youth and trainee representatives to generate new ideas and update existing concepts. It was important to ensure the quality of training in the mobile work space and to offer a contact person who will be available to the trainees and dual study programme participants at all times.

At the end of September, TUI employed 250 trainees in Germany, with women accounting for around 72 % of these. The trainee ratio was 3.3 %. In financial year 2021, 147 trainees successfully completed their training and around 37 % of them were given a further contract.

In the UK, 83 % of all trainees were furloughed during the COVID-19 pandemic. In spite of these circumstances, 22 apprentices successfully completed their training. Thanks to positive ratings by our trainees, we won the myApprenticeship Award, ranking us among the Top 100 apprenticeship employers in 2020/21. In the course of Summer 2021, we resumed the recruitment of early talents in the UK. With our campaign we were able to recruit new graduates, e. g. in data science and analytics. In October 2021, further campaigns will follow to fill internal and external apprenticeships and internships for university graduates.

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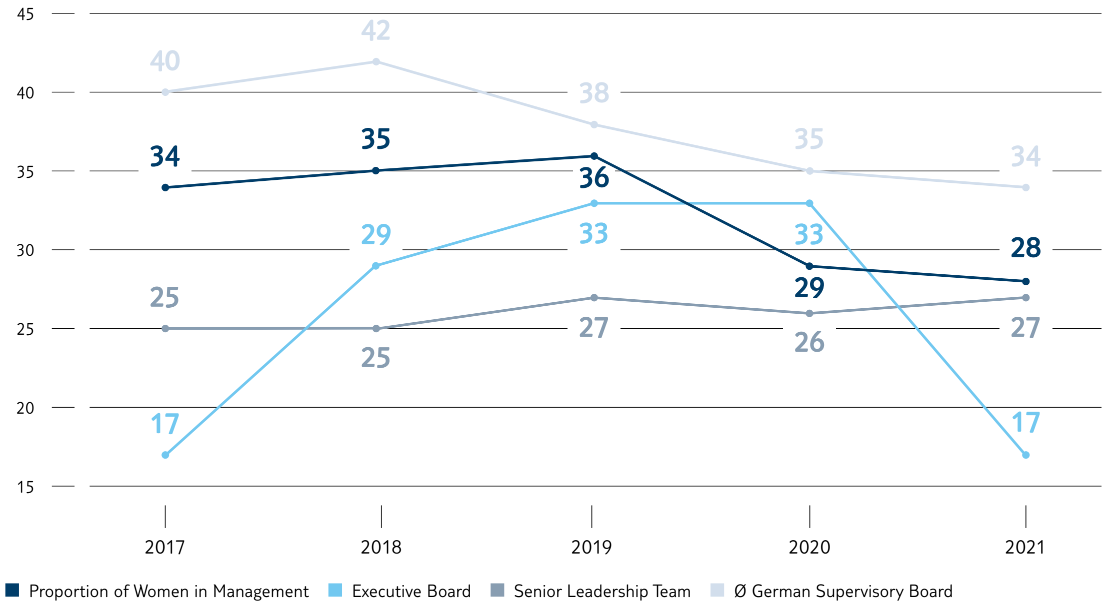
DIVERSITY & INCLUSION

In financial year 2021, we continued our efforts to promote diversity, inclusion and equal opportunities. 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.

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, sex, 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 this year as part of our diversity activities. The proportion of women in the overall headcount declined to 54.6 %. While TUI delivered increases in the proportion of women in managerial functions in the period from 2017 to 2019, the numbers remained flat or declined in the prior year and in the period under review. However, the proportion of women on the Senior Leadership Team rose slightly year-on-year.

Proportion of Women in Leadership 2017 – 2021 in %



For Germany (TUI AG, TUI Deutschland, TUI fly), voluntary targets were defined in 2020 for the period until 2023, in accordance with the statutory requirements of the German Stock Corporation Act and the Act on Limited Liability Companies. The first of these targets for 2023 were achieved in the period under review.

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Proportion of women in managerial positions

in %	**30 Sep 2021**	30 Sep 2020	Target 2023
TUI AG			
Supervisory Board	40	30	30
Executive Board	1 woman	2 women	at least 1 women
First management level below Executive Board	24	25	25
Second management level below Executive Board	24	22	30
TUI Deutschland			
Supervisory Board	33	44	30
Executive Board	25	40	25
First management level below Executive Board	22	27	30
Second management level below Executive Board	44	52	40
TUI fly			
Supervisory Board	25	33	30
Executive Board	0	0	20
First management level below Executive Board	20	13	30
Second management level below Executive Board	47	45	40

See declaration in the Corporate Governance Report on page 116

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.

EMPLOYEE REPRESENTATIVES

TUI and the employee representation bodies intend to maintain their active response to the requirements of digital transformation and the ever-changing world 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.

In financial year 2021, both the Group Works Council and the local works councils in Germany as well as the co-determination bodies in other countries engaged in permanent constructive dialogue and concluded company agreements, e. g. on the introduction of short-time work benefit schemes and similar state support programmes, delivering a key contribution to coping with the COVID-19 pandemic. In addition, the required agreements, e. g. for the TUI Campus project and the for:ward learning programme, were concluded.

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. In financial year 2021, 40 employee representatives from 13 countries were delegated to the Forum. The Forum continues to address all transformation projects in the Global Transformation Programme and the shift to a domain structure. Further topics addressed by the TEF in the period under review include the European changes associated with the cross-border holding structure for all TUI Group airlines and a range of strategic projects in other European countries. In April 2021, the TUI Europe Forum adopted the Common Social Understanding as a shared Memorandum. It creates uniform minimum standards for talks about terminating employment, support for professional reorientation and options for potential rehiring.

EMPLOYEE INDICATORS

In financial year 2021, staff numbers increased by 4.7 % to 50,584. While an increase in the headcount was driven by the reopening of hotels and destinations in Hotels & Resorts and TUI Musement, an opposite effect was attributable to the implementation of the Global Realignment Programme. Of the 8,000 roles potentially impacted as part of the programme, we have a reduction of more than 7,000 already completed or agreed by the end of financial year 2021. Staff numbers also fell due to further measures to cut costs, e. g. by leaving vacancies open.

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Personnel by segment[1]

	30 Sep 2021	30 Sep 2020	Var. %
Hotels & Resorts	21,508	16,041	+34.1
Cruises[2]	57	64	–10.9
TUI Musement	5,381	4,708	+14.3
Holiday Experiences	26,946	20,813	+29.5
Northern Region	9,011	10,746	–16.1
Central Region	7,492	8,940	–16.2
Western Region	4,833	5,602	–13.7
Markets & Airlines	21,336	25,288	–15.6
All other segments	2,302	2,229	+3.3
TUI Group	**50,584**	**48,330**	**+4.7**

[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. Cruises employees are primarily hired by external crew management agencies.

HOTELS & RESORTS

In Hotels & Resorts, the headcount grew by 34.1 % to 21,508. Riu recorded an increase in staff numbers of 36.3 % to 8,349, above all due to the reopening of hotels in Spain, Jamaica and Cape Verde. Robinson reported an increase in its headcount of 83.5 % from 2,596 to 4,763. This growth resulted primarily from the reopening of clubs in Turkey, North Africa and the Maldives. TUI Blue and the Northern hotels also recorded headcount increases.

CRUISES

The headcount in the Cruises segment declined by 10.9 % year-on-year to 57.

TUI MUSEMENT

In financial year 2021, the headcount in TUI Musement rose by 14.3 % to 5,381. The increase was driven by the gradual reopening of destinations, in particular in Spain and Greece.

NORTHERN REGION

Northern Region recorded a year-on-year headcount decline of 16.1 % to 9,011. In the UK, staff numbers decreased by 16.2 % from 9,966 in the prior year to 8,353. This is attributable to retail shop closures and reductions in the Tour Operator and Airline sectors. In the Nordics, staff numbers in the Tour Operator and Airline sectors declined by a total of 15.6 % to 658.

CENTRAL REGION

The headcount in Central Region declined by 16.2 % year-on-year to 7,492. In Germany, staff numbers fell by 17.3 % from 7,326 to 6,061, in particular due to restructuring measures in the Airline, Tour Operator and Retail segments. Staff numbers in Austria decreased by 17.7 % to 431 following travel agency closures. In Switzerland, the headcount declined by 21.0 % to 357 due to restructuring measures. In Poland, the headcount remained nearly flat year-on-year.

WESTERN REGION

The headcount in Western Region declined by 13.7 % year-on-year to 4,833. This was driven by declines in the Retail, Tour Operator and Airline sectors in Belgium and the Netherlands. In France, staff numbers declined by 43.7 % to 535 due to restructuring measures.

ALL OTHER SEGMENTS

Overall, the headcount rose by 3.3 % year-on-year to 2,302. The number of employees working for Head Office functions in Germany fell by 8.0 % to 658, including 277 employees working for TUI AG. The number of employees working for Head Office functions in the UK remained nearly flat year-on-year. The headcount in IT rose by 19.6 % year-on-year to 879. The Future Markets segment recorded a decline in its headcount of 4.8 % to 357.

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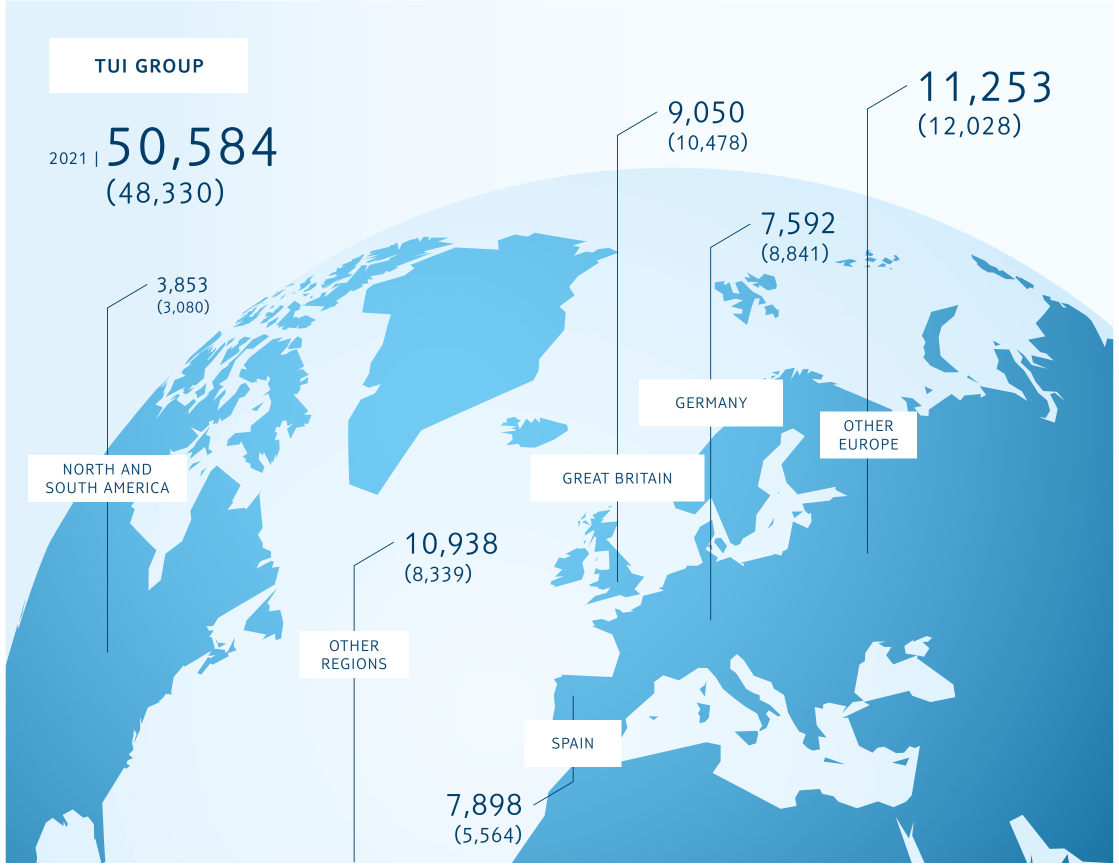
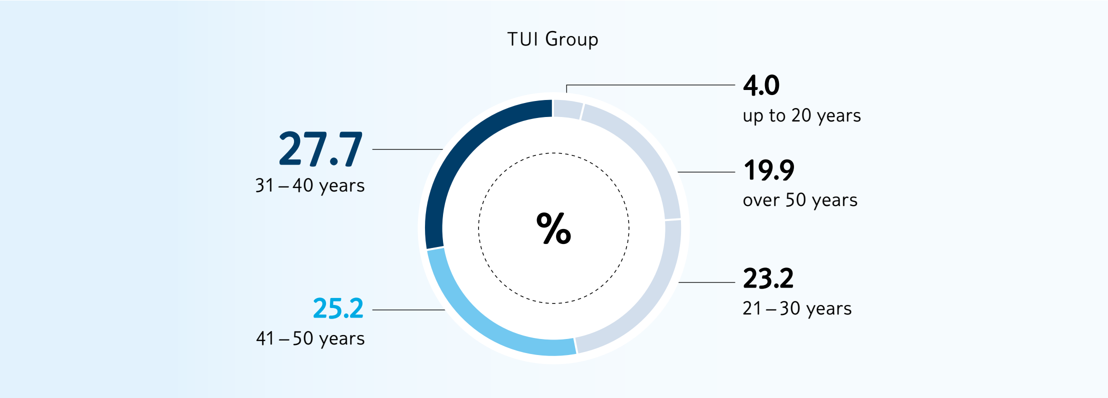
Personnel by region*



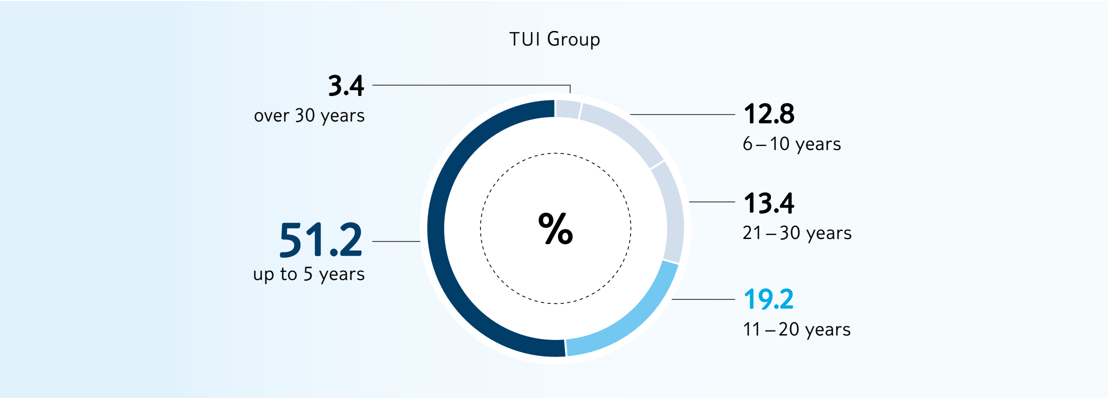
* By domicile of company
In brackets: previous year

EMPLOYEE INDICATORS

Age Structure (30 SEPTEMBER 2021) in %



Seniority (30 SEPTEMBER 2021) in %



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Employment structure

in %	TUI Group 30 Sep 2021	TUI Group 30 Sep 2020	Germany 30 Sep 2021	Germany 30 Sep 2020
Number of employees	**50,584**	**48,330**	**7,592**	**8,841**
Employees, female	54.6	57.8	66.1	66.2
Females in management positions	28.2	28.5	31.0	31.4
Employees in part-time, total	16.3	20.1	40.3	40.4
Employees in part-time, female	25.9	30.3	52.1	52.2
Employees, fixed-term employment contract	22.5	18.2	5.1	8.8

Personnel costs

€ million	2021	2020	Var. %
Wages and salaries	1,393.1	1,871.6	–25.6
Social security contributions	193.7	247.1	–21.6
Pension costs	119.3	142.3	–16.2
Total	**1,706.1**	**2,261.0**	**–24.5**

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 promoting employees to sustainably participate in the Company's targets. In addition, the Senior Leadership Team can participate in a long-term share-based compensation programme based on the allocation of virtual shares.

In the period under review, TUI Group's personnel costs decreased from €2.3 bn in previous year to 1.7 bn. The year-on-year decrease in expenses for wages and salaries and social security contributions in financial year 2021 mainly results from the decline in average staff numbers across the Group due to the COVID-19 crisis as well as initial reorganisation effects, including from the Global Realignment Programme. In addition, substantial savings were generated through a range of measures including short-time work benefit schemes and other government-sponsored programmes, e.g. the job Retention Scheme in Great Britain, to save jobs. In the course of the gradual relaxations in the context of the COVID-19 crisis, these have already been partly terminated or are gradually being phased out. Moreover, restructuring costs were lower year-on-year in financial year 2021.

Anti-corruption and anti-bribery

Details of TUI Group's anti-corruption and anti-bribery measures are presented in the Corporate Governance section on Compliance from page 118 in this Report.

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 2021. The work was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised).

The audit work comprised in particular the assessment of the materiality analysis used and the concepts specified on the basis of 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.

In financial year 2021 we focused specifically on the effects of the COVID-19 pandemic and climate – related matters.

Based on the procedures performed and evidence obtained, nothing has come to the attention of Group Audit that leads Group Audit to believe that the combined non-financial declaration for financial year 2021, in all material aspects, is not accurate, appropriate, or in line with legal requirements.

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ANNUAL FINANCIAL STATEMENTS 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.

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

Earnings position of TUI AG

Income statement of TUI AG

€ million	2021	2020	Var. %
Revenue	33.9	39.0	–13.1
Other operating income	1,750.3	750.3	+133.3
Cost of materials	11.3	13.8	–18.1
Personnel costs	39.6	45.3	–12.6
Depreciation	4.5	3.1	+45.2
Other operating expenses	471.8	455.7	+3.5
Net income from investments	–381.1	–984.8	+61.3
Write-downs of investments	1,180.3	1,556.8	–24.2
Net interest	–191.1	1.3	n.a.
Taxes on income and profit	–2.8	1.8	n.a.
Profit after taxes	**–492.7**	**–2,270.6**	**+78.3**
Other taxes	–1.3	2.1	n.a.
Net profit for the year	**–491.5**	**–2,272.7**	**+78.4**

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 management revenue. The increase in Other operating income was primarily attributable to the divestment of shareholdings. In September 2021, the stake in TUI Cruises GmbH was sold to Preussag Beteiligungsverwaltungs GmbH IX with a gain on disposal of € 1.5 bn. Exchange gains declined year-on-year. These gains were offset by expenses incurred for exchange losses, carried in Other operating expenses. Other operating income also included income from intercompany service recharges, compared with expenses passed on to TUI AG from other Group companies, shown in Other operating expenses, as well as income from the reversal of an allowance on a loan settled in the financial year under review and income from the reversal of provisions no longer required. The prior year's Other operating income had mainly reflected the disposal of the stake in Hapag-Lloyd Kreuzfahrten to TUI Cruises.

EXPENSES

Personnel costs declined versus financial year 2020. The decline in wages and salaries results in particular from the initiation of short-time work benefit schemes due to the COVID-19 pandemic. The expenses for pension plans declined primarily due to lower additions to pension provisions.

Other operating expenses mainly comprised the expenses for exchange losses, cost of financial and monetary transactions, charges, fees, services, impairment charges, other administrative costs as well as expenses for the intercompany recharges of services. While capital procurement costs incurred in connection with the financing measures and expenses for intercompany services rose, write-downs of receivables and exchange losses declined year-on-year, resulting in an overall increase in Other operating expenses.

NET INCOME FROM INVESTMENTS

The year-on-year increase in the net income from investments is mainly driven by the increase in income from profit and loss transfer agreements and the reduction in expenses for loss transfers. The income from profit and loss transfer agreements generated in financial year 2021 mainly results from the disposal of the stake in Riu Hotels S.A. by a subsidiary.

WRITE-DOWNS OF INVESTMENTS

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

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INTEREST RESULT

The development of the interest result mainly reflected higher interest expenses for drawdowns from the syndicated credit facilities upsized in April and August of the prior year and from interest expenses from the additional finance agreements concluded in financial year 2021, i.e. the ESF warrant bond, the convertible bonds and the ESF's silent participations.

TAXES

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

NET LOSS FOR THE YEAR

For financial year 2021, TUI AG posted a net loss of € 491.5 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 2021, the balance sheet total increased year-on-year to € 10,036.0 m.

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

€ million	30 Sep 2021	30 Sep 2020	Var. %
Intangible assets / property, plant and equipment	6.2	44.5	– 86.1
Investments	8,022.8	8,044.1	– 0.3
Fixed assets	8,029.0	8,088.6	– 0.7
Receivables	1,385.4	694.9	+ 99.4
Cash and cash equivalents	592.5	343.3	+ 72.6
Current assets	1,977.8	1,038.2	+ 90.5
Prepaid expenses	29.1	0.4	n. a.
Assets	**10,036.0**	**9,127.2**	**+ 10.0**
Equity	3,034.8	2,924.4	+ 3.8
Special non-taxed items	0.1	0.1	–
Provisions	327.5	297.1	+ 10.2
Bonds	739.6	300.0	+ 146.5
Other liabilities	5,934.0	5,605.6	+ 5.9
Liabilities	6,673.6	5,905.6	+ 13.0
Liabilities	**10,036.0**	**9,127.2**	**+ 10.0**

FIXED ASSETS

At the balance sheet date, fixed assets almost exclusively consisted of investments. The development of financial assets was affected by capital increases, in particular at TUI Group Services GmbH and other subsidiaries. These capital increases were exceeded by write-downs on shares in group companies as well as the sale of a shareholding and the repayment of loans. This resulted in an overall decrease in financial assets. The decline in intangible assets and property, plant and equipment mainly resulted from the sale of the office building at Karl-Wiechert-Allee 23 as of 30 September 2021 in the framework of a sale-and-leaseback agreement.

CURRENT ASSETS

The increase in current assets of 90.5 % to € 1,977.8 m was mainly driven by the increase in receivables, which went hand in hand with an increase in cash and cash equivalents. The increase in receivables was primarily attributable to results transferred in the financial year under review under profit and loss transfer agreements and the provision of liquidity to Group companies. The increase in cash and cash equivalents resulted from the cash inflow from the finance agreements concluded in financial year 2021.

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TUI AG's capital structure

EQUITY

TUI AG's equity increased by 3.8 % to € 3,034.8 m. This increase was primarily driven by the capital increase in January 2021. In the financial year under review, the capital stock was reduced by € 918,957,135.83 to € 590,415,100.00 in accordance with the requirements on ordinary capital decreases for the purpose of transferring a part of the capital stock into the Company's capital reserves. The capital decrease was effected through a corresponding reduction in the equity capital, as a result of which the proportionate share in the company stock per share was reduced from previously € 2.56 to € 1.00 per existing non-par value share. In accordance with section 7 of the German Economic Stabilisation Acceleration Act (WstBG), the reduced capital stock was subsequently increased by € 508,978,534.00 in the form of a cash contribution to € 1,099,393,634.00 by issuing 508,978,534 new registered no-par value shares with a proportionate share in the capital stock of € 1.00 per share. At the end of the financial year under review, subscribed capital comprised 1,099,393,634 shares, corresponding to € 1,099,393,634.00. In accordance with section 71(1) no. 2 of the German Stock Corporation Act, TUI acquired 317,171 new shares to be issued to employees in the framework of the employee stock option plan. The 317,171 shares were purchased on the stock exchange at € 3.8513 and transferred free of charge to the employees participating in the plan on 30 September 2021. The shares represent a share capital of € 317,171, i. e. <0.03 % of the share capital, and an acquisition volume of € 1.2 m. Please refer to the notes on subscribed capital in the notes to the financial statements of TUI AG. As of 30 September 2021, TUI AG did not hold any own shares.

The capital reserve increased by € 967.3 m in financial year 2021 due to the capital reduction in January and the premium associated with the capital increase. A further increase in the capital reserves of € 44.5 m resulted from premiums and interest benefits in connection with the issue of the bond warrant in October 2020 and the convertible bond in April and July 2021, transferred to the capital reserve. In total, the capital reserve grew by € 1,011.8 m to € 2,236.0 m in financial year 2021 as of the cut-off date.

The loss for the year totals € 491.5 m. Considering the profit carried forward of € 190.9 m, net loss totals € 300.6 m. The equity ratio declined to 30.2 % in financial year 2021 (previous year 32.0 %).

PROVISIONS

Provisions increased by € 30.4 m to € 327.5 m. They consisted of pension provisions worth € 153.7 m (previous year € 151.6 m), tax provisions worth € 32.3 m (previous year € 35.6 m) and other provisions worth € 141.5 m (previous year € 109.9 m).

Pension provisions remained nearly flat in the financial year under review. The increase in other provisions mainly resulted from the formation of provisions for onerous losses of € 47.5 m for the rent and continued expenses for using the building at Karl-Wiechert-Allee 4. From financial year 2023, administration will be pooled at the Hanover site in TUI Campus at Karl-Wiechert-Allee 23. The office space at Karl-Wiechert-Allee 4 will no longer be used after that. On the other hand, a decline in provisions was attributable to lower provisions for onerous losses from the measurement of forward exchange transactions.

LIABILITIES

TUI AG's liabilities totalled € 6,673.6 m, up by € 768.0 m or 13.0 %.

In order to cover the liquidity requirements resulting from the global travel restrictions to curb COVID-19, TUI AG initiated a number of financing measures in financial year 2021.

In April and August 2020, the previous syndicated credit facility of € 1.75 bn (including a tranche of € 215.0 m for bank guarantees) was increased by two tranches from KfW totalling € 2.85 bn to a total of € 4.6 bn. On 1 October 2020, TUI AG issued a warrant bond of € 150.0 m with warrants for around 58.7 m shares to the Economic Stabilisation Fund (ESF), meeting one of the prerequisites for the use of the second KfW tranche. In January 2021, another syndicated credit facility of € 200.0 m was agreed with KfW and a syndicate of private banks. This was reduced to € 170 m on 30 September 2021 and cannot be used as at the reporting date, as it is still subject to the condition precedent of the registration of the trademark rights to Robinson Club GmbH as collateral. In July 2021, the term of the syndicated credit facilities totalling € 4.8 bn was extended ahead of schedule by two years to July 2024. For regulatory reasons due to Brexit, the share of a British bank in the € 4.6 bn syndicated credit line (around € 80 m cash and € 25 m guarantee line) cannot be extended beyond July 2022. This amount is therefore carried as a current liability with a term of up to one year.

Cash totalling € 1,852.9 m as at 30 September 2021 has been drawn from this credit facility, carried as a liability to banks.

The interest rate for cash drawdowns is variable and depends on the short-term interest level (EURIBOR or LIBOR, for drawings in British Pound replaced by SONIA since 29 July) and TUI's credit rating plus a margin.

The funds from the capital increase effected on 28 January 2021 were used for the early redemption on 23 February 2021, in line with the terms and conditions, of the senior bond totalling € 300.0 m issued in October 2016 with an original term until October 2021.

On 16 April 2021, TUI AG issued a convertible bond with a total nominal value of € 400.0 m, which was upsized through a further issue with a nominal amount of € 189.6 m at a price of 104.75 %. TUI therefore recorded an inflow of nearly € 600 m from the total issue of the convertible bond. If the convertible bond is not converted, terminated or bought back ahead of schedule, it will be redeemed at the nominal amount of € 589.6 m on 16 April 2028. Investors also have the opportunity to convert the convertible bond into registered shares in TUI. The proceeds from the total issuance of convertible bonds will be used to reduce drawdowns and later to repay the KfW facilities.

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As in the prior year, liabilities to banks include unsecured Schuldschein liabilities to banks of € 425.0 m issued in July 2018. The proceeds from this Schuldschein serve general corporate financing purposes. The Schuldschein has different tenors between originally five and ten years and partly carries floating interest rates (depending on EURIBOR) and partly fixed interest rates.

In the framework of the third financing package, the Economic Stabilisation Fund (ESF) and TUI AG agreed silent participations totalling € 1,091 bn. The ESF measures comprise Silent Participation I of € 420 m, convertible into shares in TUI at a conversion price of € 1.00 per share, and Silent Participation II totalling € 671 m. As at 30 September 2021, both silent participations were fully paid in. In the financial statements under the German Commercial Code, the silent participations are carried as other liabilities with a term of more than five years.

The net financial position (cash and cash equivalents less liabilities to banks, bonds and promissory notes) totalled € – 2,430.1, (previous year € – 3,703.0 m) in the financial year 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.

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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 € 1.00.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, consisted of 1,099,393,634 shares at the end of financial year 2021 (previous year 590,415,100 shares) and totalled € 1,099,393,634. 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.

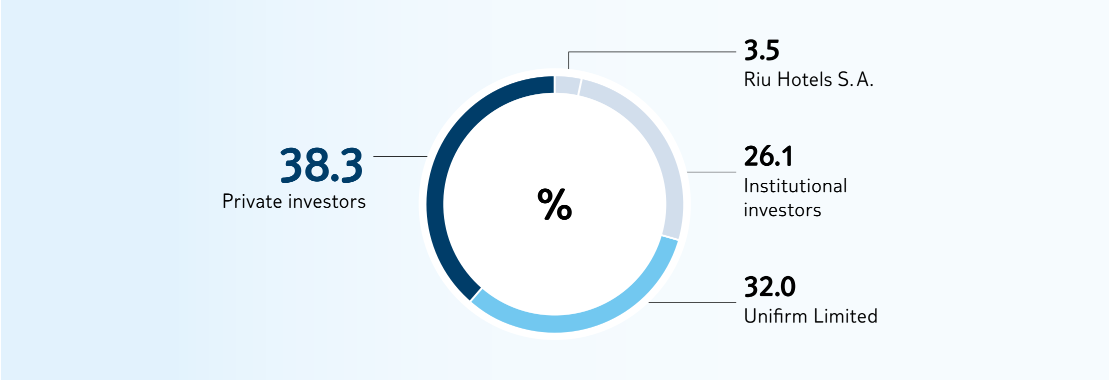
EQUITY INTERESTS EXCEEDING 10 % OF THE VOTING SHARES

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 2021, Unifirm Limited, Cyprus, held 32.0 % of the voting shares in TUI AG. Kirill A. Mordashov, Moscow, and Nikita A. Mordashov, Moscow, each hold 50 % of the voting shares in KN-Holding Limited Liability Company, Cherepovets, Russian Federation, which, in turn, holds 65 % of the voting shares in Unifirm Limited, and Alexey A. Mordashov, Cherepovets, indirectly holds 35 % of the voting shares in Unifirm Limited.

Alexey A. Mordashov, Kirill A. Mordashov and Nikita A. Mordashov have notified us that their share of voting rights in TUI AG exceeded the threshold of 30 % on 26 January 2021 and amounted to 30.10 % at that date (330,917,480 voting rights).

Shareholder structure (30 SEPTEMBER 2021) in %



At the end of financial year 2021, around 64 % of TUI shares were in free float. Around 38 % of all TUI shares were held by private shareholders, around 26 % by institutional investors and financial institutes, and around 36 % 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

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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 if applicable.

Powers of the Executive Board to issue shares

The Annual General Meeting on 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 expired 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 on 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 empowered 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, no new employee shares were issued, so that the authorised capital continued to total around € 22.3 m at the balance sheet date.

The Extraordinary General Meeting on 5 January 2021 resolved to create conditional capital of € 420.0 m in order to grant the ESF the right to convert ESF's asset contribution in the form of a silent participation of € 420.0 m ('Silent Participation I') at any time (in a single or several transactions) in full or in part into up to 420 m new registered no-par value shares, each representing a proportionate share in the capital stock of € 1.00 per no-par value share. The new shares will be issued at the minimum issue price of € 1.00. The conversion right outlined above is limited in that the ESF may only ever convert Silent Participation I into new no-par value shares to such an extent that the ESF's total participation (including all other shares held by the ESF) does not at any time exceed 25 % plus one share in the Company's increased capital stock after the conversion has been carried out.

The ordinary Annual General Meeting on 25 March 2021 resolved to create an authorisation to issue new registered shares against cash contribution for up to a maximum of € 109.9 m (Authorised Capital 2021 / I). This authorisation will expire on 24 March 2026.

The Annual General Meeting on 25 March 2021 also resolved to create authorised capital for the issuance of new shares against cash or non-cash contribution of € 417.0 m (Authorised Capital 2021 / II). The issuance of new shares against non-cash contribution is limited to € 109.9 m. This authorisation will expire on 24 March 2026.

The latter two capital authorisations resolved in 2021 were used. Authorised Capital 2021 / I was fully used, while Authorised Capital 2021 / II was used almost completely (except for around € 3.4 m) for a rights issue in October 2021.

The Annual General Meeting on 25 March 2021 resolved to create conditional capital for the issuance of bonds totalling € 109.9 m. The authorisation to issue bonds with conversion or option rights and profit participation (with or without a fixed maturity) is limited to a nominal amount of € 2.0 bn and expires on 24 March 2026. This authorisation was nearly fully used with the issuance of a convertible bond worth € 589.6 m in April and July 2021.

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, the warrant bond worth € 150 m and the convertible bond worth € 589.6 m must be offered a buyback. For the syndicated credit facilities worth € 4.8 bn (including bank guarantees), of which € 1.9 bn (via cash) and € 149.4 m (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.

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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 attendees of General Meetings 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. at the share value determined by an internationally recognised auditing company. Since TUI AG's Annual General Meeting of 25 March 2021, the conditions for Unifirm representing a majority of AGM attendees have been met so that the entitlement has arisen for the Riu family to acquire shares within certain time windows in 2021, 2022 and 2023. The Riu family dispensed with exercising its purchase right in 2021.

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 at a share value determined by an internationally recognised auditing company. Due to an increase in the stake in TUI AG held by Unifirm following the capital increase of 2 November 2021, here, too, a change of control was triggered by a majority of AGM attendees.

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.

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TUI SHARE[1]

COVID-19 pandemic weighs heavily on TUI share price in financial year 2021

Our share price started off the financial year at a price of € 1.73[2] and experienced high volatility during the course of the year. Overall, the share price rose by around 85 %, closing at € 3.19[2] on 30 September 2021. The significant fluctuation in share price was largely attributable to the environment created as a result of the COVID-19 pandemic and the subsequent economic impact on companies within the tourism sector.

As Winter 2020 approached, the number of COVID-19 infections again rose rapidly across our source markets and destinations. In November 2020, drastic measures to curb the pandemic were launched with the introduction of a second partial lockdown, for instance in Germany. These measures were extended and significantly tightened towards the end of the month. Our share price responded with corresponding volatility and came under strong pressure from the end of November.

At the beginning of December, TUI agreed with private investors, banks and the German government on a further € 1.8 bn support package, including a rights issue of around € 500 m. The main aim of the package was to secure refinancing options and liquidity and strengthen the balance sheet structure. In addition to the issuance of new shares, the package included convertible and non-convertible silent participation provided by the Economic Stabilisation Fund (WSF) and a further credit line provided by KfW Bank.

The approval of the first vaccines in Europe at the end of December 2020 triggered hopes for an end to the pandemic, prompting positive share price reactions. However, the persistently high infection figures and debate about further restrictions caused renewed uncertainty in the market so that the share again came under pressure. From mid-February 2021, positive sentiment from the approvals of further COVID-19 vaccines, the global launch of vaccination campaigns and increased availability and adoption of rapid tests helped to improve our share price. Our share price reached a high on 1 March 2021 at € 4.45[2] as a result During the course of March however, doubts about AstraZeneca's vaccine and the general shortage of vaccines slowed down the vaccination campaign, leading to a strong fall in our share price again.

[1] The contents presented in this chapter are unaudited and voluntary.
[2] Historical prices adjusted for the effect of the rights issue capital increases.
Source: Reuters

In April 2021, TUI successfully issued convertible bonds with a total nominal amount of around € 400 m, followed by an announcement in June 2021 on the upsizing of the bonds through a € 190 m tap issue. Despite these positive steps, our share price remained weak, in line with the overall performance of the tourism sector. During that period, TUI delivered progress in its asset-right strategy by selling its stake in the real-estate portfolio consisting of 21 properties previously held jointly with Riu to the Riu family. At the same time, the Group negotiated a two-year extension of credit lines worth € 4.7 bn to July 2024. In addition, during the run-up to this extension, the covenant tests due as at 30 September 2021 and 31 March 2022 were agreed to be waivered. All of which are key steps towards returning to a solid and healthy balance sheet structure and a target gross debt leverage of less than 3x.

TUI share data

30 September 2021		
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	€	1,099,393,634.00
Number of shares		1,099,393,634
Market capitalisation	bn €	3.5
Market capitalisation	bn £	3.0

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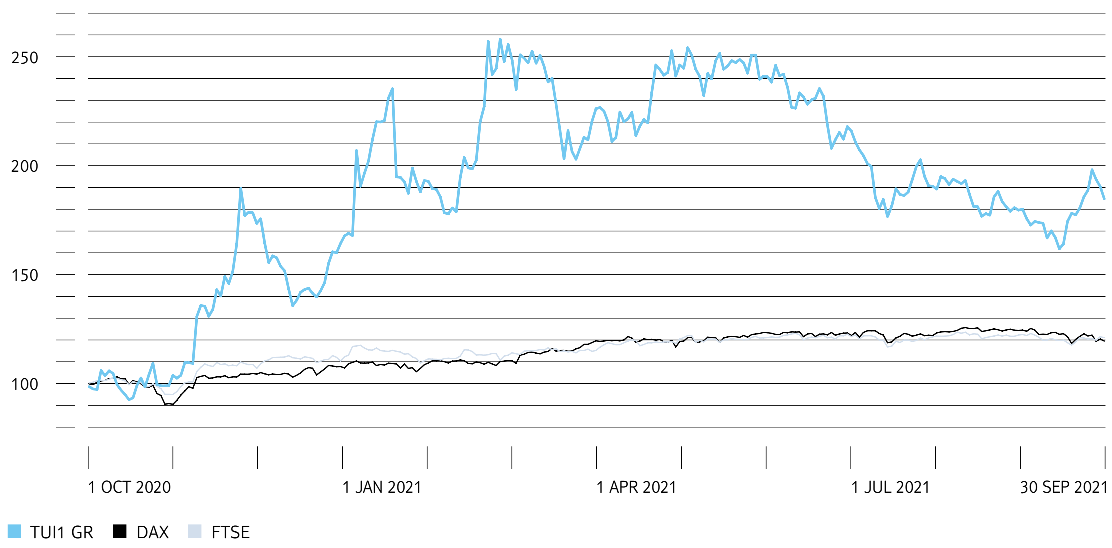
TUI share price (FY 2021)[1, 2]

in %



Long-term development of the TUI share (Xetra)[1]

€	2017	2018	2019	2020	**2021**[2]
High	14.90	20.66	16.56	12.67	4.45
Low	11.46	14.34	7.87	2.89	1.60
Year-end share price	14.38	16.56	10.67	3.24	3.19

[1] Source: Reuters
[2] Historical prices adjusted for the effect of the rights issue capital increases.

Quotations, indices, and trading

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

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

TUI is also listed in the sustainability index FTSE4Good. In financial year 2021, the average daily trading volume at the London Stock Exchange was around 5.0 million shares, while about 8.2 million shares were traded on Xetra. Across all trading platforms, the daily trading volume in the UK amounted to around 9.1 million shares, with around 15.7 million shares traded in the euro line. Both the sterling and the euro lines thus delivered strong liquidity for trading by institutional and retail investors.

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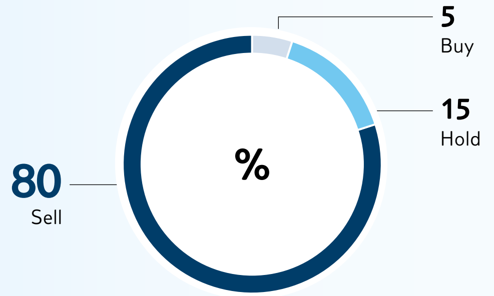
Analyst recommendations

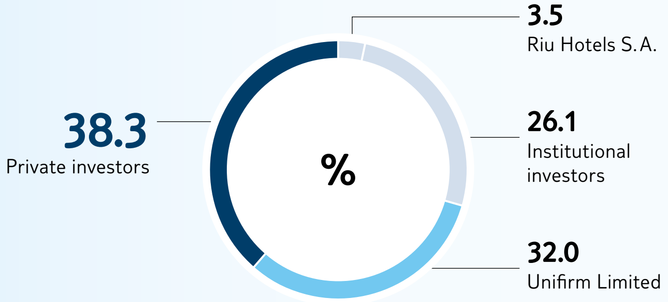
Analysts' recommendations (30 SEPTEMBER 2021) in %



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 2021, 5 % of analysts issued a recommendation to 'buy' the TUI share, with 15 % recommending 'hold' and 80 % of analysts recommending to 'sell' the share.

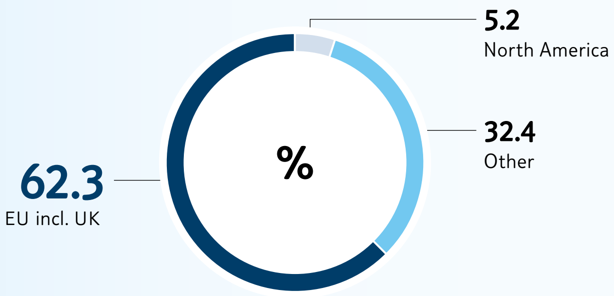
Shareholder structure

Shareholder structure (30 SEPTEMBER 2021) in %



At the end of financial year 2021, around 64 % of TUI shares were in free float. Around 38 % of all TUI shares were held by private shareholders, around 26 % by institutional investors and financial institutes, and around 36 % by strategic investors.

Geographical shareholder structure (30 SEPTEMBER 2021) 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

€	2017	2018	2019	2020	**2021**
Earnings per share	+1.10	+1.25	+0.71	−5.34	−2.58
Dividend	0.65	0.72	0.54	–	–

In connection with the COVID-19 crisis, TUI agreed three stabilisation packages with the German federal government. Conditions attached to the support include a de facto dividend holiday, which will remain in force over the term of the loans and the duration of the investment provided by both Kfw and the Economic Stabilisation Fund (WSF).

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Investor Relations

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

In financial year 2021, dialogue with investors primarily focused on the following topics:

- The effects of vaccination campaigns and further progress in tackling the pandemic on booking numbers and customers' booking behaviour
- Refinancing: Further agreements on financing packages with the federal government, banks and private investors to immediately secure liquidity and return to a solid and healthy financing structure
- Progress delivered in the asset-right strategy: sale of the real-estate portfolio of the Riu Hotels S.A. Joint Venture to the Riu family, sales proceeds of € 541 m (excl. earn-out)
- Progress delivered in the Global Realignment Programme – ~ 60 % of the planned annual savings of € 400 m were delivered by the end of the financial year under review
- Accelerated implementation of the digitalisation strategy – strong increase in the use of the app by package tour customers in financial year 2021

As usual, TUI's management team sought dialogue with investors through roadshows and conferences. Against the background of the COVID-19 pandemic, many of these events were held in a virtual format. The management met investors from numerous European financial hubs, and from North America and Asia.

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

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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	13.2.2018	2023		b) Veta Health LLC	195,500
Frank Jakobi[1]	Deputy Chairman of the Supervisory Board of TUI AG Travel Agent	Hamburg	15.8.2007	2026			2,401
Peter Long	Deputy Chairman of the Supervisory Board of TUI AG	Kent	9.2.2016	25.3.2021			8,625
Ingrid-Helen Arnold	Member of the Executive Board, Südzucker AG	Walldorf	11.2.2020	2024		b) Heineken N.V.	0
Andreas Barczewski[1]	Aircraft Captain	Grethem (OT Buechten)	10.5.2016	2026	a) TUIfly GmbH[4]		0
Peter Bremme[1]	Regional Head of the Special Service Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Hamburg	2.7.2014	2026	a) TÜV Nord AG		0
Dr Jutta A. Dönges	Member of the Executive Board, Bundesrepublik Deutschland – Finanzagentur GmbH	Frankfurt am Main	25.3.2021	2025	a) Commerzbank AG	b) FMS Wertmanagement AöR	0
Prof. Dr Edgar Ernst	President of Deutsche Prüfstelle für Rechnungslegung DPR e.V.	Bonn	9.2.2011	2025	a) Metro AG Vonovia SE[4]		0
Wolfgang Flintermann[1]	Group Director Financial Accounting & Reporting, TUI AG	Großburgwedel	13.6.2016	2026	a) Deutscher Reisepreis- Sicherungsverein VVaG		4,472
María Garaña Corces	Vice President Professional Services, Europe, Middle East and Africa, Adobe Inc.	Madrid	11.2.2020	2024		b) Alantra Partners, S.A. Liberbank, S.A.	0
Angelika Gifford	Vice President Central Europe, Facebook Inc.	Kranzberg	26.3.2012 9.2.2016*	25.3.2021	a) thyssenkrupp AG	b) Facebook Inc.	4,100
Stefan Heinemann[1]	Senior Product Owner Disposition & Maintenance, Airline Platform Services, Airline IT, TUI InfoTec GmbH	Nordstemmen	21.7.2020	2026			10,641
Dr Dierk Hirschel[1]	Business unit manager of the trade union ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	16.1.2015	25.3.2021	a) DZ Bank AG		0
Janina Kugel	Supervisory Board Member & Senior Advisor	Munich	25.3.2021	2025	a) Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit	b) Konecranes Plc. Kyndryl Inc. thinkproject Deutschland GmbH	0
Vladimir Lukin	Special Advisor to CEO OOO Severgroup	Moscow	12.2.2014 5.6.2019*	2024			0

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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	12.12.2014	2024		b) 3i Group PLC	0
						Fevertree Drinks PLC	
						Travis Perkins PLC	
Alexey Mordashov	Chairman Board of Directors of PAO Severstal	Moscow	9.2.2016	2025		b) JSC 'Severstal Management'[3]	0
						JSC 'Power Machines'[3]	
						Nord Gold PLC	
						Lenta IPJSC[3]	
Mark Muratovic[1]	Travel agent	Hanover	25.3.2021	2026	a) TUI Deutschland GmbH		3,742
					MER – Pensionskasse V.V.a.G.		
Michael Pönipp[1]	Hotel Manager	Hanover	17.4.2013	28.2.2021			1,729
Carola Schwirn[1]	Department Coordinator in the Transportation Division	Berlin	1.8.2014	2026	a) Eurogate Geschäftsführungs-		0
	of ver.di – Vereinte Dienstleistungsgewerkschaft				GmbH & Co. KGaA		
Anette Strempel[1]	Travel Agent	Hemmingen	2.1.2009	2026			8,684
Joan Trían Riu	Executive Board Member of Riu Hotels & Resorts	Palma de Mallorca	12.2.2019	2024		b) Ahungalla Resorts Ltd.	0
						RIUSA II S.A.	
						Riu Hotels S.A.	
Tanja Viehl[1]	Lawyer (in-house lawyer),	Woelfersheim	25.3.2021	2026			0
	Vereinigung Cockpit e.V.						
Stefan Weinhofer[1]	International Employee Relations Coordinator at TUI AG	Vienna	9.2.2016	2026		b) TUI Austria Holding GmbH	0

[1] Representative of the employees
[2] Information refers to 30 September 2021 or date of resignation from the Supervisory Board of TUI AG in financial year 2021.
[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)

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TUI AG Executive Board

Name	Department	Other Board Memberships		Number of TUI AG shares (direct and indirect)[1]
Friedrich Joussen	Chairman	a) TUI Deutschland GmbH[2]	b) RIUSA II S.A.[2]	855,788
(Age: 58)		TUIfly GmbH[2]		
Member of the Executive Board since October 2012,				
CEO since February 2013,				
Joint-CEO since December 2014,				
CEO since February 2016,				
Current appointment until September 2025				
Birgit Conix	CFO			0
(Age: 56)				
Member of the Executive Board since July 2018				
Appointment until December 2020				
David Burling	CEO Markets	a) TUI Deutschland GmbH	b) First Choice Holidays Ltd.	30,351
(Age: 53)		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	CFO	a) BRW Beteiligungs AG	b) RIUSA II S.A.	23,725
(Age: 58)		Eves Information Technology AG[2]	TUI China	
Member of the Executive Board since December 2014		TCT TechnikCentrumThale GmbH		
Current appointment until December 2023		AeroSys AG		
		Compass Group Deutschland GmbH		
Dr Elke Eller	CHRO / Labour Director	a) K+S AG		41,980
(Age: 59)				
Member of the Executive Board since October 2015				
Appointment until June 2021				
Peter Krueger	CSO		b) Director at Sunwing Travel Group Inc.	81,404
(Age: 45)			Old Court Management Limited	
Member of the Executive Board since January 2021				
Current appointment until December 2023				

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TUI AG Executive Board

Name	Department	Other Board Memberships		Number of TUI AG shares (direct and indirect)[1]
Sybille Reiss	CHRO / Labour Director	a) TUI Deutschland GmbH		745
(Age: 45)		TUIfly GmbH		
Member of the Executive Board since July 2021				
Current appointment until June 2024				
Frank Rosenberger	CIO	a) Peakwork AG		9,310
(Age: 53)				
Member of the Executive Board since January 2017				
Current appointment until December 2023				

[1] Information refers to 30 Sep 2021 or date of resignation from the Excecutive Board in financial year 2021.
[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)

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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 2021. 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 2021
'In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board hereby declare:

Since the last declaration of compliance was submitted in September 2021, the recommendations of the German Corporate Governance Code in it applicable version have been and will be with the exception of several Recommendations in Section G. I.3. observed.

RECOMMENDATIONS FOR DETERMINING THE 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. These restrictions lead to the situation that the members of the Executive Board will not be granted and thus will not be constituted variable or comparable 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 113). 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.

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WORDING OF THE UK CORPORATE GOVERNANCE STATEMENT 2021

'Executive Board and Supervisory Board declare pursuant to DTR 7.2 and LR 9.8.7R:

Throughout the reporting period, TUI AG has complied with the provisions of the UK Code in the version of July 2018, including its main principles, 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 2020	Financial year 2020 Results Presentation	FJ, BC, SE
	virtual Roadshow UK	FJ, BC, SE
January 2021	EGM (virtual)	FJ, SE
	virtual Deal Roadshows	FJ, SE
	virtual Commerzbank German Investment Seminar	SE
	virtual UniCredit / Kepler Cheuvreux 20th German Corporate Conference	SE
February 2021	FY21 Q1 Results Presentation (virtual)	FJ, SE
March 2021	AGM (virtual)	FJ, SE
May 2021	FY21 H1 Results Presentation	FJ, SE
	virtual Roadshow London	FJ, SE
	virtual Roadshow Frankfurt / Zurich	FJ, SE
	virtual Roadshow Paris	SE
June 2021	virtual dbAccess Berlin Conference	SE
August 2021	FY21 Q3 Results Presentation	FJ, SE
	Stifel 5th Transportation Conference	SE
September 2021	Commerzbank virtual Sector Conference	SE
	Berenberg & Goldman Sachs virtual German Corporate Conference	SE
	Bernstein virtual Strategic Decision Conference	FJ, SE

Key: Friedrich Joussen (FJ), Birgit Conix (BC), Sebastian Ebel (SE)

The Supervisory Board receives feedback from the Chairman 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 Janina Kugel 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).

Prof. Dr Ernst has been a member of the Supervisory Board of TUI AG since 9 February 2011. According to the UK Code, it is an indication of a lack of independence if a member has been on the supervisory board for more than nine years; according to the DCGK, it is an indication of a lack of independence from the management board and the company if a member has been on the supervisory board for more than twelve years. In view of this, the shareholder representatives on the Supervisory Board have taken a close look at how they assess Prof. Dr Ernst's independence. In particular in view of Prof. Dr Ernst's professional career, the shareholder representatives have come to the conclusion that Prof. Dr Ernst – also taking into account his membership on the Supervisory Board of TUI AG of over ten years – provides the necessary critical distance from the Executive Board and the Company and therefore consider him to be independent. Prof. Dr Ernst has exhibited his critical distance from the Executive Board and the Company in the past, especially in his position as Chairman of the Audit Committee.

The members of the Supervisory Board not considered to be independent for the purposes of the UK Code are Dr Jutta Dönges, Mr Vladimir Lukin, Mr Alexey Mordashov, and Mr Joan Trían Riu.

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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. 32 % of the voting rights are held via Unifirm Ltd. controlled by KN-Holding LLC and that Mr Mordashov indirectly holds 35 % of the shares in Unifirm Ltd. Unifirm Ltd. is considered a controlling shareholder under the UK Listing Rules Appendix 1 (see also the following section). There is also a joint venture between TUI AG and Riu Hotels S. A. Dr Jutta Dönges is Managing Director of the Finance Agency GmbH of the Federal Republic of Germany. On 4 January 2021, TUI AG entered into Framework Agreement with the Economic Stabilisation Fund (WSF) represented by Finance Agency GmbH regarding the WSF's entry into the silent participations and the further measures under the stabilisation package. Dr Dönges was nominated by the WSF for membership of the Supervisory Board of TUI AG. Mr Vladimir Lukin is a Special Advisor to the CEO of OOO Severgroup and is therefore associated with Mr Mordashov. Therefore, neither Dr Dönges, Mr Mordashov, Mr Lukin nor Mr Trían Riu are considered independent for the purposes of the UK Code.

On 15 December 2020, TUI AG and Unifirm Ltd. entered into a Relationship Agreement which has been in effect since Unifirm Ltd. holds 30 % or more of the shares in the company and is therefore deemed to be a controlling shareholder within the meaning of LR Appendix 1. The main purpose of the Relationship Agreement is to ensure that the company and its subsidiaries are able to conduct their business independently. In this context, pursuant to LR 9.8.4 (14), the Executive Board and the Supervisory Board declare that TUI AG complies with the requirements of the Listing Rules with regard to the controlling shareholder and that, as far as TUI AG is aware, Unifirm Ltd. both complies with these requirements itself and ensures that its affiliates comply with them.

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.

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)

As mentioned above, TUI AG's Supervisory Board consists of ten employee and ten shareholder representatives. As the employee representatives are not considered independent under the UK Code, TUI AG's Supervisory Board comprises five (excluding the Chairman of the Supervisory Board) independent shareholder representatives.

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 his Deputy. Mr Frank Jakobi, as employee representative, is Deputy Chairman in accordance with the German Co-Determination Act.

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,

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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.

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 105.

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 Chairman 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. The Presiding Committee and the Supervisory Board have subsequently dealt with the results and derived measures from them. These primarily concern the work of the Supervisory Board, the organisation of the meetings and the main topics the Supervisory Board would like to deal with in more detail.

NOMINATION COMMITTEE – SECTION IN THE ANNUAL REPORT (PROVISION 23)

For the activities of the Nomination Committee, see page 16 which is part of the Chairman's letter to shareholders. The succession planning approach is outlined on page 112. The policy on diversity and inclusion can be found on page 116. For evaluation of the performance of the board, see above.

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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 Zetsche as Chairman of the Supervisory Board, Dr Dönges and Mr Lukin, who are 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.

ESTABLISHED 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.

The remuneration of the members of the Supervisory Board and the members of the Supervisory Board Committees is governed by the Articles of Association as resolved on by the shareholders at the AGM.

See the Directors' Remuneration Report from page 121 for full details on Executive and Supervisory Board member´s remuneration and our website.

www.tuigroup.com/en-en/investors/corporate-governance

POLICY FOR POST-EMPLOYMENT SHAREHOLDING REQUIREMENTS (PROVISION 36)

Neither German law nor the German Corporate Governance Code requires the company to implement a policy for post-employment shareholding requirements. According to the remuneration system approved by the Annual General Meeting in 2021, no policy is provided for post-employment shareholding requirements.

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 was 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 128.

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 2021. 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 105.

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 2021. As the oversight body, the Supervisory Board provided on-going advice and supervision for the Executive Board in managing the Company in financial year 2021, 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 for all members of the Executive Board and Supervisory Board, providing for a deductible for Executive Board members in accordance with the statutory requirements of the German Stock Corporation Act. The deductible amounts to 10 % of the loss up to the amount of one and a half times the fixed annual compensation.

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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 2021 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 116 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. Six 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 six independent members from the Company and its Executive Board were Ms Ingrid-Helen Arnold, Prof. Dr Edgar Ernst, Ms María Garaña Corces, Ms Janina Kugel, Ms Coline McConville and Dr Dieter Zetsche. Furthermore, TUI AG has no controlling shareholder within the meaning of the German Corporate Governance Code.

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. As part of the preparation for the capital increase, all members of the Supervisory Board received a training on the rights and obligations in connection with their membership on the Supervisory Board of a public limited company. The training was conducted by an external renowned law firm. Furthermore, at the meeting in September 2021, the members were informed about the legal changes introduced with the entry into force of the Financial Market Integrity Strengthening Act (FISG). 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. In addition, they have meetings with members of the Executive Board in order to receive further information on their respective areas of responsibility.

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 2021, 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.

In accordance with the Framework Agreement that the Company entered into with the WSF dated 4 January 2021, the WSF was involved in the selection of the candidates Dr Jutta Dönges and Ms Janina Kugel for the Supervisory Board as the Framework Agreement provides for the obligation of the Executive Board and the Supervisory Board, to the extent legally permissible, to endeavour to procure that two persons nominated by the WSF will become members of the Supervisory Board. Other than that, no current member of the Executive Board has been appointed, and no member of the Supervisory Board has been elected, pursuant to any arrangement or understanding with major shareholders, customers, suppliers or others. There are no family relationships between any current members of the Executive Board or Supervisory Board.

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. Neither the shareholder nor the employee representatives of the Supervisory Board have objected with regard to overall compliance in accordance with section 96 (2) sentence 2 of the German Stock Corporation Act.

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 accordance with section 111 (5) of the German Stock Corporation Act. This target was achieved in the reporting period with the membership of Dr Elke Eller and her subsequent replacement by Ms Sybille Reiss from 1 July 2021.

In turn, the Executive Board resolved, in keeping with section 76 (4) of the German Stock Corporation Act, that women should account for 25 % of executives at the level immediately below the Executive Board and 30 % at the level below this. Both targets should be reached by 30 September 2023. 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. With the proportion of women of 24 % at the first management level below the Executive Board, we have almost reached the target of 25 %. At the second management level below the Executive Board, the proportion of women was increased from 22 % to 24 %, so we are gradually moving towards the target of 30 %.

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,

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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.

STATEMENT PURSUANT TO PROVISION 4 UK CGC

At the Annual General Meeting of TUI AG on 25 March 2021 the resolution approving the re-election of Mr Alexey Mordashov to the Supervisory Board of the Company (Resolution 8.4) received 75.61 % votes in favour and 24.39 % votes against (with 0.67 % of votes withheld and so not counted). As more than 20 % of the votes cast were against the resolution the Company has sought to understand the reasons for this, as required by the UK CGC.

Based on consultations with both shareholders and proxy advisors, the Company believes the main reason for the level of votes cast against the resolution was shareholders following their own proxy guidelines and / or the recommendation of certain proxy advisors to vote against the resolution. The Company believes this recommendation was based on the number of non-independent members of the Supervisory Board. Mr Mordashov is considered non-independent under the UK CGC as a result of his connection to Unifirm Ltd., which is the Company's largest shareholder currently holding approximately 32 % of the Company's total issued share capital.

The Company believes that Mr Mordashov has been an effective member of the Supervisory Board and will continue to be so for the remainder of his term in office. In this respect, the Company also notes that at the 2021 AGM a resolution to approve the actions of Mr Mordashov as a member of the Supervisory Board for the financial year ended 30 September 2020 (Resolution 3.17) received 99.65 % votes in favour and 0.35 % votes against (with 19.09 % of votes withheld and so not counted). The Company further notes that Unifirm Ltd. has been a supportive shareholder for the Company during the COVID-19 pandemic, including making a material additional investment in the Company.

As a consequence of the Company's view of why more than 20 % of the votes were cast against the resolution approving the re-election of Mr Mordashov to the Supervisory Board, the Company does not believe it is necessary or appropriate to take any additional action.

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 35.

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 David Burling, Mr Sebastian Ebel, Dr Elke Eller, Mr Stefan Heinemann, Mr Friedrich Joussen, Mr Peter Krueger, Mr Peter Long, Mr Alexey Mordashov (via Unifirm Limited), and Dr Dieter Zetsche of notifiable purchase and sale transactions of TUI AG shares or related financial instruments by directors (directors' dealings or managers' transactions) concerning financial year 2021. 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. The Group Manual Share Dealings by Restricted Persons stipulates above all an obligation to receive a clearance to deal for transactions with TUI AG's financial instruments.

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

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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 2021 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 249.

The condensed consolidated interim financial statement and management report as of 31 March 2021 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 2021.

ENGAGEMENT WITH OUR STAKEHOLDERS

Under the UK CGC, TUI AG is required to provide information on how it complies with the requirements of section 172 of the Companies Act 2006, including how it takes into account the interests of key stakeholders in discussions and decisions.

The Company considers key stakeholders to be customers, employees, shareholders and other financial stakeholders, suppliers and Non-governmental organisations.

Further details on how the company engages with particular stakeholders can be found on the following pages of this Annual Report:

- Customers – see page 26
- Employees – see page 84
- Shareholders and other financial stakeholders – see pages 100 and 155 ff.
- Suppliers – see page 119
- Non-governmental organisations – see page 80

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.

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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 on current progress and implementation of family-friendly concepts 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 2021

With effect from 1 July 2021, Ms Sybille Reiss as successor to Dr Elke Eller was appointed member of the Executive Board. The target set by the Supervisory Board that at least one woman should be a member of the Executive Board has thus been achieved 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 took 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 (see overview of the Executive Board on page 107). It is the view of the Supervisory Board that Ms Reiss, Mr Ebel 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 2021

In financial year 2021, 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.

In place of Ms Gifford and Mr Long and at the proposal of the WSF and the Supervisory Board of TUI AG, Dr Jutta Dönges and Ms Janina Kugel were elected to the Supervisory Board at the 2021 AGM.

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Particularly in view of the challenges still ahead, the Supervisory Board in Dr Dönges has gained an expert on investment and financing issues. Ms Kugel brings a lot of expertise as an experienced manager in human resources, especially with regard to transformation and restructuring, as well as the associated changes in working methods and culture. Additionally, Ms Tanja Viehl and Mr Mark Muratovic have been appointed to the Supervisory Board as new employee representatives with effect from the end of the 2021 AGM. Both Ms Viehl, with her experience in personnel law issues in the aviation industry, and Mr Muratovic, with his knowledge of the operational business, are valuable additions to the board. On the shareholder side, five out of ten members of the Supervisory Board are women, and the proportion of women on the board as a whole is 40 %, which 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.

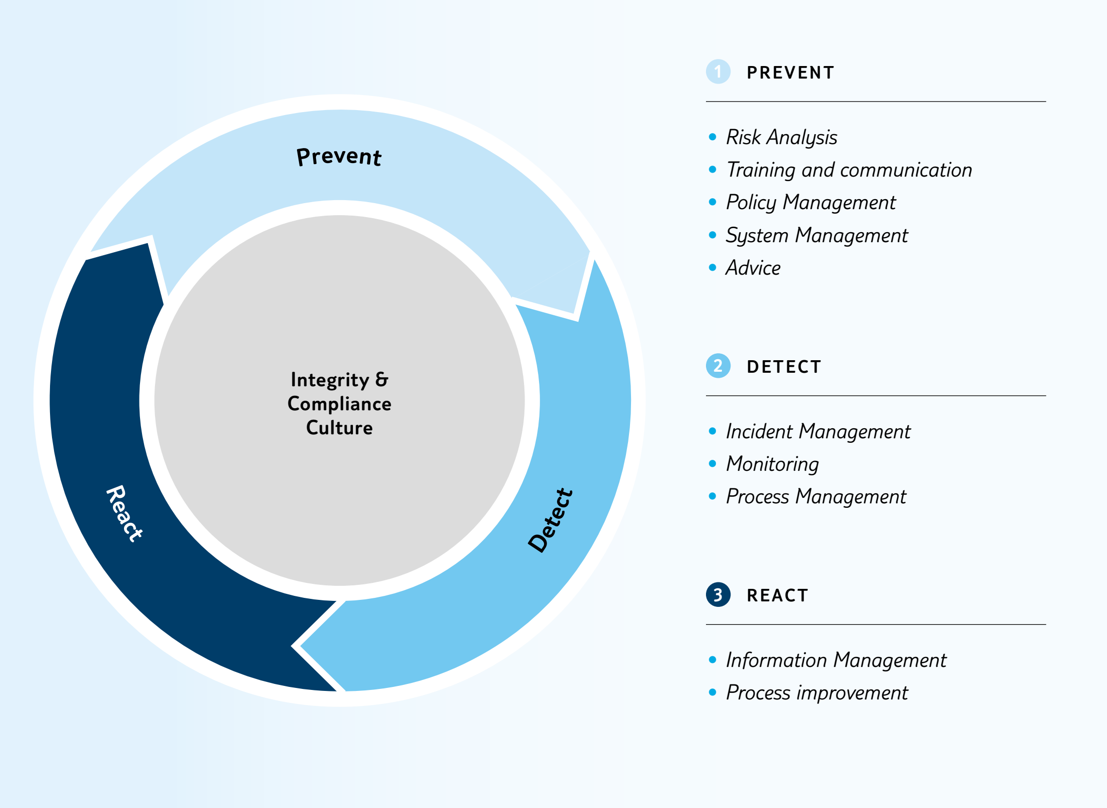
Integrity & Compliance

Anti-corruption and bribery

In implementing our business activities, we have to comply with many national and international laws and rules as well as internal policies. However, our understanding of Compliance goes beyond respecting laws and regulations, as we shift our Company's culture away from a purely rule-based approach towards a living culture of integrity. Behaviour violating integrity principles may not only have legal consequences, but can also result in lasting damage to the reputation of our Company. Our Compliance Management System aims to promote integrity and prevent potential misconduct, making liability risks manageable for the Company, its legal representatives, executives and employees and thereby protecting the Company's reputation. It is a fundamental component in our commitment to corporate, environmental and social responsibility in our actions.

Due to the reduced business operations in the period under review and the continuing short-time work benefit schemes, which also affected Integrity & Compliance, we have focused on activities in our core areas. To reduce the workload for our employees, training programmes were carried out on a selective basis. While everyone had to complete the Integrity Passport training, the Fair Competition training was only provided for selected employees. The development of our Compliance Management System centred on the digitalisation of existing processes to achieve a more data-driven approach to Compliance. The aim of this development process is to establish an up-to-date Compliance Management System that draws on a broad data basis to ensure that the risk management system is transparent and clear. In implementing the risk analysis, we dispensed with the customary dispatch of questionnaires so as to relieve the pressure on business units. Instead, the Compliance Officers in charge used the information available and existing data to analyse and assess the risk landscape. This process served as a test run for establishing a risk score system. This process aims to operate a single IT system where all the data required is stored and retrieved, permitting real-time analysis. Using a risk score to evaluate this data enables us to design and implement measures and processes for minimising risk in an even more targeted manner.

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: prevent, detect and react, which, in turn, comprise a variety of measures and processes.

The Integrity & Compliance team is in charge of the core areas anti-corruption, fair competition and trade sanctions. Our Compliance Management System defines the set-up and standard 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').

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INTEGRITY & COMPLIANCE STRUCTURE

The Chief Compliance Officer is responsible for drawing up, maintaining and developing our Compliance Management System. She is supported by the Integrity & Compliance department, forming part of Legal. In the financial year under review, the activities of this department were centralised. Rather than many part-time local Compliance Officers, responsibility now rests with a centrally managed team of full-time Compliance Officers. This structure ensures greater consistency of processes and measures as well as more efficiency. Some Compliance Officers continue to be based in the companies or the regions they cater for. All Compliance Officers are in close contact with local management, who remains generally responsible for Compliance rules, and together they are responsible for the implementation of our Compliance requirements and Integrity values, above all:

- Raising awareness of Integrity & Compliance and the associated core issues through communication campaigns (e.g. the Integrity & Compliance Advent calendar)
- Implementing a selective risk analysis relating to the core Compliance issues for selected segments (e.g. Hotels & Resorts, Markets & Airlines, TUI Musement)
- Implementing measures to ensure that we comply with our commitment to integrity in our action in line with the Integrity Passport
- Providing training on the Integrity Passport and Fair Competition
- Advising managers and employees, primarily with regard to trade sanctions, anti-corruption & anti-bribery and fair competition
- Securing the necessary exchange of information between local management and the Integrity & Compliance team
- Monitoring new national and international legislation (e.g. implementation of the EU Directive on the Protection of Persons who Report Breaches of Union Law or the requirements of the German Act on Corporate Due Diligence in Supply Chains)
- Providing regular reports to the Group Executive Committee and annual reports to the Audit Committee of the Supervisory Board

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 our corporate values and the fundamental attitude and conduct of management all the way to the Executive Board and Supervisory Board of TUI AG, thus the 'tone from the top'. It is expressed, in particular, in our corporate value 'Trusted', appealing to our employees' personal responsibility and their honesty and sincerity in handling guests, stakeholders and fellow employees.

INTEGRITY PASSPORT – TUI'S CODE OF CONDUCT

Our Integrity Passport is binding for all employees, from Executive Board members to trainees, and for 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, anti-bribery and anti-corruption, appropriate gifts and hospitalities, protection of our business secrets, data privacy, handling conflicts of interest, prevention of insider trading, maintaining proper accounts and financial records, anti-money laundering, trade restrictions, respectful dealings with each other, sustainability, and public communications about 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, all 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 anchored in the Integrity Passport are communicated to and implemented in TUI Group through our policies, statements and manuals. Our Group-wide policy management develops the standards for Group-wide policies and coordinates the involvement of relevant internal stakeholder groups, e.g. other departments and the works council. This approach is designed to provide employees with a set of policies which are as comprehensible as possible. TUI Group's Compliance policies offer guidance on a range of issues, including on appropriate conduct regarding gifts and hospitality, fair competition and compliance with trade sanctions.

INTEGRITY & COMPLIANCE – RISK ASSESSMENT

Conducting a risk analysis is a key element of our Compliance Management System. With digitalisation advancing at such a fast pace, it is now vital to further develop the risk analysis process and align it to the technical possibilities available. Development is focusing on the IT and data base used to assess risks. Under the previous approach, most of the information on fair competition, anti-corruption and handling trade sanctions that was required for risk analysis was compiled from a questionnaire to be completed by local management. The Compliance Department analysed that information to assess risks using likelihood of occurrence and potential damage (including reputational risks) as criteria. The assessments served to identify principal risks and to derive corresponding measures to minimise those risks. In the completed financial year, a deliberate decision was taken to dispense with sending out a questionnaire. Instead, the Compliance Officers in charge compared the existing information from past surveys with information from current data sources and from individual communications with the business owners and then scored it. This data was used, on the basis of the criteria mentioned above, to update the risk analysis. Moreover, Risk Committee meetings were held at local and Group level to identify and discuss business-specific challenges. Information and findings generated at these levels were likewise fed into the risk analysis. Reported infringements of Compliance requirements were also reflected. Where infringements had been investigated, the Compliance Officers factored in the findings and reassessed the risk in the relevant area in the light of the potential need for risk minimisation.

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The annual survey among legal representatives, executives and selected employees of TUI Group to identify potential conflicts of interest is also part of the risk assessment and precautionary measure. A conflict of interests exists if the professional business judgment of an employee conflicts with his or her own interests.

In the period under review, the survey was carried out within TUI Group. In the framework of the digitalisation strategy and with a view to improving the existing process, an interface was created between the personnel management system TUI People and the Compliance Platform. As a result, the data exchanged between the systems can now be processed faster and more efficiently.

The survey was completed by 99 % of those surveyed. The evaluation showed that potential conflicts of interest requiring further investigations existed for 11 % of the respondents. These conflicts of interest were subsequently eliminated, approved or monitored, ensuring the required transparency.

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. The online training programme on the Integrity Passport, which explains integrity and the underlying corporate values, is mandatory for all employees and executives. The online training on 'Fair competition' was rolled out in individual companies and segments within TUI, and training schemes with their own specific focus were offered, e. g. on anti-corruption, competition law or the appropriate handling of gifts and hospitalities, to raise awareness of the risk-related 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 Fraud.

In 2021, a total of 29 reports (in 2020 50 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 21 reports (in 2020 19 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 50 reports (in 2020 69 reports) submitted in total, 16 cases (in 2020 nine cases) initially presented prima facie indications of a Compliance infringement, leading to further investigations, which in one case (in 2020 5 cases) resulted in disciplinary measures.

BUSINESS PARTNER SCREENING (DUE DILIGENCE PROCESS)

There is a risk of active and passive corruption because we operate in countries with a high corruption index. Moreover, the risk of TUI business partners being subject to trade sanctions or be included in sanctions lists cannot be ruled out.

As part of the transformation process, a new provider for the screening of business partners was selected in the financial year under review. The selection criteria include the usability of the platform, the price structure, and the quality and scope of retrievable data. The Internet data base set up by the provider serves to check 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 the severest cases terminating the business relationship.

In addition, the existing process of risk-based business partner screening was reviewed. If a contract is to be concluded with a business partner, a guided information request has to be carried out in the Compliance Platform in order to establish whether an extended business partner screening must be implemented. The criteria used to determine the outcome include, for instance, the registered office of the business partner, the term of the contract and the value of the contract. If these process criteria identify a potential risk associated with the business partner, the next step must include checking the business partner against international sanctions, terrorist and wanted persons lists via the Internet data base provider. If the business partner gives grounds for concern, further measures must be launched, the severest being termination of the business relationship. These measures are another key component of the data-driven Compliance approach.

DATA PROTECTION

Data protection remains important for the TUI Group. We evaluate the compliance with data protection law permanently and report indicators to the Group Executive Committee. Furthermore, Risk Oversight Committee will be informed about risk connected with data protection. In addition, we have reported few data breaches in accordance with Art. 33 GDPR. However, no fines are imposed so far. Indicators measure observance of the legal time limit to respond to data access requests (2021: 99.8 %.; 2020: 99.9 %).

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REMUNERATION REPORT

The remuneration report mainly explains the remuneration of the members of TUI AG's Executive Board and the remuneration of the members of the Supervisory Board in accordance with the Articles of Association. The underlying remuneration systems are based in particular on the recommendations of the German Corporate Governance Code (DCGK), the requirements of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG) and, where possible, the recommendations of the UK Corporate Governance Code (UK CGC). In addition, the remuneration report includes the disclosures required by section 162 of the German Stock Corporation Act as amended by the Act Implementing the Second Shareholders' Rights Directive (ARUG II). TUI AG thus also implements the requirements on the remuneration report resulting from the second framework agreement on the granting of stabilisation measures, which it concluded with the Economic Stabilisation Fund on 4 January 2021 (Framework Agreement II).

As a German stock corporation, TUI AG is also listed on the London Stock Exchange (LSE). Where mandatory rules on the governance structure and legal requirements of a German stock corporation are affected, these are presented accordingly in this report and, where appropriate, placed in the context of the UK CGC.

Executive Board and Executive Board Remuneration

CONFIRMATION OF THE REMUNERATION SYSTEM BY THE SHAREHOLDERS

Following preparatory work in financial year 2019, the Supervisory Board of TUI AG adopted a revised remuneration system for the members of the Executive Board in December 2019 with retroactive effect from the beginning of financial year 2020, i.e. 1 October 2019. The remuneration system in its revised form was approved by TUI AG shareholders at the Annual General Meeting on 11 February 2020, also with retrospective effect from the beginning of financial year 2020. In addition to the statutory requirements, the revision of the remuneration system took into account the recommendations of the DCGK as amended on 7 February 2017 and the draft of the new version of the DCGK as of 16 December 2019. In addition, the recommendations of the UK CGC and a different market practice in the United Kingdom were also taken into account in the revision. Against the background of changes in market practice and further developments in the structure of Executive Board remuneration since the last fundamental revision of the remuneration system, the remuneration system for TUI AG's Executive Board was revised to include and take account of the aforementioned perspectives and approved by TUI AG's shareholders: The defined performance indicators are designed to take account of the interests of all stakeholders and create value for our equity and debt providers. In revising the Executive Board remuneration system, the Supervisory Board was supported by renowned, independent external remuneration consultants PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC).

The revision of the remuneration system included, among other things, different performance targets for the short-term incentive plan (STI). In addition, the Total Shareholder Return (TSR) performance target is no longer used in the calculation of the long term incentive plan (LTIP). In addition, the revised remuneration system now also includes malus and clawback rules, thus taking into account the requirements of UK-based stakeholders and the amended recommendations of the DCGK in particular.

According to the German Stock Corporation Act (AktG) in the version of SRD II, the Supervisory Board must in future submit the remuneration system for approval whenever there is a significant change, but at least every four years. The Supervisory Board had to make such a submission for the first time at the first ordinary Annual General Meeting following 31 December 2020. TUI AG's previous voluntary procedure in line with the UK CGC already largely complied with these new requirements. In its resolution of 25 March 2021, the AGM approved the remuneration system for Executive Board members by 95.8 % and thus adopted it.

COMPOSITION OF THE BOARD OF DIRECTORS

In financial year 2021, the Executive Board consisted of a total of six members. The service agreements of two Executive Board members were not renewed at their own request and they therefore no longer belong to TUI AG's active Executive Board. They were replaced by new members.

- Friedrich Joussen: CEO
- David Burling: CEO Markets
- Sebastian Ebel: CEO Hotels & Resorts, Cruises, Destination Experiences until 31 December 2020, CFO since 1 January 2021
- Peter Krueger: CSO, Member of the Executive Board since 1 January 2021
- Sybille Reiss: CHRO / Labour Director, Member of the Board since 1 July 2021
- Frank Rosenberger: CIO
- Birgit Conix: CFO, Member of the Executive Board until 31 December 2020
- Dr Elke Eller: CHRO / Labour Director, Member of the Executive Board until 30 June 2021

GENERAL PRINCIPLES

Upon recommendation of the Presiding Committee, the Supervisory Board determines the remuneration of the individual members of the Executive Board in accordance with section 87 (1) sentence 1 AktG. In addition, the Supervisory Board regularly reviews the remuneration system for the Executive Board.

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In particular, the following principles are taken into account:

- Comprehensibility and transparency
- Economic situation, success and sustainable development of the company
- Linking the shareholder interest in value enhancement and profit distribution with corresponding performance incentives for the members of the Executive Board
- Competitiveness in the market for highly qualified managers
- Appropriateness and orientation towards tasks, responsibility and success of each individual member of the Executive Board, also in a relevant environment of comparable international companies, taking into account the typical practice in other large German companies
- Linking a significant part of the total remuneration to the achievement of demanding long-term performance targets
- Appropriate relationship between the amount of the fixed remuneration and the performance-related remuneration
- Adequacy in horizontal and vertical comparison (see page 138)

The remuneration system and the service agreements of the members of the Executive Board stipulate in particular,

- how the target total remuneration is determined for the individual members of the Executive Board and what amount the total remuneration may not exceed (maximum remuneration),
- the relative share of fixed remuneration on the one hand and short-term variable and long-term variable remuneration components on the other hand in the target total remuneration,
- which financial and non-financial performance criteria are decisive for variable remuneration components,
- what the relationship is between the achievement of the previously agreed performance criteria and the variable remuneration,
- in what form and when the member of the Executive Board can dispose of the variable remuneration amounts.

The remuneration system adopted by the Supervisory Board at the end of 2019 and approved by the 2021 Annual General Meeting also contains a malus and clawback provision. Accordingly, in the event of a serious breach by the beneficiary of the principles contained in the company's Code of Conduct or of due diligence in the management of the company during the assessment period of the corresponding variable remuneration components, the company may reduce or cancel the payment amounts in full or demand their return in full or in part after payment. The Supervisory Board shall decide on this in each individual case at its due discretion and shall take into account in its decision in particular the severity of the violation as well as the amount of the financial or reputational damage caused thereby.

I. REMUNERATION OF THE EXECUTIVE BOARD IN THE FINANCIAL YEAR 2021

In financial year 2021, the remuneration of the Executive Board members consisted of: (1) a fixed remuneration, (2) a performance-related annual bonus as short-term incentive (STI), (3) virtual shares in TUI AG under the long term incentive plan (LTIP), (4) fringe benefits and (5) pension benefits. The following table provides an overview of the individual components of the remuneration system for Executive Board members in force and approved by the Annual General Meeting as well as the structure of the individual remuneration components. All information in the table is subject to the remuneration restrictions set out under 'Remuneration Restrictions based on the Framework Agreement with the Economic Stabilisation Fund' on page 130.

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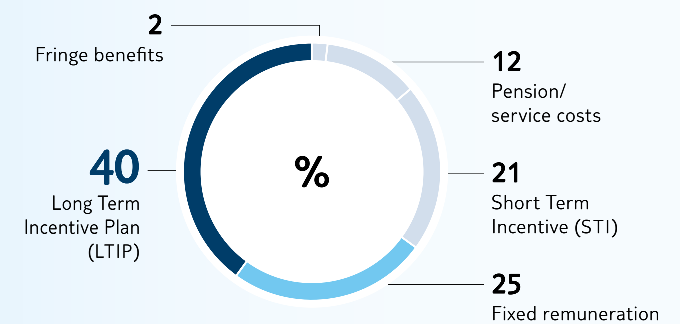
Target total remuneration

TARGET

The target total remuneration of the members of the Executive Board was determined subject to the application of the remuneration restrictions arising from Framework Agreement II.

COMPOSITION OF THE TARGET TOTAL REMUNERATION OF ALL MEMBERS OF THE EXECUTIVE BOARD



(1) Fixed remuneration

TARGET

Fixed remuneration paid in twelve equal monthly instalments in arrears at the end of the month, taking into account the applicable tax and social security regulations.

Together with the other remuneration components, the fixed remuneration forms the basis for attracting and retaining the highly qualified members required for the development and implementation of the corporate strategy for the Executive Board.

INTRA-GROUP MANDATES

No separate remuneration / credit against fixed remuneration

EXTRA-GROUP MANDATES

No offsetting against fixed remuneration, subject to approval by the Supervisory Board

(2) STI

TARGET

STI is designed to motivate members of the Executive Board to achieve demanding and challenging financial, operational and strategic goals during a financial year. The targets reflect the corporate strategy and are aimed at increasing the value of the company. In particular, through the link to EBIT, the one-year variable remuneration is linked to the achievement of a key Group performance indicator in the respective financial year.

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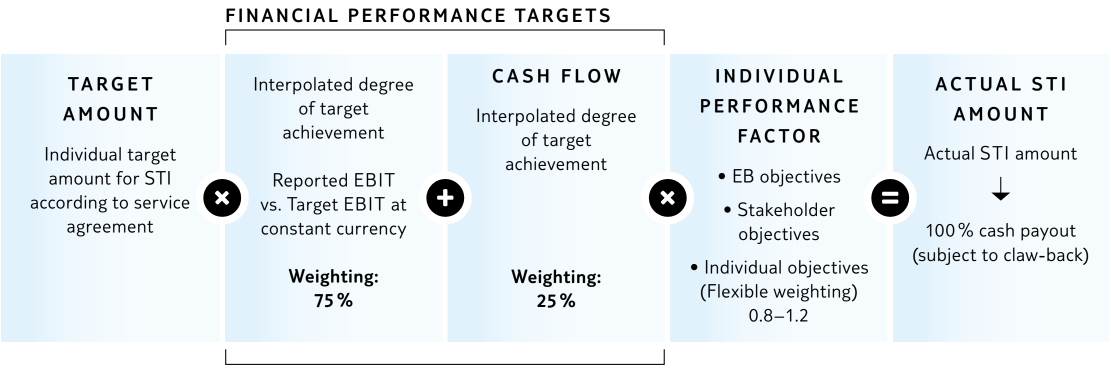
DESCRIPTION STI

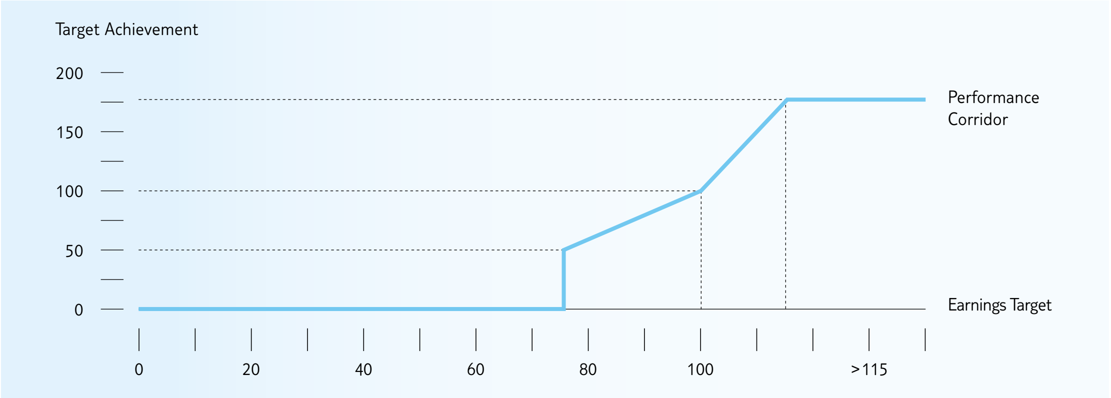


TARGET AMOUNT	Contractually agreed, individual target amount
OVERALL TARGET ACHIEVEMENT	• Total target achievement of the financial ratios • Interpolation: 0 % to 180 % • Individual power: 0.8 to 1.2 • Adjustment element pursuant to section G.11 DCGK • Compliance Claw-back

Group key figure 1

GROUP KEY FIGURE	EBIT (Reported)
TARGET ACHIEVEMENT	Actual vs. target value at constant currency
TARGET ACHIEVEMENT CORRIDOR	75 % to 115 %

PERFORMANCE CORRIDOR EBIT IN %



WEIGHTING 75 %

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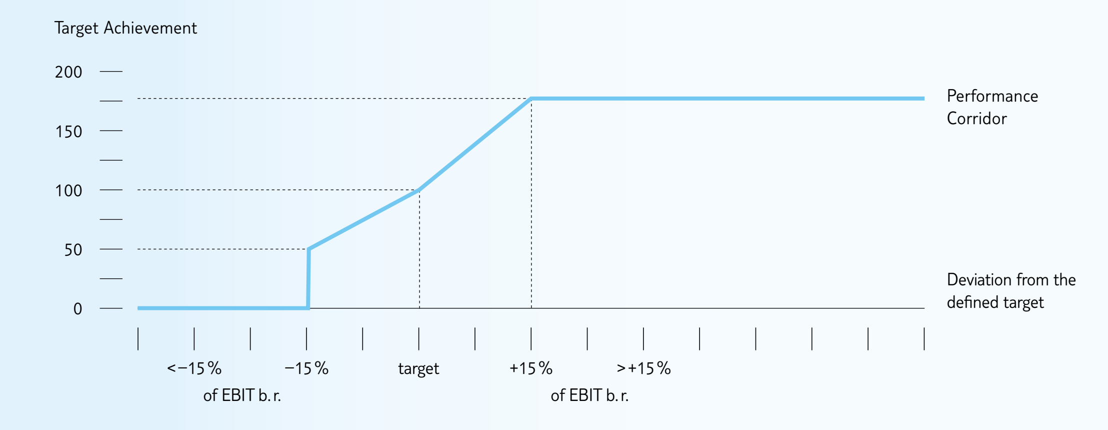
Group key figure 2	GROUP KEY FIGURE	Cash flow before dividends
	TARGET ACHIEVEMENT	Target value against +/–15 % of EBIT to budget rates
	TARGET ACHIEVEMENT CORRIDOR	85 % to 115 %
	PERFORMANCE CORRIDOR CASH FLOW TO THE FIRM IN %	
	WEIGHTING	25 %
Individual performance	TARGET	For each financial year, the Supervisory Board sets performance criteria for the individual performance of the beneficiary, the performance of the entire Executive Board and the achievement of stakeholder goals and their weighting in relation to each other. ESG goals are always taken into account here.
	TARGET ACHIEVEMENT CORRIDOR	0.8 to 1.2
(3) LTIP	TARGET	The company's value and the value for the shareholders (so-called shareholder value) are to be increased in the long term by setting ambitious goals that are closely linked to the company's earnings, the share price development and the dividend. By linking earnings per share and the development of the share price, a congruence is established between the interests and expectations of the shareholders and the remuneration of the Executive Board. The performance period of four years helps to ensure that the actions of the Executive Board in the current financial year are also aligned with the long-term development of the company.

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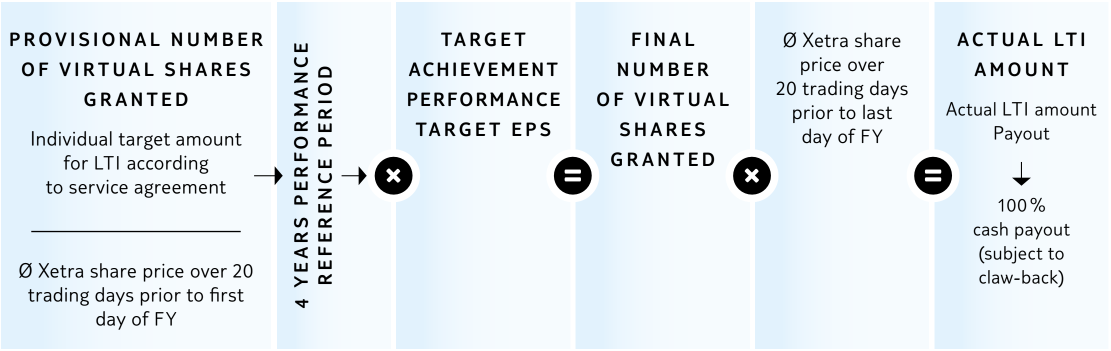
DESCRIPTION LTIP



TARGET AMOUNT: Contractually agreed, individual target amount

OVERALL TARGET ACHIEVEMENT:

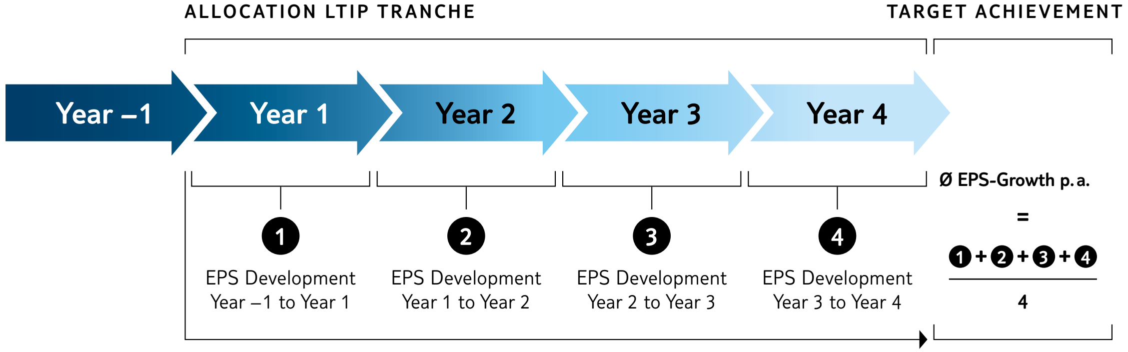
- Interpolation: 0 % to 175 %
- Adjustment: EPS < 0.50 €
- Claw-back

Group key figure

GROUP KEY FIGURE: EPS

TARGET ACHIEVEMENT: EPS p.a. based on four weighted annual amounts

ALLOCATION OF VIRTUAL SHARES



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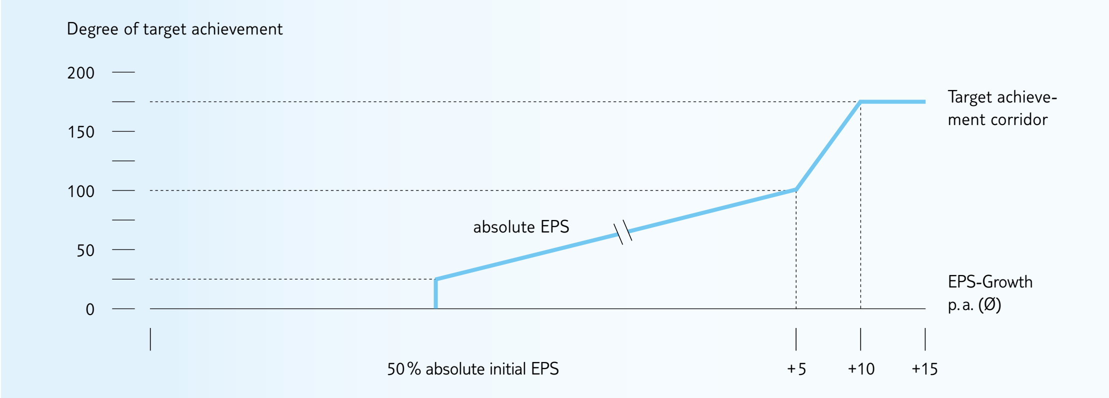
TARGET ACHIEVEMENT CORRIDOR

Ø 50 % Start EPS to Ø 10 % p.a.

TARGET ACHIEVEMENT CORRIDOR EPS IN %



Shares

- Allocation of a provisional number of virtual shares calculated from the quotient of the agreed individual target amount and the average XETRA share price of TUI AG
- The final number of virtual shares is calculated from the product of the preliminary number of virtual shares and the degree of target achievement of the key figures

Payment

Multiplication of the final number of virtual shares by the average XETRA share price of TUI AG over the 20 trading days preceding the last day of the performance period.

(4) Fringe benefits

TARGET

The fringe benefits should be competitive in the market for highly qualified members of the Executive Board in order to attract and retain suitable candidates for the company in the long term. Furthermore, an attractive working environment shall be created for the members of the Executive Board.

- For business trips, reimbursement of travel expenses
- Reimbursement twice in the financial year (incl. discount for family members). Applies only to service agreement relationships established before September 2020
- Discount of 75 % on flights with a TUI airline. Applies only to service agreement relationships established before September 2020
- Accident insurance
- Subsidy for health and long-term care insurance
- Criminal law protection and D&O insurance
- Company car / car allowance

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(5) Maximum remuneration

TARGET

- CEO: €7,500 k
- Other Executive Board: €3,500 k
- Contractually defined upper limit for total remuneration (incl. fixed remuneration, STI, LTIP, company pension scheme and fringe benefits. If the contractually defined upper limit of the total remuneration is exceeded, the LTIP is reduced proportionately in the inflow. The contractually defined upper limit of the total remuneration corresponds to the respective maximum total remuneration for the members of the Executive Board determined by the Supervisory Board.

(6) Severance payment cap in the event of early termination of contract

TARGET

- CEO: Severance payment limited to the value of two years' remuneration
- Other Executive Board members: Severance payment limited to the value of one year's remuneration
- No change-of-control clauses agreed

MAXIMUM REMUNERATION

€ '000	Fixed remuneration[1]	JEV	LTIP	Maximum total remuneration
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
Peter Krueger	600.0	1,004.4	1,836.0	3,500.0
Sybille Reiss	600.0	1,004.4	1,836.0	3,500.0
Frank Rosenberger	600.0	1,004.4	1,836.0	3,500.0

[1] Fixed amount, no cap applied

(7) Pension benefits

TARGET

The aim is to attract and retain the highly qualified members of the Executive Board necessary for the development and implementation of the corporate strategy. The pension benefits or the pension subsidy should be competitive in the market for highly qualified members of the Executive Board and offer them an appropriate level of benefits in retirement.

Contributions to the company pension scheme

- Mr Joussen: €454.5 k per year. In the case of Mr Joussen, the resulting pension can be paid out when he reaches the age of 62.
- Mr Ebel: €207.0 k per year. In the case of Mr Ebel, the resulting pension can be paid out when he reaches the age of 62.
- Dr Eller: €230.0 k per year. In the case of Dr Eller, the resulting pension can be paid out when she reaches the age of 63.
- Mr Rosenberger: €230.0 k per year. In the case of Mr Rosenberger, the resulting pension can be paid out when he reaches the age of 63.

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Fixed annual payout amounts for the purpose of retirement benefits

- Mr Burling: €225.0 k per year
- Ms Conix: €230.0 k per year
- Mr Krueger: €230.0 k per year
- Ms Reiss: €230.0 k per year

I.1 PENSION PROVISIONS FOR THE CURRENT MEMBERS OF THE EXECUTIVE BOARD UNDER TUI AG'S PENSION SCHEME

Pension obligations for active members of the Executive Board in accordance with IAS 19 totalled €15,984.5 k as at 30 September 2021 (previous year: €16,649.6 k). Of this amount, €5,762.4 k (previous year: €5,721.7 k) related to entitlements earned by Mr Ebel in the framework of his work for the TUI Group until 31 August 2006. The remaining entitlements were distributed as follows:

Pensions and the amounts spent or accrued for this purpose by the current members of the Executive Board under TUI AG's pension plan

	Addition to / reversal from pension provisions		Net present value	
€ '000	**2021**	2020	**30 Sep 2021**	30 Sep 2020
Friedrich Joussen	497.2	215.9	5,445.8	4,948.6
Sebastian Ebel	235.4	118.6	2,419.2	2,183.8
Dr Elke Eller	466.8	249.3	2,248.0	1,781.2
Frank Rosenberger	342.8	203.8	2,357.0	2,014.2
Total	**1,542.2**	**787.6**	**12,470.0**	**10,927.8**

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.

No changes to these commitments were made in financial year 2021.

I.2 BENEFITS IN THE EVENT OF PREMATURE TERMINATION OF BOARD MEMBERSHIP

The payments to be made to a member of the Executive Board in the event of premature termination of his service agreement without good cause are in principle limited in Mr Joussen's service agreement to the value of two years' remuneration. In the service agreements of Ms Conix and Mr Rosenberger, it is agreed that payments in the event of premature termination of Executive Board activities without good cause – in the case of premature termination during the first year after the service agreement comes into force – may not exceed the value of two years' remuneration and – in the case of premature termination after the end of the first year after this service agreement comes into force – may not exceed the value of one year's remuneration (severance payment cap).

In the service agreements of Mr Burling, Mr Ebel, Dr Eller, Mr Krueger and Ms Reiss, it is agreed that payments in the event of premature termination of their Executive Board activities without good cause may not exceed the value of one year's remuneration (severance payment cap).

For all members of the Executive Board, no more than the remaining term of the service agreement is compensated. For the calculation of the severance payment cap, the target direct remuneration (fixed remuneration, target amount of the STI and target amount of the LTIP) of the past financial year and, if applicable, also the expected target direct remuneration for the current financial year are taken into account. If the service agreement is terminated for cause, members of the Executive Board do not receive any benefits.

If the appointment of a member of the Executive Board is revoked, the respective service agreement shall also end. If the revocation is not based on a reason, which at the same time constitutes an important reason for termination of the service agreement without notice, the service agreement shall end upon expiry of a period of expiry. This expiry period is generally twelve months. An expiry period of 24 months has been agreed with Mr Joussen.

In the event of premature termination of the service agreement, the STI and the payments from the LTIP are regulated as follows:

- STI:
  - If the service agreement is terminated by the Company before the end of the one-year performance period for good cause for which the member of the Executive Board is responsible, or if the member of the Executive Board resigns without good cause, the entitlement to an annual bonus for the performance period in question shall lapse without replacement or compensation.
  - In all other cases of early termination of the service contract before the end of the one-year performance period, the STI shall be paid pro rata temporis.
- LTIP:
  - Claims under the LTIP shall lapse without replacement or compensation for all tranches not yet disbursed if the service agreement is terminated by TUI AG before the end of the performance period for cause for which the Executive Board member is responsible or by the Executive Board member without cause.
  - If the service agreement ends before the end of the performance period for other reasons, the entitlements under the LTIP for tranches not yet paid out are retained. The tranche for the current financial year is reduced pro rata temporis. The amount to be paid out is determined in the same way as in the case of a continuation of the service agreement.

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It has been agreed with Mr Joussen and Mr Burling that they may unilaterally resign from their positions as members of the Executive Board as of 1 June 2022 with a notice period of three months to 30 September 2022, in which case STI and LTIP will be paid out in accordance with the service agreement and will not expire. Should Mr Joussen or Mr Burling exercise this right of resignation, the respective service agreement will end after an expiry period of 24 and 9 months respectively.

TUI AG shall be entitled to release the members of the Executive Board in connection with a termination of the service agreement, in particular following a termination of this service agreement, irrespective of the party by which such termination is declared, or following the conclusion of a termination agreement, in whole or in part from the obligation to perform work with continued payment of remuneration. The release shall initially be irrevocable for the duration of any outstanding holiday entitlements, which are thereby settled. Subsequently, the release shall be maintained until the termination of the service agreement. It is revocable if there are questions in connection with the settlement of the employment relationship or if a temporary activity becomes necessary for operational reasons.

The rest of the service agreement is not affected by this. The service agreement of the members of the Executive Board do not contain any change-of-control clauses.

I.3 BENEFITS AND BENEFIT COMMITMENTS TO MEMBERS OF THE EXECUTIVE BOARD WHO HAVE LEFT THE EXECUTIVE BOARD IN FINANCIAL YEAR 2021

Ms Birgit Conix resigned from the Executive Board of TUI AG in financial year 2021. Ms Conix was originally appointed as a member of TUI AG's Executive Board until the end of 14 July 2021. TUI AG and Ms Conix terminated the Executive Board mandate prematurely by mutual agreement as at the end of 31 December 2020. On the occasion of the termination, TUI AG concluded a termination agreement with Ms Conix. The subject matter of the termination agreement included the continuation of the service agreement until the end of the regular termination date, i. e. until the end of 14 July 2021. TUI AG promised Ms Conix to process her remuneration in accordance with the service agreement until the termination date of the service agreement. Until this date, TUI AG has committed to a fixed annual payout amount for the purpose of retirement benefits. Ms Conix also had her company car at her disposal until the end of 31 December 2020 and was entitled to the agreed fringe benefits until that date.

In addition, Dr Elke Eller resigned from TUI AG's Executive Board in financial year 2021. Dr Eller was originally appointed as a member of TUI AG's Executive Board until the end of 14 October 2021 and was appointed Labour Director. TUI AG and Dr Eller terminated the Executive Board mandate and the office of Labour Director prematurely by mutual agreement as per the end of 30 June 2021. On the occasion of the termination, TUI AG concluded a termination agreement with Dr Eller. The subject matter of the termination agreement included the continuation of the service agreement until the end of the regular termination date, i. e. until 14 October 2021. TUI AG promised Dr Eller that it would process her remuneration in accordance with the service agreement until the termination date of the service agreement. TUI AG also continued to make contributions to the company pension scheme until this date. Dr Eller also had her company car at her disposal until the end of 30 June 2021 and was entitled to the agreed fringe benefits until that date.

II REMUNERATION RESTRICTIONS BASED ON THE FRAMEWORK AGREEMENT WITH THE ECONOMIC STABILISATION FUND (WSF)

Principle

On 4 January 2021, TUI AG concluded a framework agreement with the Economic Stabilisation Fund (Wirtschaftsstabilisierungsfonds – WSF) on the granting of stabilisation measures, which sets out various requirements for the remuneration of Executive Board members during the utilisation of stabilisation measures (Framework Agreement II). According to this agreement, any member of the Executive Board already appointed on 31 December 2019 may not receive any remuneration in excess of the basic remuneration of this member of the Executive Board as at 31 December 2019 (including any Group remuneration in the event of dual employment at another Group company) as long as at least 75 % of the stabilisation measure has not been repaid. The framework agreement also stipulates that, as long as TUI AG makes use of the stabilisation measure, it will not grant and thus not constitute any bonuses, other variable or comparable remuneration components or special payments in the form of share packages, bonuses or other separate remuneration in addition to the fixed salary, other remuneration components and benefits at the discretion of the company or severance payments not required by law to members of the Executive Board 'including any Group remuneration'.

For members of the Executive Board who are appointed as a member of the Executive Board at the time the stabilisation measure is granted or thereafter, the upper limit shall be the basic remuneration of members of the Executive Board with the same level of responsibility as at 31 December 2019.

Procedure

TUI AG has agreed corresponding amendments to the service agreements with all Executive Board members, adjusting the benefits generally promised under the remuneration system to the remuneration restrictions agreed with the Economic Stabilisation Fund.

Due to the corresponding amendment of the service agreements and the waivers of the Executive Board members, TUI AG deviates from the remuneration system in place in financial year 2021 with regard to the Short Term Incentive (STI) and the Long Term Incentive Plan (LTIP). The deviation is in the interest of TUI AG and is a prerequisite for TUI AG to be able to take advantage of stabilisation measures in accordance with the Economic Stabilisation Fund Act, if required. Apart from that, there were no deviations from the current remuneration system in financial year 2021.

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III OVERVIEW: INDIVIDUAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD

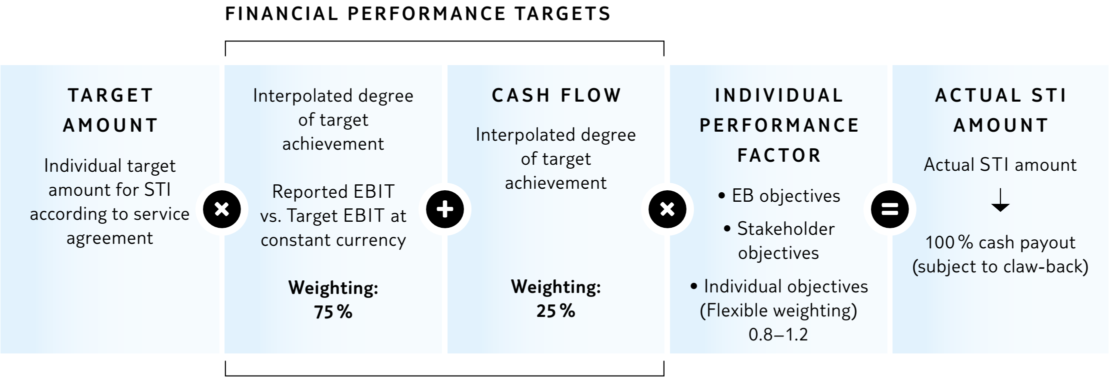
III.1 ACHIEVEMENT OF OBJECTIVES

The following describes how the performance criteria were applied and the targets for the variable remuneration components were achieved in financial year 2021.

III.1.1 STI

The multiplication of the target amounts with the weighted target achievement levels for EBIT and cash flow and the individual performance factor results in the amount taken into account for the payment of the STI per member of the Executive Board.

Description JEV



III.1.1.1 REMUNERATION PAID AND OWED IN FINANCIAL YEAR 2021 FROM STI

With regard to STI's individual performance factor for financial year 2020, the Supervisory Board decided before the start of financial year 2020 to defer the individual targets in favour of the overall Executive Board targets against the backdrop of the company-wide transformation process. Thus, the further implementation of the transformation by reducing complexity in the system landscape but also operationally and the expansion of the digital platform across all source markets were an essential part of the objective. Closely linked to this, the Supervisory Board has defined engagement goals that include, in particular, the retention and participation of employees and managers as well as a comprehensive change management process.

In addition, the members of the Executive Board have been given ambitious ESG targets. These include reducing the environmental impact of holidaymakers and strengthening the positive impact of tourism in the respective destinations. Due to the voluntarily declared waiver by the members of the Executive Board, the Supervisory Board has waived a determination of target achievement for EBIT and cash flow. The effects of the COVID-19 pandemic, which led to a temporary cessation of business operations and a considerable liquidity bottleneck, meant that neither of the two performance targets could have been achieved in financial year 2020, despite a strong start to the financial year in terms of bookings and massive cost-saving measures. As a result, there is no remuneration paid and owed in financial year 2021 within the meaning of section 162 para. 1 sentence 1, sentence 2 no. 1 AktG from the STI for financial year 2020.

Accordingly, the Supervisory Board waived the determination of the individual performance factor. Despite the immense amount of work demanded of the members of the Executive Board by the extraordinary challenges of financial year 2020, they showed above-average commitment and dedication, while remaining focused on the agreed targets. After intensive discussion and despite the voluntary waiver by the members of the Executive Board, the Supervisory Board has come to the conclusion that the targets have been met extremely satisfactorily and in part ahead of schedule, within the bounds of what is technically and operationally possible and taking into account the special challenges.

III.1.1.2 OUTLOOK FOR THE REMUNERATION PAID AND OWED IN FINANCIAL YEAR 2022 FROM STI

The EBIT and cash flow targets set by the Supervisory Board are based on the operational annual planning and are in line with the financial communication. The Supervisory Board has made use of the adjustment element of section G.11 of the DCGK implemented in the remuneration system and has set the target achievement corridor for EBIT and cash flow in accordance with the remuneration system. The reason for this is that the target corridors of the existing remuneration system lead to very narrow absolute corridors due to the low planning level with a negative EBIT. The availability of a vaccine or even further travel restrictions, all of which would have the potential for both maximum and minimum values to be reached very quickly, were identified as uncertainties here. Applying the adjustment element, the Supervisory Board decided to set the EBIT target value equal to the budget value in accordance with the usual procedure. A 50 % target achievement is reached at an EBIT of € –831 million, a 180 % target achievement as a maximum at € 169 million. For the cash flow, these values are € –312 million and € 688 million, whereby the target value also corresponds to the budget value.

With regard to the individual performance factor, the Supervisory Board decided before the start of financial year 2021 to defer the individual targets in favour of the overall Executive Board targets against the backdrop of the company-wide transformation process. Thus, the further implementation of the transformation by reducing the complexity in the system landscape but also operationally and the expansion of the digital platform across all source markets was an essential part of the target setting. In addition, the members of the Executive Board have been given ambitious sustainability targets. These include starting to develop a roadmap to become net carbon free by 2050, amplifying the positive impact of tourism in destinations and raising awareness of sustainable tourism.

The effects of the COVID-19 pandemic, which have led to considerable restrictions on business operations and a significant liquidity bottleneck, have meant that none of the performance targets could be achieved in financial year 2021, despite increasing bookings and massive cost-saving measures. As a result, there will be no remuneration paid and owed in financial year 2022 within the meaning of Section 162 (1) sentence 1,

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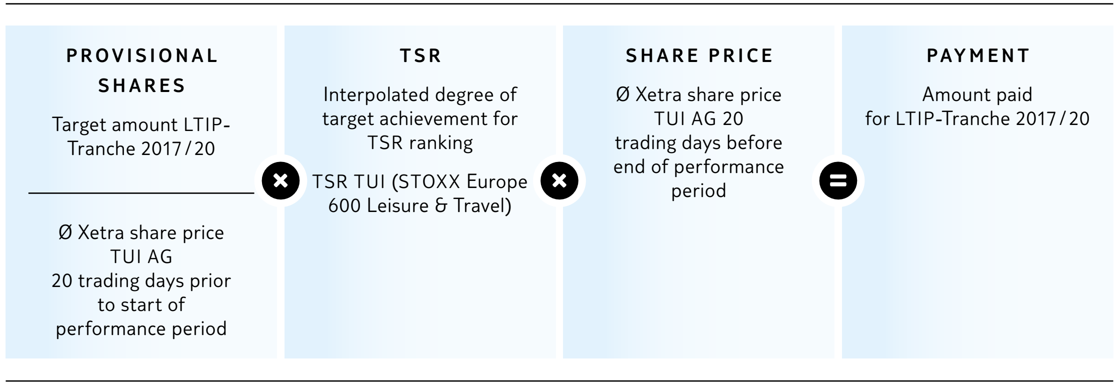
sentence 2 no. 1 AktG from the STI of financial year 2021. Furthermore, due to the conditions of the Framework Agreement II, bonuses and other variable or comparable remuneration components, among others, may not be granted and thus may not be constituted.

The Supervisory Board therefore decided not to set the individual performance factor. However, the Supervisory Board agreed in its discussions that the entire Executive Board did an excellent job in financial year 2021, even under extremely difficult boundary conditions. Through very stringent cash management and massive cost reductions to the point of tapping extensive sources of financing, the effects of the crisis that threatened the existence of the company were brought under control. Work was done early on to stabilise the balance sheet again. The Supervisory Board expressly acknowledges this extraordinary performance, which was achieved with tireless dedication.

III.1.2 LTIP

III.1.2.1 REMUNERATION PAID AND OWED IN FINANCIAL YEAR 2021 UNDER THE LTIP

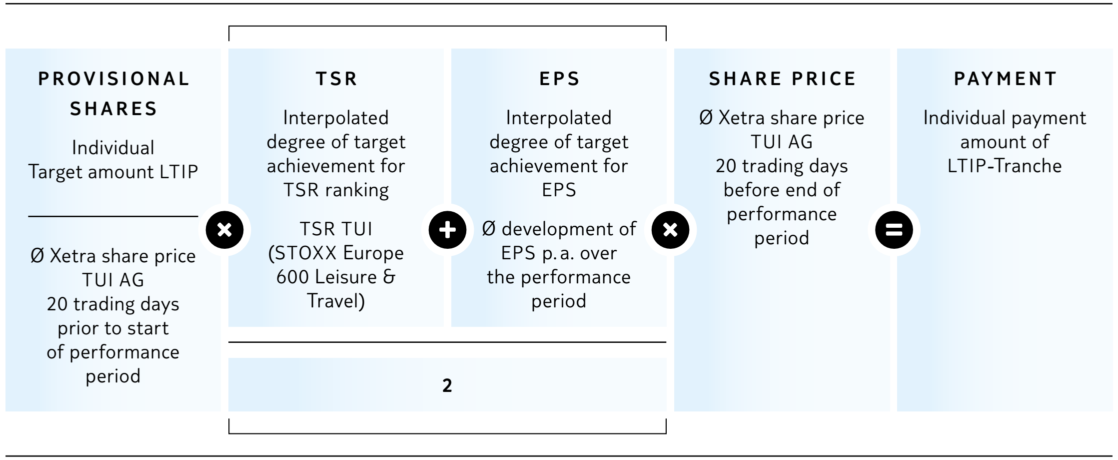
The payment of the 2017/2020 LTIP tranche is governed by the provisions of the remuneration system that was replaced on 1 October 2017.



An average stock exchange price of the TUI share of € 12.36 is to be used as a basis. At the end of the performance period on 30 September 2020, the average stock exchange price of the TUI share was € 3.44. Based on the target achievement level of TUI AG's TSR rank compared with the TSR values of the companies in the STOXX Europe 600 Travel & Leisure over the performance period, the LTIP results in a target achievement of 25 %. However, due to the voluntarily declared waiver, no payment was made for the LTIP tranche 2017/2020 for the active members of the Executive Board in financial year 2021. As a result, no remuneration paid and owed within the meaning of section 162(1) sentence 1, sentence 2 no. 1 AktG exists for the LTIP tranche 2017/2020 in financial year 2021.

III.1.2.2 OUTLOOK FOR THE REMUNERATION PAID AND OWED IN FINANCIAL YEAR 2022 FROM THE LTIP

The payment of the LTIP tranche 2018/2021 is governed by the provisions of the remuneration system, which came into force retroactively as of 1 October 2017.



The LTIP tranche was based on an average TUI AG share price of € 14.60 at the time of allocation. At the end of the performance period, TUI AG's average share price was € 3.62. The average share price of TUI AG at the end of the performance period was € 3.62. The average share price of TUI AG was € 3.62. Due to the degree of target achievement of TUI AG's TSR rank compared with the TSR values of the companies in the STOXX Europe 600 Travel & Leisure over the performance period, the target achievement for LTIP was 0 %. EPS also failed to reach a level of target achievement that would generally lead to a pay-out. Although the EPS for both financial year 2020 and 2021 were below the € 0.50 mark at which the Supervisory Board is to set new absolute target values for the EPS as well as minimum and maximum values for determining the percentage target achievement in accordance with the relevant remuneration system. As a result, however, the remuneration restrictions of the Framework Agreement II would not allow a pay-out. The Supervisory Board has therefore decided not to set any new absolute target values for EPS and minimum and maximum values for determining the percentage target achievement for the 2018/2021 LTIP tranche. For the LTIP tranche 2018/2021, there is no remuneration paid and owed in December 2021 within the meaning of section 162 para. 1 sentence 1, sentence 2 no. 1 AktG.

III.2 LOANS OR ADVANCES

As in the previous year, no loans or advances were granted to the members of the Executive Board in financial year 2021.

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III.3 APPLICATIONS

III.3.1 'REMUNERATION PAID AND OWED' WITHIN THE MEANING OF SECTION 162 PARA. 1 SENTENCE 1 AKTG IN FINANCIAL YEAR 2021

Pursuant to section 162 para. 1 sentence 1, sentence 2 no. 1 AktG, all fixed and variable remuneration components 'paid and owed' to the individual members of the Executive Board in financial year 2021 must also be disclosed. The values stated for both the STI and the LTIP for financial year 2021 refer to the remuneration components 'paid and owed' in the respective financial year pursuant to section 162 (1) sentence 1 AktG. They thus include all benefits actually received in the respective financial year, regardless of the financial year for which they were received by the members of the Executive Board. The value of the STI therefore corresponds to the amount for the STI from financial year 2020, which would not have been paid out until financial year 2021 in accordance with the service agreements. The value of the 2017/2020 LTIP tranche therefore corresponds in value to the amount for the LTIP whose four-year term ended on 30 September 2020, but which would not have been paid out until financial year 2021 in accordance with the service agreements.

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Remuneration 'paid 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 2015				Birgit Conix Member of the Executive Board, since 15 July 2018[5]			
	€ '000 2020[2]	in %[4]	**€ '000 2021**	**in %[4]**	€ '000 2020[2, 3]	in %[4]	**€ '000 2021**	**in %[4]**	€ '000 2020[2]	in %[4]	**€ '000 2021**	**in %[4]**
Fixed remuneration	1,045.0	61.1	1,100.0	63.0	611.9	70.9	680.0	73.4	646.0	72.2	418.6	69.0
Fringe benefits[6]	36.3	2.1	52.1	3.0	26.1	3.0	21.1	2.3	18.2	2.0	4.5	0.7
Total	**1,081.3**	**63.2**	**1,152.1**	**63.1**	**638.0**	**73.9**	**701.1**	**75.7**	**664.2**	**74.3**	**423.1**	**69.8**
STI	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 Tranche (2016–2019)	0.0	0.0			0.0	0.0			0.0	0.0		
LTIP Tranche (2017–2020)			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[7]	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	**1,081.3**	**63.2**	**1,152.1**	**66.0**	**638.0**	**73.9**	**701.1**	**75.7**	**664.2**	**74.3**	**423.1**	**69.8**
Pension/service costs[8]	628.3	36.8	592.7	34.0	225.0	26.1	225.0	24.3	230.0	25.7	183.4	30.2
Total remuneration	**1,709.6**	**100.0**	**1,744.8**	**100.0**	**863.0**	**100.0**	**926.1**	**100.0**	**894.2**	**100.0**	**606.5**	**100.0**

1 Member of the Executive Board since 15 October 2012; Co-Chairman of the Executive Board from 9 December 2014 to 9 February 2016.
2 Taking into account the voluntary waiver of 30 % of fixed remuneration for the months April and May 2020.
3 Taking into account an additional voluntary waiver of 30 % of the fixed remuneration for the months June to September 2020 due to national measures in the UK.
4 The relative shares stated here refer to the remuneration components 'paid and owed' in the respective financial year in accordance with section 162 para. 1 sentence 1 AktG. They thus all benefits actually received in the respective financial year, irrespective of the financial year for which they were paid to the Executive Board members. The relative are therefore not comparable with the relative shares in the description of the remuneration system pursuant to section 87a para. 1 no. 3 AktG, which will be submitted to the Annual General Meeting together with this remuneration report. The shares stated in the remuneration system refer to the respective target values.
5 Pro rata temporis until 14 July 2021.
6 Without insurance from group contracts.
7 The service agreements 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 2021 TUI AG has not made use of this provision.
8 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 .
9 Pro rata temporis from 1 January 2021.
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Remuneration 'paid 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				**Peter Krueger[9]** Member of the Executive Board, since 1 January 2021			
	€ '000 2020[2]	in %[4]	**€ '000 2021**	**in %[4]**	€ '000 2020[2]	in %[2]	**€ '000 2021**	**in %[4]**	€ '000 2020	in %[2]	**€ '000 2021**	**in %[4]**
Fixed remuneration	646.0	68.0	680.0	70.2	646.0	62.3	680.0	65.2			450.0	70.8
Fringe benefits[6]	18.0	1.9	18.0	1.9	34.4	3.3	18.0	1.7			13.5	2.1
Total	**664.0**	**69.9**	**698.0**	**72.0**	**680.4**	**65.6**	**698.0**	**67.0**			**463.5**	**72.9**
STI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0
LTIP												
LTIP Tranche (2016–2019)	0.0	0.0			0.0	0.0						
LTIP Tranche (2017–2020)			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
Claw Back according to §162 para. 1 sen. 2 no. 4 AktG[7]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0
Total	**664.0**	**69.9**	**698.0**	**72.0**	**680.4**	**65.6**	**698.0**	**67.0**			**463.5**	**72.9**
Pension/service costs[8]	285.9	30.1	271.1	28.0	356.7	34.4	344.2	33.0			172.5	27.1
Total remuneration	**949.9**	**100.0**	**969.1**	**100.0**	**1,037.1**	**100.0**	**1,042.2**	**100.0**			**636.0**	**100.0**

1 Member of the Executive Board since 15 October 2012; Co-Chairman of the Executive Board from 9 December 2014 to 9 February 2016.
2 Taking into account the voluntary waiver of 30 % of fixed remuneration for the months April and May 2020.
3 Taking into account an additional voluntary waiver of 30 % of the fixed remuneration for the months June to September 2020 due to national measures in the UK.
4 The relative shares stated here refer to the remuneration components 'paid and owed' in the respective financial year in accordance with section 162 para. 1 sentence 1 AktG. They thus all benefits actually received in the respective financial year, irrespective of the financial year for which they were paid to the Executive Board members. The relative are therefore not comparable with the relative shares in the description of the remuneration system pursuant to section 87a para. 1 no. 3 AktG, which will be submitted to the Annual General Meeting together with this remuneration report. The shares stated in the remuneration system refer to the respective target values.
5 Pro rata temporis until 14 July 2021.
6 Without insurance from group contracts.
7 The service agreements 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 2021 TUI AG has not made use of this provision.
8 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 .
9 Pro rata temporis from 1 January 2021.
10 Pro rata temporis from 1 July 2021.

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Remuneration 'paid and owed remuneration' pursuant to section 162 (1) sentence 1 AktG

	Sybille Reiss[10] Member of the Executive Board / Labour Director since 1 July 2021				Frank Rosenberger Member of the Executive Board since 1 January 2017			
	€ '000 2020	in %[4]	**€ '000 2021**	**in %[4]**	€ '000 2020[2]	in %[4]	**€ '000 2021**	**in %[4]**
Fixed remuneration			150.0	70.8	570.0	57.2	600.0	59.2
Fringe benefits[6]			4.5	2.1	18.0	1.8	30.5	3.0
Total			**154.5**	**15.9**	**588.0**	**59.0**	**630.5**	**62.3**
STI			0.0	0.0	0.0	0.0	0.0	0.0
LTIP								
LTIP Tranche (2016–2019)					0.0	0.0		
LTIP Tranche (2017–2020)							0.0	0.0
Others			0.0	0.0	0.0	0.0	0.0	0.0
Claw Back according to § 162 para. 1 sen. 2 no. 4 AktG[7]			0.0	0.0	0.0	0.0	0.0	0.0
Total			**154.5**	**15.9**	**588.0**	**59.0**	**630.5**	**62.3**
Pension / service costs[8]			57.5	27.1	408.8	41.0	382.2	37.7
Total remuneration			**212.0**	**100**	**996.8**	**100.0**	**1,012.7**	**100**

1 Member of the Executive Board since 15 October 2012; Co-Chairman of the Executive Board from 9 December 2014 to 9 February 2016.
2 Taking into account the voluntary waiver of 30 % of fixed remuneration for the months April and May 2020.
3 Taking into account an additional voluntary waiver of 30 % of the fixed remuneration for the months June to September 2020 due to national measures in the UK.
4 The relative shares stated here refer to the remuneration components 'paid and owed' in the respective financial year in accordance with section 162 para. 1 sentence 1 AktG. They thus all benefits actually received in the respective financial year, irrespective of the financial year for which they were paid to the Executive Board members. The relative are therefore not comparable with the relative shares in the description of the remuneration system pursuant to section 87a para. 1 no. 3 AktG, which will be submitted to the Annual General Meeting together with this remuneration report. The shares stated in the remuneration system refer to the respective target values.
5 Pro rata temporis until 14 July 2021.
6 Without insurance from group contracts.
7 The service agreements 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 2021 TUI AG has not made use of this provision.
8 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 .
9 Pro rata temporis from 1 January 2021.
10 Pro rata temporis from 1 July 2021.

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III.3.2 COMPARISON OF THE ANNUAL CHANGE IN THE REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD WITH THE DEVELOPMENT OF EARNINGS AND THE AVERAGE REMUNERATION OF EMPLOYEES OF TUI AG

The following table shows a comparison of the percentage change in the remuneration of the Executive Board members with the development of TUI AG's earnings and with the average remuneration of employees on a full-time equivalent basis compared with the previous financial year.* The remuneration of the Executive Board members included in the table reflects the amounts actually received in the respective financial year. For active members of the Executive Board, these values for financial year 2021 correspond to the values stated in the table 'Remuneration paid and owed pursuant to section 162 para. 1 sentence 1 AktG' (page 134 ff.).

As a matter of principle, the development of earnings is presented on the basis of the development of TUI AG's net profit for the year in accordance with section 275 sub-section 2 no 17 of the German Commercial Code (HGB). Since the remuneration of the Executive Board members also depends to a significant extent on the development of Group key figures, the TUI Group's earnings trend also includes the development of the TUI Group's underlying EBIT shown in the consolidated financial statements for financial years 2020 and 2021 and the TUI Group's underlying EBITA shown in the consolidated financial statements for financial years 2016 to 2019.

The comparison with the development of average employee remuneration is based on the average remuneration of TUI AG's workforce. Since the employee and remuneration structures in the subsidiaries are diverse, in particular in the case of employees abroad, it is appropriate to base the comparison of the development of average remuneration only on TUI AG's workforce. This comparative group was also used to review the appropriateness of the remuneration of the Executive Board members. The remuneration of all employees, including executive employees within the meaning of section 5 sub-section 3 German Works Council Constitution Act (Betriebsverfassungsgesetz – BetrVG), was taken into account. Where employees also received remuneration as members of TUI AG's Supervisory Board, this remuneration was not taken into account. In order to ensure comparability, the remuneration of part-time employees was extrapolated to full-time equivalents.

* Pursuant to section 26j, paragraph 2, sentence 2 of the Introductory Act to the Stock Corporation Act (EGAktG), a comparison of the average remuneration of employees on a full-time equivalent basis over the last five financial years pursuant to section 162, paragraph 1, sentence 2, no. 2 of the German Stock Corporation Act (AktG) is not yet to be included in the remuneration report.

Comparison of annual change to Executive Board remuneration according to section 162 para. 1 no. 2 AktG

Annual change (in %)	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017	2017 vs. 2016
Executive Board remuneration[1]					
Friedrich Joussen	5 %	–1 %	–74 %	31 %	5 %
David Burling	7 %	– 8 %	– 55 %	14 %	7 %
Birgit Conix	– 32 %	– 4 %	144 %		
Sebastian Ebel	4 %	– 2 %	– 58 %	30 %	3 %
Dr Elke Eller	–1 %	0 %	– 48 %	9 %	6 %
Peter Krueger					
Sybille Reiss					
Frank Rosenberger	5 %	–1 %	– 45 %	36 %	
Horst Baier (CFO until 30 September 2018)[2]	5 %	10 %	–73 %	8 %	–13 %
Michael Frenzel (CEO until 31 March 2014)[3]	1 %	1 %	2 %	2 %	0 %
Earnings performance					
TUI AG[4]	30 %	–1,994 %	– 88 %	33 %	430 %
TUI Group[5]	69 %	– 435 %	– 22 %	4 %	1 %
Average employee remuneration on FTE basis					
Company employees	6 %	– 2 %			

1 Remuneration paid and owed within the meaning of section 162 para. 1 sentence 1 AktG (fixed remuneration, STI, LTIP, fringe benefits and fixed annual pension payment for Mr Burling, Ms Conix, Mr Krueger and Ms Reiss.

2 Mr Baier received a payout from his pension plan in financial years 2019 to 2021. In financial year 2021, he received a payout from the remuneration paid and owed from the 2017 / 2020 LTIP tranche.

3 Mr Frenzel received payouts from his pension plan in financial years 2016 to 2021.

4 Annual result within the meaning of section 275 para 2 no. 17 HGB.

5 Adjusted EBIT of the TUI Group for financial years 2021 and 2020. For financial years 2016 to 2019, adjusted EBITA of the TUI Group.

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REVIEW OF THE APPROPRIATENESS OF EXECUTIVE BOARD REMUNERATION AND PENSIONS

The Supervisory Board conducted the annual review of the Executive Board remuneration and pensions for financial year 2021. It came to the conclusion that the amount of the Executive Board remuneration and the pensions are appropriate from a legal point of view within the meaning of section 87 para 1 of the German Stock Corporation Act (AktG).

For the assessment of the appropriateness of the Executive Board remuneration and the pension, the Supervisory Board also regularly takes external advice. This involves assessing the relationship between the amount and structure of Executive Board remuneration and the remuneration of senior management and the workforce as a whole from an external perspective (vertical comparison). In addition to a status quo analysis, the vertical comparison also takes into account the development of remuneration ratios over time. Secondly, the remuneration level and structure are assessed on the basis of TUI AG's positioning in a comparative market (horizontal comparison). The comparative market consists of a combination of DAX and MDAX companies falling within the scope of the German Stock Corporation Act (AktG), belonging to related sectors or having comparable core characteristics and with which there is a similarity in terms of company size. In addition to the fixed remuneration, the horizontal comparison also includes the short- and long-term remuneration components as well as the amount of the company pension plan.

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	Zalando SE	MDAX
HOCHTIEF AG	MDAX		

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Against the backdrop of the remuneration restrictions and the resulting elimination of the payment of variable remuneration components, the Supervisory Board did not commission a corresponding expert opinion on the appropriateness of the remuneration level for members of the Executive Board for financial year 2021. As in financial years 2019 and 2020, the remuneration was significantly below that of financial year 2018, the appropriateness of which was again assessed and confirmed. The amount of the remuneration paid and owed, which for financial year 2021 consists only of fringe benefits and pension contributions in addition to the fixed remuneration, was largely known to the Annual General Meeting, which approved the remuneration system in financial year 2021.

III.3.3 BENEFITS TO FORMER MEMBERS OF THE EXECUTIVE BOARD

For former members of the Executive Board and their surviving dependents, total pension payments in financial year 2021 amounted to € 6,074.2 k (previous year € 6,055.3 k). Of this amount, € 884.9 thousand was attributable to Michael Frenzel, who left the Executive Board on 31 March 2014, and € 955.8 thousand to Horst Baier, who left the Executive Board on 30 September 2018, in financial year 2021. The remaining payments related to former members of the Executive Board who left TUI AG's Executive Board more than ten years ago.

At the balance sheet date, pension provisions for former members of the Executive Board and their surviving dependants totalled € 71,766.5 k (previous year: € 73,483.7 k) measured in accordance with IAS 19 – excluding Mr Ebel's entitlements of € 5,762.4 k (previous year: € 5,721.7 k) earned in the framework of his service for the TUI Group before 31 August 2006.

Mr Baier, who resigned from the Executive Board of TUI AG as at 30 September 2018, has an entitlement to payment from the 2017 / 2020 LTIP tranche of € 47.0 k, which expired on 30 September 2020. This entitlement was paid out in December 2020 in accordance with the service agreement and is therefore to be regarded as paid and owed in financial year 2021 within the meaning of section 162 para. 1 sentence 1, sentence 2 no. 1 AktG. The allocation of the LTIP tranche 2017 / 2020 was based on an average stock market price of the TUI AG share of € 12.36. The performance period ended on 31 December 2020. At the end of the performance period, the average stock market price of the TUI AG share was € 3.44. Due to the degree of target achievement of TUI AG's TSR rank compared with the TSR values of the companies in the STOXX Europe 600 Travel & Leisure over the performance period, the LTIP achieved a target of 25 %. As Mr Baier was no longer an active member of the Executive Board at the time the Framework Agreement II was concluded, the remuneration restrictions do not apply to him.

Based on the above information, the relative share of Mr Baier's pension payment is approximately 95.3 % of the remuneration paid and owed to him in financial year 2021 within the meaning of section 162 para. 1 sentence 1, sentence 2 no. 1 of the AktG. The relative share of the payment amount from the 2017 / 2020 LTIP tranche is accordingly approx. 4.7 % of the remuneration paid and owed to him in financial year 2021 within the meaning of section 162 para. 1 sentence 1, sentence 2 no. 1 of the AktG.

Mr Baier also has a claim to payment from the LTIP tranche 2018 / 2021, which expired on 30 September 2021. This claim of € 51.1 k will be paid out in December 2021 in accordance with the service agreement and is therefore not to be regarded as paid and owed within the meaning of section 162 para. 1 sentence 1, sentence 2 no. 1 AktG until financial year 2022. The allocation of the LTIP tranche 2018 / 2021 was based on an average stock exchange price of the TUI AG share of € 14.60. At the end of the performance period, the average stock market price of the TUI AG share was € 3.62. Due to the degree of target achievement of TUI AG's TSR rank compared with the TSR values of the companies in the STOXX Europe 600 Travel & Leisure over the performance period, the LTIP achieved a target of 25 %. As Mr Baier was no longer an active member of the Executive Board at the time the Framework Agreement II was concluded, the remuneration restrictions do not apply to him.

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Supervisory Board and Supervisory Board Remuneration

CONFIRMATION OF THE REMUNERATION SYSTEM BY THE SHAREHOLDERS

According to the German Stock Corporation Act (AktG) in the version of the SRD II, the Annual General Meeting of a listed company must resolve on the remuneration of the members of the Supervisory Board at least every four years. A resolution confirming the existing remuneration is also permissible. The resolution must comply with new formal requirements. Such a resolution was passed by the Annual General Meeting on 25 March 2021. The remuneration system for the members of the Supervisory Board was approved by 99.7 % and thus adopted.

COMPOSITION OF THE SUPERVISORY BOARD

In accordance with the Articles of Association, the Supervisory Board of TUI AG comprises a total of 20 members. At the Annual General Meeting on 25 March 2021, four shareholder representatives had to be newly elected or re-elected. The elections and re-elections of employee representatives were held in the run-up to the Annual General Meeting.

Composition of the Supervisory Board

Dr Dieter Zetsche	Member since 13 February 2018 Chairman
Frank Jakobi*	Member since 15 August 2007 Vice-Chairman
Peter Long	Member from 9 February 2016 to 25 March 2021 Vice-Chairman
Ingrid-Helen Arnold	Member since 11 February 2020
Andreas Barczweski*	Member since 10 May 2006
Peter Bremme*	Member since 2 July 2014
Dr Jutta Dönges	Member since 25 March 2021
Prof. Dr Edgar Ernst	Member since 9 February 2011
Wolfgang Flintermann*	Member since 13 June 2016
María Garaña Corces	Member since 11 February 2020
Angelika Gifford	Member from 26 March 2012 to 28 October 2014 and from 9 February 2016 until 25 March 2021
Stefan Heinemann*	Member since 21 July 2020
Dr Dierk Hirschel*	Member from 16 January 2015 to 25 March 2021
Janina Kugel	Member since 25 March 2021
Mark Muratovic*	Member since 25 March 2021
Vladimir Lukin	Member from 12 February 2014 to 28 October 2014 and since 5 June 2019
Coline McConville	Member since 12 December 2014
Alexey Mordashov	Member since 9 February 2016
Michael Pönipp*	Member from 17 April 2013 to 28 February 2021
Carola Schwirn*	Member since 1 August 2014
Anette Strempel*	Member since 2 January 2009
Joan Trían Riu	Member since 12 February 2019
Tanja Viehl*	Member since 25 March 2021
Stefan Weinhofer*	Member since 9 February 2016

*Workers' representatives

I REMUNERATION OF THE SUPERVISORY BOARD IN FINANCIAL YEAR 2021

The rules and remuneration of the members of the Supervisory Board are set out in section 18 of TUI AG's Articles of Association, which are permanently accessible to the public on the internet. Supervisory Board remuneration is reviewed at appropriate intervals. This takes account of the time expected to be spent on the exercise of the office and the practice in companies of comparable size, industry and complexity.

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(1) Fixed remuneration Supervisory Board	TARGET	The aim is to attract and retain highly qualified members of the Supervisory Board. This will promote the efficiency of the Supervisory Board's work and the long-term development of TUI AG. • Chairman: € 270.0 k • Vice-Chairman: € 180.0 k • Member: € 90.0 k • In each case plus the value-added tax on the emoluments In accordance with the provisions of TUI AG's Articles of Association, retired members of the Supervisory Board shall receive (pro rata temporis) fixed remuneration from TUI AG for the last time immediately after the end of the financial year in which they resigned for the duration of their membership of TUI AG's Supervisory Board. After the final payment of the (pro rata temporis) fixed remuneration, retired members of the Supervisory Board shall no longer receive any remuneration from TUI AG for their former Supervisory Board activities.
(2) Fixed remuneration Committees	PRESIDIUM	• Chairman: € 42.0 k • Member: € 42.0 k
	AUDIT COMMITTEE	• Chairman: € 126.0 k • Member: € 42.0 k
	STRATEGY COMMITTEE	• Chairman: € 84.0 k • Member: € 42.0 k
	NOMINATING COMMITTEE	• none
	TRANSACTION COMMITTEES	• none
(3) Attendance fees		• Supervisory Board: € 1.0 k per meeting • Presidium: € 1.0 k per meeting • Audit Committee: € 1.0 k per meeting • Strategy Committee: € 1.0 k per meeting • Nomination Committee: € 1.0 k per meeting • Transaction Committees: none
(4) Maximum remuneration		Since the remuneration of the members of the Supervisory Board does not consist of variable but exclusively of fixed components, there is no need to determine a maximum total remuneration for the members of the Supervisory Board. The provisions of the German Stock Corporation Act (AktG) in the version of the SRD II expressly provide for the determination of a maximum remuneration only for the members of the Executive Board, but not for the members of the Supervisory Board.
(5) D&O	TARGET	In addition, the members of the Supervisory Board are included in a pecuniary damage liability insurance policy (so-called D&O insurance) maintained by the company in the interest of the company at an appropriate amount. The premiums for this are paid by the company. There is no deductible.

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I.1 TOTAL REMUNERATION OF THE SUPERVISORY BOARD

I.1.1 'REMUNERATION PAID AND OWED' WITHIN THE MEANING OF SECTION 162 PARA. 1 SENTENCE 1 AKTG IN THE FINANCIAL YEAR 2021

Pursuant to section 162 para. 1 sentence 1, sentence 2 no. 1 of the German Stock Corporation Act (AktG), all fixed and variable remuneration components 'paid and owed' to the individual members of the Supervisory Board in financial year 2021 must also be disclosed. The values stated refer to the remuneration components 'paid and owed' in the respective financial year pursuant to section 162 (1) sentence 1 AktG. They thus include all benefits actually received in the respective financial year, regardless of the financial year for which they were received by the members of the Supervisory Board. In terms of value, the amounts for financial year 2020 are taken into account, which will not be paid out until financial year 2021 in accordance with the Articles of Association.

Total remuneration paid and owed to the Supervisory Board

€ '000	Outlook: 2022	**2021**	2020
Fixed remuneration	2,115.2	1,853.4	2,158.1
Longterm variable remuneration	n. a.	n. a.	252.9
Remuneration for committee memberships	1,029.2	1,064.0	1,084.4
Attendance fees	429.0	418.0	354.0
Remuneration for TUI AG Supervisory Board mandate	3,573.4	3,335.4	3,849.4
Remuneration for Supervisory Board mandates in the Group	38.7	37.3	40.6
Total	**3,612.1**	**3,372.7**	**3,890.0**

In addition, travel costs and expenses amounting to € 0 k (previous year € 187.6 k) were reimbursed. The remuneration of the Supervisory Board in financial year 2021, together with the reimbursement of travel costs and expenses, amounted to € 3,372.7 k (previous year € 4,077.6 k).

I.2.1 'REMUNERATION PAID AND OWED' WITHIN THE MEANING OF SECTION 162 PARA. 1 SENTENCE 1 OF THE GERMAN STOCK CORPORATION ACT (AKTG) IN THE FINANCIAL YEAR 2021. 1 SENTENCE 1 AKTG IN THE FINANCIAL YEAR 2021

Pursuant to section 162 para. 1 sentence 1, sentence 2 no. 1 of the German Stock Corporation Act (AktG), all fixed and variable remuneration components 'paid and owed' to the individual members of the Supervisory Board in financial year 2021 must also be disclosed. The values stated refer to the remuneration components 'paid and owed' in the respective financial year pursuant to section 162 (1) sentence 1 AktG. They thus include all benefits actually received in the respective financial year, regardless of the financial year for which they were received by the members of the Supervisory Board. In terms of value, the amounts for financial year 2020 are taken into account, which, in accordance with the Articles of Association, will only be paid out in financial year 2021.

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Paid and owed remuneration of the Supervisory Board (individual) in financial year 2021

	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)[2]	229.5	58.9	126.0	32.3	34.0	8.7			389.5
Frank Jakobi (Deputy Chairman)[3]	166.5	57.6	93.8	32.4	29.0	10.0			289.3
Peter Long (Deputy Chairman)[2]	153.0	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[6]	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[7]	76.5	63.1	26.8	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[3]	76.5	45.6	51.8	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 into account a voluntary waiver of 30 % of the fixed remuneration for the months April to September 2020.
[2] Taking into account an additional voluntary waiver of 30 % of the remuneration as Chairman / Deputy Chairman for the months April to September 2020.
[3] Pro rata temporis view of committee remuneration from 7 July 2020.
[4] Pro rata temporis view of all remuneration components as of 11 February 2020.
[5] Pro rata temporis view of all remuneration components until 11 February 2020.
[6] Pro rata temporis view of all remuneration components as of 21 July 2020.
[7] Pro rata temporis view of committee remuneration as of 11 February 2020.
[8] Pro rata temporis view of all remuneration components until 30 June 2020.

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I.2.2 OUTLOOK ON 'REMUNERATION PAID AND OWED' WITHIN THE MEANING OF SECTION 162 (1) SENTENCE 1 AKTG. 1 SENTENCE 1 AKTG IN THE FINANCIAL YEAR 2022

In terms of value, the outlook takes into account the amounts for financial year 2021, which, in accordance with the Articles of Association, will not be paid out until financial year 2022.

Outlook: Paid and owed remuneration of the Supervisory Board (individual) in financial year 2022

	Fixed remuneration € '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)[1]	270.0	59.4	147.6	32.5	37.0	8.1			454.6
Frank Jakobi (Deputy Chairman)	180.0	52.9	126.0	37.1	34.0	10.0			340.0
Peter Long (Deputy Chairman)[2]	87.8	52.9	61.3	36.9	17.0	10.2			166.1
Ingrid-Helen Arnold	90.0	87.4			13.0	12.6			103.0
Andreas Barczewski[3]	90.0	59.3	20.4	13.4	19.0	12.5	22.4	14.8	151.8
Peter Bremme	90.0	59.2	42.0	27.6	20.0	13.2			152.0
Dr Jutta Dönges[4]	46.5	46.5	43.4	43.4	10.0	10.0			99.9
Prof. Dr Edgar Ernst[1]	90.0	29.0	189.7	61.1	31.0	10.0			310.7
Wolfgang Flintermann	90.0	85.7			15.0	14.3			105.0
María Garaña Corces	90.0	86.5			14.0	13.5			104.0
Angelika Gifford[2]	43.8	44.4	40.8	41.4	14.0	14.2			98.6
Stefan Heinemann[1]	90.0	68.9	21.7	16.6	19.0	14.5			130.7
Dr Dierk Hirschel[2]	43.8	58.2	20.4	27.1	11.0	14.6			75.2
Janina Kugel[4]	46.5	86.9			7.0	13.1			53.5
Vladimir Lukin[1]	90.0	50.4	63.7	35.6	25.0	14.0			178.7
Coline McConville	90.0	58.8	42.0	27.5	21.0	13.7			153.0
Alexey Mordashov	90.0	46.6	84.0	43.5	19.0	9.8			193.0
Mark Muratovic[4]	46.5	55.2	21.7	25.7	12.0	14.2	4.1	4.9	84.3
Michael Pönipp[5]	43.8	39.5	40.8	36.8	14.0	12.6	12.3	11.1	110.9
Carola Schwirn	90.0	85.7			15.0	14.3			105.0
Anette Strempel	90.0	59.2	42.0	27.6	20.0	13.2			152.0
Joan Trían Riu	90.0	85.7			15.0	14.3			105.0
Tanja Viehl[4]	46.5	85.3			8.0	14.7			54.5
Stefan Weinhofer[1]	90.0	68.9	21.7	16.6	19.0	14.5			130.7
Total	**2,115.2**	**58.6**	**1,029.2**	**28.5**	**429.0**	**11.9**	**38.8**	**1.1**	**3,612.2**

1 Pro rata temporis view of individual committee remuneration as of 25 March 2021.
2 Pro rata temporis view of all remuneration components until 25 March 2021.
3 Pro rata temporis view of individual committee remuneration until 25 March 2021.
4 Pro rata temporis view of all remuneration components from 25 March 2021.
5 Pro rata temporis view of all remuneration components until 28 February 2021.

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I.3 COMPARISON OF THE ANNUAL CHANGE IN THE REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD WITH THE DEVELOPMENT OF EARNINGS AND THE AVERAGE REMUNERATION OF TUI AG EMPLOYEES

The following table shows a comparison of the percentage change in the remuneration of the members of the Supervisory Board with the development of TUI AG's earnings and with the average remuneration of employees on a full-time equivalent basis compared with the previous financial year*. The remuneration of the members of the Supervisory Board included in the table reflects the amounts actually received in the respective financial year. For financial year 2021, these values correspond to the values stated in the table 'Remuneration paid and owed within the meaning of section 162 para. 1 sentence 1 AktG' (page 134 ff.). Where members of the Supervisory Board had previously belonged to the Executive Board of TUI AG and received remuneration for this, this would not be included in the comparative presentation. However, this does not apply to any member of the Supervisory Board.

The development of earnings is generally presented based on the development of TUI AG's profit for the year in accordance with section 275 sub-section 2 no 17 of the German Commercial Code (HGB).

The comparison with the development of average employee remuneration is based on the average remuneration of TUI AG's workforce. Since the employee and remuneration structures in the subsidiaries are diverse, in particular in the case of employees abroad, it is appropriate to base the comparison of the development of average remuneration only on the workforce of TUI AG. The remuneration of all employees, including executive staff as defined in section 5 sub-section 3 of the German Works Council Constitution Act (BetrVG), was taken into account. Employee remuneration did not include remuneration received by employees as members of TUI AG's Supervisory Board. In order to ensure comparability, the remuneration of part-time employees was extrapolated to full-time equivalents.

* Pursuant to section 26j, para. 2, sentence 2 of the Introductory Act to the Stock Corporation Act (EGAktG), a comparison of the average remuneration of employees on a full-time equivalent basis over the last five financial years pursuant to section 162, paragraph 1, sentence 2, no. 2 of the Stock Corporation Act (AktG) is not yet to be included in the remuneration report.

Comparison of annual change to Executive Board remuneration according to section 162 para 1 no. 2 AktG

Annual change (in %)	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017	2017 vs. 2016
Supervisory Board remuneration[1]					
Dr Dieter Zetsche	17 %	71 %	268 %		
Frank Jakobi	18 %	0 %	–6 %	–3 %	–6 %
Peter Long	–46 %	–8 %	21 %	47 %	59 %
Ingrid-Helen Arnold	91 %				
Andreas Barczewski	–6 %	–13 %	5 %	–5 %	–22 %
Peter Bremme	9 %	–14 %	1 %	2 %	–12 %
Dr Jutta Dönges					
Prof. Dr Edgar Ernst	15 %	–6 %	17 %	–5 %	–26 %
Wolfgang Flintermann	16 %	–10 %	1 %	1 %	240 %
María Garaña Corces	96 %				
Angelika Gifford	–47 %	12 %	14 %	0 %	61 %
Stefan Heinemann	914 %				
Dr Dierk Hirschel	–46 %	–15 %	3 %	9 %	–7 %
Janina Kugel					
Vladimir Lukin	47 %	279 %			
Coline McConville	10 %	–16 %	3 %	3 %	–18 %
Alexey Mordashov	8 %	–8 %	5 %	–4 %	62 %
Mark Muratovic					
Michael Pönipp	–34 %	–8 %	2 %	–2 %	–20 %
Carola Schwirn	16 %	–21 %	3 %	2 %	–27 %
Anette Strempel	8 %	–14 %	0 %	0 %	–24 %
Joan Trían Riu	16 %	41 %			
Tanja Viehl					
Stefan Weinhofer	44 %	–10 %	1 %	2 %	54 %
Earnings performance					
Annual result (TUI AG)[2]	30 %	–1,994 %	–88 %	33 %	430 %
Average employee remuneration on FTE basis					
Company employees	6 %	–2 %			

[1] Changes result in particular from the time of entry into the Supervisory Board, membership of the committees and the respective date of resignation

[2] Annual result within the meaning of section 275 para. 2 no. 17 German Commercial Code (HGB)

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Apart from the work performed by the employee representatives in the framework of their employment contracts, the members of the Supervisory Board did not provide any personal services, such as consultancy or agency services, for TUI AG or its subsidiaries in financial year 2021 and therefore did not receive any additional remuneration based on such services.

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Consolidated Income Statement of TUI AG for the period from 1 Oct 2020 to 30 Sep 2021

€ million	Notes	2021	2020
Revenue	(1)	4,731.6	7,943.7
Cost of sales	(2)	5,955.4	9,926.1
Gross loss		**–1,223.8**	**–1,982.4**
Administrative expenses	(2)	840.5	1,017.3
Other income	(3)	250.6	574.4
Other expenses	(3)	11.5	15.2
Impairment of goodwill	(12)	–	68.1
Impairment (+) / Reversals of impairment (–) of financial assets	(41)	–38.0	180.6
Financial income	(4)	27.3	35.3
Financial expenses	(5)	464.1	321.7
Share of result of investments accounted for using the equity method	(6)	–232.7	–193.3
Impairment (+) / Reversals of impairment (–) of net investments in joint ventures and associates	(6)	5.0	34.5
Earnings before income taxes		**–2,461.7**	**–3,203.3**
Income taxes (expense [+], income [–])	(7)	19.2	–64.2
Group loss		**–2,480.9**	**–3,139.1**
Group loss attributable to shareholders of TUI AG	(8)	–2,467.2	–3,148.4
Group loss / profit attributable to non-controlling interest	(9)	–13.8	9.4

Earnings per share

€	Notes	2021	2020
Basic and diluted loss / earnings per share	(10)	**–2.58**	**–5.34**

Consolidated Statement of Comprehensive Income of TUI AG for the period from 1 Oct 2020 to 30 Sep 2021

€ million	Notes	2021	2020
Group loss		**–2,480.9**	**–3,139.1**
Remeasurements of defined benefit obligations and related fund assets		–257.5	25.5
Other comprehensive income of investments accounted for using the equity method that will not be reclassified		40.3	–51.6
Fair value loss on investments in equity instruments designated as at FVTOCI		–0.1	–27.7
Income tax related to items that will not be reclassified (expense [–], income [+])	(11)	139.3	–15.2
Items that will not be reclassified to profit or loss		**–78.0**	**–69.0**
Foreign exchange differences		119.9	–185.9
Foreign exchange differences outside profit or loss		71.7	–187.0
Reclassification		48.2	1.1
Cash flow hedges		144.0	–316.1
Changes in the fair value		309.1	–65.0
Reclassification		–165.1	–251.1
Other comprehensive income of investments accounted for using the equity method that may be reclassified		–22.4	13.0
Changes in the measurement outside profit or loss		–22.4	13.0
Income tax related to items that may be reclassified (expense [–], income [+])	(11)	–32.1	73.3
Items that may be reclassified to profit or loss		**209.4**	**–415.7**
Other comprehensive income		**131.5**	**–484.7**
Total comprehensive income		**–2,349.4**	**–3,623.8**
attributable to shareholders of TUI AG		–2,350.3	–3,580.4
attributable to non-controlling interest		0.9	–43.4

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Consolidated Statement of Financial Position of TUI AG as at 30 Sep 2021

€ million	Notes	30 Sep 2021	30 Sep 2020
Assets			
Goodwill	(12)	2,993.1	2,914.5
Other intangible assets	(13)	498.6	553.5
Property, plant and equipment	(14)	3,159.3	3,462.5
Right-of-use assets	(15)	3,009.2	3,227.9
Investments in joint ventures and associates	(16)	640.5	1,186.7
Trade and other receivables	(17), (41)	308.7	402.4
Derivative financial instruments	(41)	8.9	7.4
Other financial assets	(41)	12.3	10.6
Touristic payments on account	(18)	107.6	149.9
Other non-financial assets	(19)	183.4	423.2
Income tax assets		9.6	9.6
Deferred tax assets	(20)	291.1	299.6
Non-current assets		**11,222.3**	**12,647.8**
Inventories	(21)	42.8	73.2
Trade and other receivables	(17), (41)	471.6	486.3
Derivative financial instruments	(41)	53.4	88.9
Other financial assets	(41)	12.1	14.9
Touristic payments on account	(18)	508.6	555.5
Other non-financial assets	(19)	106.7	113.4
Income tax assets		57.7	70.9
Cash and cash equivalents	(22), (41)	1,583.9	1,233.1
Assets held for sale	(23)	96.5	57.2
Current assets		**2,933.3**	**2,693.4**
Total assets		**14,155.7**	**15,341.1**

Consolidated Statement of Financial Position of TUI AG as at 30 Sep 2021

€ million	Notes	30 Sep 2021	30 Sep 2020
Equity and liabilities			
Subscribed capital	(24)	1,099.4	1,509.4
Capital reserves	(25)	5,249.6	4,211.0
Revenue reserves	(26)	–8,525.7	–6,168.8
Silent participation	(27)	1,091.0	–
Equity before non-controlling interest		**–1,085.8**	**–448.4**
Non-controlling interest	(29)	667.3	666.5
Equity		**–418.4**	**218.1**
Pension provisions and similar obligations	(30)	901.9	983.6
Other provisions	(31)	763.6	912.1
Non-current provisions		**1,665.5**	**1,895.7**
Financial liabilities	(32), (41)	3,036.1	3,691.7
Lease liabilities	(32), (41)	2,606.1	2,712.6
Derivative financial instruments	(41)	10.9	44.0
Other financial liabilities	(33), (41)	5.9	7.2
Other non-financial liabilities	(35)	206.3	198.4
Income tax liabilities		56.4	61.3
Deferred tax liabilities	(20)	123.3	192.7
Non-current liabilities		**6,045.1**	**6,908.1**
Non-current provisions and liabilities		**7,710.5**	**8,803.7**
Pension provisions and similar obligations	(30)	33.2	31.4
Other provisions	(31)	539.5	390.3
Current provisions		**572.7**	**421.6**
Financial liabilities	(32), (41)	284.6	577.3
Lease liabilities	(32), (41)	623.3	687.3
Trade payables	(41)	2,052.4	1,611.5
Derivative financial instruments	(41)	12.9	274.8
Other financial liabilities	(33), (41)	313.0	422.0
Touristic advance payments received	(34)	2,379.4	1,770.1
Other non-financial liabilities	(35)	518.0	447.8
Income tax liabilities		56.7	82.4
Current liabilities		**6,240.3**	**5,873.2**
Liabilities related to assets held for sale	(36)	50.6	24.5
Current provisions and liabilities		**6,863.6**	**6,319.3**
Total equity, liabilities and provisions		**14,155.7**	**15,341.1**

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Consolidated Statement of Changes in Equity of TUI AG for the period from 1 Oct 2020 to 30 Sep 2021

€ million	Subscribed capital	Capital reserves	Other revenue reserves	Foreign exchange differences	Financial assets at FVTOCI	Cash flow hedges	Revaluation reserve	Revenue reserves	Silent Participation	Equity before non-controlling interest	Non-controlling interest	**Total**
Notes	(24)	(25)						(26)	(27)		(29)	
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 on the acquisition of non-controlling interests	–	–	–0.3	–	–	–	–	–0.3	–	–0.3	–1.3	–1.6
Group 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 investments accounted for using the equity method	–	–	–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

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Consolidated Statement of Changes in Equity of TUI AG for the period from 1 Oct 2020 to 30 Sep 2021

€ million	Subscribed capital	Capital reserves	Other revenue reserves	Foreign exchange differences	Financial assets at FVTOCI	Cash flow hedges	Revaluation reserve	Revenue reserves	Silent Participation	Equity before non-controlling interest	Non-controlling interest	**Total**
Notes	(24)	(25)						(26)	(27)		(29)	
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**
Dividends	–	–	–	–	–	–	–	–	–	–	–0.1	–0.1
Share-based payment schemes	–	–	0.3	–	–	–	–	0.3	–	0.3	–	0.3
Issuance of bonds with warrant and convertible bonds	–	93.9	–	–	–	–	–	–	–	93.9	–	93.9
Capital increase	509.0	26.9	–	–	–	–	–	–	1,091.0	1,626.9	–	1,626.9
Capital reduction	–919.0	917.8	–	–	–	–	–	–	–	–1.2	–	–1.2
Other	–	–	–6.9	–	–	–	–	–6.9	–	–6.9	–	–6.9
Group profit/loss for the year	**–**	**–**	**–2,467.2**	**–**	**–**	**–**	**–**	**–2,467.2**	**–**	**–2,467.2**	**–13.7**	**–2,480.9**
Foreign exchange differences	–	–	–45.2	153.8	–	–3.9	–	104.7	–	104.7	15.2	119.9
Financial assets at FVTOCI	–	–	–	–	–0.1	–	–	–0.1	–	–0.1	–	–0.1
Cash flow hedges	–	–	–	–	–	144.0	–	144.0	–	144.0	–	144.0
Remeasurements of defined benefit obligations and related fund assets	–	–	–257.5	–	–	–	–	–257.5	–	–257.5	–	–257.5
Other comprehensive income of investments accounted for using the equity method	–	–	18.5	–	–	–	–	18.5	–	18.5	–0.6	17.9
Taxes attributable to other comprehensive income	–	–	139.4	–	–	–32.1	–	107.3	–	107.3	–	107.3
Other comprehensive income	**–**	**–**	**–144.8**	**153.8**	**–0.1**	**108.0**	**–**	**116.9**	**–**	**116.9**	**14.6**	**131.5**
Total comprehensive income	–	–	–2,612.0	153.8	–0.1	108.0	–	–2,350.3	–	–2,350.3	0.9	–2,349.4
Balance as at 30 Sep 2021	**1,099.4**	**5,249.6**	**–7,301.9**	**–1,172.2**	**–24.0**	**–40.4**	**12.8**	**–8,525.7**	**1,091.0**	**–1,085.8**	**667.3**	**–418.4**

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Consolidated Cash Flow Statement of TUI AG for the period from 1 Oct 2020 to 30 Sep 2021

€ million	Notes	2021	2020
Group loss		–2,480.9	–3,139.1
Depreciation, amortisation and impairment (+)/write-backs (–)		1,012.4	1,573.5
Other non-cash expenses (+)/income (–)		163.0	313.4
Interest expenses		461.6	305.6
Dividends from joint ventures and associates		14.2	7.1
Profit (–)/loss (+) from disposals of non-current assets		–204.4	–564.3
Increase (–)/decrease (+) in inventories		16.2	33.1
Increase (–)/decrease (+) in receivables and other assets		390.8	627.9
Increase (+)/decrease (–) in provisions		–137.4	74.1
Increase (+)/decrease (–) in liabilities (excl. financial liabilities)		613.2	–2,003.2
Cash inflow/cash outflow from operating activities	(43)	**–151.3**	**–2,771.9**
Payments received from disposals of property, plant and equipment and intangible assets		357.9	109.9
Payments received from disposals of consolidated companies (less disposals of cash and cash equivalents due to divestments)		105.5	689.3
Payments received from disposals of other non-current assets		567.2	79.1
Payments made for investments in property, plant and equipment and intangible assets		–299.7	–587.0
Payments made for investments in consolidated companies (less cash and cash equivalents received due to acquisitions)		–5.3	–40.8
Payments made for investments in other non-current assets		–21.0	–88.6
Cash inflow/cash outflow from investing activities	(44)	**704.7**	**161.8**
Payments received from capital increase by issuing new shares		542.5	7.1
Payments received from capital increase through issuance of silent participations		1,084.4	–
Payments received from capital increase through equity components of the convertible bond and bond with warrants issued		116.9	–
Payments made for acquisition of own shares		–1.7	–1.0
Payments made for interest increase in consolidated companies		–	–1.6
Dividend payments			
TUI AG		–	–318.1
subsidiaries to non-controlling interest		–	–0.6
Payments received from the raising of financial liabilities		855.5	3,372.4
Payments made for redemption of loans and financial liabilities		–1,839.2	–81.4
Payments made for principal of lease liabilities		–587.2	–612.4
Interest paid		–404.8	–251.9
Cash inflow/cash outflow from financing activities	(45)	**–233.5**	**2,112.5**
Net change in cash and cash equivalents		**319.8**	**–497.6**
Development of cash and cash equivalents	(46)		
Cash and cash equivalents at beginning of period		**1,233.1**	**1,747.6**
Change in cash and cash equivalents due to exchange rate fluctuations		33.2	–17.0
Net change in cash and cash equivalents		319.8	–497.6
Cash and cash equivalents at end of period		**1,586.1**	**1,233.1**
of which included in the balance sheet as assets held for sale		2.2	–

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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, 30163 Hanover, Germany, 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 2021 comprising the period from 1 October 2020 to 30 September 2021. 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 6 December 2021.

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 2021 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 2021 are generally consistent with those followed in preparing the previous consolidated financial statements for financial year 2020, with the exception of the initial application of new or amended standards, as outlined below.

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NEWLY APPLIED STANDARDS

Since the beginning of financial year 2021, TUI Group has initially applied the following standards and interpretations, amended or newly issued by the IASB and endorsed by the EU, on a mandatory or voluntary basis:

Newly applied standards in financial year 2021

Standard	Applicable from	Amendments	Impact on financial statements
Amendments to IAS 1 & IAS 8 Definition of Materiality	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 impact.
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 impact.
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.	The assessment process used to determine whether an acquisition of a subsidiary falls into the scope of IFRS 3 was revised in the reporting period. As a result, accounting for acquisitions of hotel companies, in particular, will now be assessed on this revised basis.
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 must disclose the extent to which their hedges are affected by the interest rate benchmark reform.	Not material.
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 must 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 impact. TUI does not apply the new practical expedient.
Amendments to IFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021	1 Apr 2021	The amendments published by the IASB on 31 March 2020 extend the period of application of the aforementioned amendments to IFRS 16 issued on 28 May 2020 for another year.	No impact. TUI does not apply the practical expedient.

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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 2021, TUI Group's net debt (financial debt plus lease liabilities less cash and cash equivalents and less short-term interest-bearing investments) totalled € 4,954.2 m (as at 30 September 2020 € 6,420.9 m).

Net debt

€ million	30 Sep 2021	30 Sep 2020	Var. %
Financial debt	3,320.8	4,269.0	– 22.2
Lease liabilities (IFRS 16)	3,229.4	3,399.9	– 5.0
Cash and cash equivalents	1,583.9	1,233.1	+ 28.4
Short-term interest-bearing investments	12.1	14.9	– 18.8
Net debt	**– 4,954.2**	**– 6,420.9**	**+ 22.8**

The global travel restrictions to contain COVID-19 had a strong negative impact on the Group's earnings and liquidity development from the end of March 2020 and also throughout the 2021 financial year. To cover the resulting liquidity requirements, the Group also received financing measures in two steps from the Federal Republic of Germany in financial year 2020, in particular in the form of a credit line from KfW totalling € 2.85 bn and an option bond from the Economic Stabilization Fund (ESF) in the amount of € 150 m with initial option rights to around 58.7 m shares. The option bond was issued to the Economic Stabilization Fund on 1 October 2020. In the second quarter of financial year 2021, TUI secured further funds from a further financing package of € 1.8 bn agreed with Unifirm Ltd, a banking consortium and KfW as well as the ESF.

The preconditions for all components of the third financing package were created at the Extraordinary General Meeting of TUI AG on 5 January 2021. This included in particular the resolution to reduce the capital stock from € 2.56 per share to € 1.00 per share and the subsequent capital increase of around € 509 m.

The ESF and TUI AG subsequently signed the agreement on two silent participations totalling € 1.091 bn. The ESF measures comprise a silent participation convertible into shares in TUI of € 420 m (Silent Participation I) and a second silent participation (Silent Participation II) of € 671 m. As of 30 September 2021, silent participation I and II were fully paid in. In the IFRS consolidated financial statements, the silent participations are shown as equity due to their nature and are therefore not included in the Group's net debt. As part of the third financing package, KfW also participated in an additional loan facility together with private banks in the amount of € 200 m.

TUI AG successfully completed its capital increase on 28 January 2021. The gross issue proceeds amounted to around € 568 m. The Group's share capital increased nominally by just under € 509 m to around € 1.099 bn. The premium from the capital increase boosted the capital reserves by a further € 58.8 m.

With the funds from the capital increase, TUI repaid the outstanding senior bond (October 2016 – October 2021) of € 300 m early on 23 February 2021 in accordance with the terms and conditions of the bond. In accordance with the agreement on the loans granted by KfW under the three financing packages, the early redemption of the senior bond extended their maturities until July 2022.

On 16 April 2021, TUI AG issued a convertible bond with a total nominal amount of € 400 m, which was increased by a total nominal amount of almost € 190 m in July 2021. TUI received a total of more than € 600 m from the overall issue of the convertible bond. Provided the convertible bond has not been converted, redeemed or repurchased and retired ahead of schedule, it will be redeemed at its nominal amount on 16 April 2028. Investors have the option to convert the convertible bond into registered shares of TUI. TUI has used the proceeds from the overall issuance of the convertible bonds to refinance and to reduce drawings on the KfW facilities.

On 27 May 2021, TUI AG agreed to sell its 49 % stake in Riu Hotels S. A. to a company of the Riu Group owned by Carmen and Luis Riu. The transaction was completed on 31 July 2021 and resulted in a net cash inflow of € 541.4 m, which was used to reduce the Group's debt. Further purchase price payments will be made in financial year 2023 and 2024 if Riu Hotels S. A. achieves agreed earnings targets.

Already in H1 2021, cash inflows were also generated from the sale and leaseback of aircraft and spare parts.

On 27 July 2021, TUI agreed with the bank consortium and KfW on an extension of TUI AG's revolving credit facility ('RCF') and KfW credit line (both tranches) to summer 2024. TUI Group's revolving credit facilities currently amount to € 4.8 bn. For regulatory reasons due to Brexit, the credit line of a British bank (around € 80 m cash and € 25 m guarantee line) cannot be extended beyond summer 2022, so that thereafter the credit lines will total € 4.7 bn until 2024. At the same time, the term of the loan facility of € 200 m was also agreed to the summer of 2024.

With the extension of the KfW credit lines, it was also agreed that TUI AG would use 50 % of individual cash inflows exceeding € 50 m by 20 July 2022, but a maximum amount of € 700 m, e. g. from capital measures or the sale of assets or companies, to first reduce the volume of the loan facility of € 200 m and subsequently the KfW credit line and repay it if utilised. The reduction is to be made for the first time on 1 April 2022. The cash inflows from the sale of Riu Hotels S. A. are excluded from this provision. After 20 July 2022 in general 50 % of certain cash flows exceeding € 50 m are to be used. There is no maximum amount defined.

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As at 30 September 2021, the loan facility was reduced by € 30 m from € 200 m to € 170 m. The facility was not utilised at any time in the financial year 2021. Therefore, not all requirements for the use of the facility have been met yet, but this would be possible in the short term.

The TUI Group's current credit facilities comprise the following

- € 1.75 bn credit line from 20 private banks (incl. € 215 m guarantee line)
- € 1.8 bn KfW from 1st financing package
- € 1.05 bn KfW from 2nd financing package
- € 0.17 bn KfW and private banks from 3rd financing package (currently not available as described above).

TUI AG's RCF and KfW credit line are subject to compliance with certain financial target values (covenants) for debt coverage and interest coverage, the review of which is carried out based on the last four reported quarters at the end of the financial year or the half-year of a financial year. Against the backdrop of the ongoing pressures from the COVID-19 pandemic, the review is currently suspended. On 9 June 2021 and again when the credit lines were extended, TUI AG's creditor banks agreed to a further suspension of the review of these covenants until the end of March 2022, so that the review will now only be resumed in September 2022. In addition, higher limits will be applied at the first two cut-off dates before normalised limits have to be complied with from September 2023.

Upon entry of the new shares in the commercial register on 28 October 2021 and final settlement with the banks involved on 2 November 2021, TUI AG successfully completed another capital increase. The gross issue proceeds amount to around € 1.1 bn. The Group's share capital will nominally increase by € 523.5 m to € 1.623 bn. The proceeds from the capital increase will be used to decrease the drawdown on the KfW credit line and the banks' cash facility (RCF). On 1 April 2022 the € 0.17 bn credit facility will then be cancelled in total, the € 1.05 bn credit facility will be cancelled by € 505 m in particular in relation to the net proceeds of the capital increase.

Currently, the TUI Group continues to be affected by the negative financial impact of the COVID-19 pandemic.

After a significant decrease in the number of COVID-19 cases in the summer of 2021, many countries are currently recording a significant increase in infections again. As a result, contact restriction measures have been tightened again in the affected countries. Due to ongoing changes in travel restrictions, it remains impossible to predict when TUI will be able to fully resume its travel programme. In particular, it is not possible at this time to reliably predict how quickly vaccination against the COVID-19 virus can be completed in each country, whether new variants of the virus will emerge, and when medications will be available to treat COVID-19 disease. However, it is now foreseeable that sufficient vaccines will be available in our key source markets and destinations to ensure a further recovery in travel in the financial year 2022.

With the customer deposits received for the coming seasons, the funds from the financing measures implemented in the year under review (capital increase in January 2021 and the convertible bond placed in April), the cash inflow from the sale of Riu Hotels S. A., the extension of the revolving credit facilities including the further suspension of the review of the financial covenants as well as the further capital increase in October 2021, which took place after the balance sheet date, the Executive Board believes that, despite the existing risks, the TUI Group currently has and will continue to have sufficient funds resulting both from the borrowing and from expected operating cash flows to meet its payment obligations and to continue in the foreseeable future as a going concern. Therefore, as at 30 September 2021, the Board no longer identifies any material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. In this context, the Executive Board assumes that the credit lines expiring in summer 2024 will be refinanced. The Executive Board as at September 2021 no longer considers the remaining risk with regard to a further pandemic-related change in booking behaviour as a threat to the company as a going concern. In its assessment, the Executive Board assumes that the booking figures will gradually recover in the financial year 2022 and volumes in the summer of 2022 will settle at approximately the normalised level of the summer of 2019. For the 2023 financial year, it is expected that the booking behaviour in the financial year 2023 will largely correspond to the pre-pandemic level. The Executive Board assumes that there will be no further long-term closures and lockdowns that could affect travel behaviour. Nevertheless, customer bookings may deteriorate due to new travel restrictions, insufficient vaccination coverage against the COVID-19 virus in individual countries, and virus variants such as the new Omicron virus variant, for which there may not be sufficient vaccination protection, thereby affecting TUI Group's performance.

In accordance with Regulation 30 of the UK Corporate Governance Code, the Executive Board confirms that, in its opinion, it is appropriate to prepare the Group`s Financial Statements on a going concern basis.

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.

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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 are taken into account that are currently exercisable when decisions about the direction of relevant activities are made. 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 between 20 to 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 33 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.

GROUP OF CONSOLIDATED COMPANIES

In financial year 2021, the consolidated financial statements included a total of 272 subsidiaries. The table below presents changes in the number of companies since 1 October 2020.

Development of the group of consolidated companies[1] and the Group companies measured at equity

€ million	Consolidated subsidiaries	Associates	Joint ventures
Number at 30 Sep 2020	**277**	**19**	**30**
Additions	11	–	–
Incorporation	5	–	–
Expansion of business operations	1	–	–
Added to group of consolidated companies due to further acquisition of shares	5	–	–
Disposals	16	2	2
Liquidation	4	–	–
Sale	4	2	2
Merger	8	–	–
Change in ownership stake	–[2]	1	–1
Number at 30 Sep 2021	**272**	**18**	**27**

[1] excl. TUI AG
[2] Addition 1 / disposal –1

TUI AG's direct and indirect subsidiaries, associates and joint ventures are listed under Other Notes – TUI Group Shareholdings.

34 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.

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Acquisitions – Divestments

ACQUISITIONS OF THE CURRENT FINANCIAL YEAR

The acquisition of the interests in Karisma Hotels Adriatic d.o.o.za trgovinu i usluge, Zagreb, Croatia, resulted in an increase of the 33 % stake previously held by TUI Group to 100 %. This acquisition is not in the scope of IFRS 3. Accordingly, the purchase price is allocated to the individual acquired assets and liabilities, based on their fair value at the acquisition date. The consideration received comprises of settled purchase price payments of € 4.9 m and cash consideration of € 5.1 m.

Summary presentation of acquisitions

Name and headquarters of the acquired company	Business activity	Acquirer	Date of acquisition	Acquired share	Consideration transferred in € million
Karisma Hotels Adriatic d.o.o. za trgovinu i usluge, Zagreb, Croatia (subgroup)	Accommodation Service	TUI Travel Overseas Holding Limited	23.2.2021	67 %	10.0
Total					**10.0**

ACQUISITIONS OF THE PRIOR FINANCIAL YEAR

The purchase price allocation for the companies acquired in financial year 2020 had already been finalised in the prior year.

DIVESTMENTS

In March 2019, TUI Group sold its stake in the Corsair S.A. airline to Diamondale Ltd. and acquired a 27 % stake in Diamondale Ltd. for € 1. Since then, the investment has been carried as a TUI Group associate with a carrying amount of € 1. On 30 December 2020, TUI Group sold the indirect investment in Corsair S.A. As part of that transaction, on 29 December 2020, a 75.0 % stake in the aircraft asset company MSN 1359 GmbH was sold to Corsair S.A. for € 1. Following the divestment of the stake in MSN 1359 GmbH, previously recognised as a fully consolidated subsidiary, TUI Aviation GmbH has retained a 25.0 % stake, recognised as an associate accounted for using the equity method. The divestment of the stake generated a loss of € 3.3 m, carried in Other expenses.

On 10 May 2021, the stake in the fully consolidated hotel company Enterprises Hotelières et Touristiques Paladien Lena Mary S.A. in the Western Region segment was sold for a purchase price of € 6.1 m. The divestment generated a gain of € 2.3 m, carried in Other income.

In May 2021, the disposal group Tenuta di Castelfalfi S.p.A. in the Hotels & Resorts segment was reclassified to assets held for sale due to the Group's intention to sell the entity. On occasion of the reclassification, the disposal group was impaired by € 4.0 m to its selling price less costs to sell. The impairment is shown in the cost of sales. On 30 June 2021, the transaction was completed at a preliminary purchase price less costs to sell of € 18.5 m, generating a preliminary loss on disposal of € 0.2 m, carried in Other expenses.

An agreement on the disposal of the stake in the Riu Hotels S.A. joint venture was concluded on 27 May 2021. The stake was classified as held for sale at a carrying amount of € 379.3 m, carried in the Hotels & Resorts segment. The transaction was completed on 31 July 2021. The purchase price paid in the reporting period less the associated costs to sell was initially € 540.8 m. In October 2021, subsequent purchase price adjustments resulted in a reduction in the purchase price by € 23.9 m. Due to an earn-out clause applicable to Riu Hotels S.A. delivering its operating budgets for financial years 2022 and 2023, an amount of € 108.1 m was carried as a contingent purchase price payment which is reported in the balance sheet item trade receivables and other receivables. For further explanations with regard to the evaluation, please refer to note 41 'Financial instruments'. The goal of the transaction, which contributes to delivering the asset-right strategy, is to decouple growth in hotels from real estate investments. Adjusted for the accumulated foreign exchange differences of € – 49.0 m recognised in Other comprehensive income and reclassified to profit and loss with an equal and opposite entry in Other comprehensive income, the sale generated a profit of € 196.8 m, shown in Other income. The proceeds of the transaction will be used to reduce TUI Group's debt.

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On 27 September 2021, the 66.0 % stake in the fully consolidated travel agency company Cassata Travel s.r.l., Cefalù (Palermo), Italy, in the TUI Musement segment was sold for a purchase price of €1. The transaction generated a loss of €0.1 m, carried in Other expenses.

Condensed balance sheet of divestments

€ million	MSN 1359 GmbH 29 Dec 2020	Tenuta di Castelfalfi S.p.A. (subgroup) 30 Jun 2021
Assets		
Property, plant and equipment and intangible assets	24.5	13.3
Other non-current assets	–	0.1
Trade receivables	1.7	0.9
Other current assets	–	16.7
Cash and cash equivalents	2.0	0.7
	28.2	**31.7**
Provisions and liabilities		
Non-current liabilities	19.3	0.3
Current provisions	–	1.0
Trade payables	–	3.6
Other current liabilities	5.6	8.1
	24.9	**13.0**

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. As at 30 September 2021 TUI Group had granted loans of this type in particular to hotel companies in North Africa.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
1 € equivalent	**30 Sep 2021**	30 Sep 2020	**2021**	2020
Sterling	0.86	0.91	0.87	0.88
US dollar	1.16	1.17	1.20	1.12
Swiss franc	1.08	1.08	1.09	1.07
Swedish krona	10.22	10.53	10.18	10.58

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CONSOLIDATION METHODS

The recognition of the assets and liabilities of acquired businesses is based on the acquisition method. Accordingly all identifiable assets, all liabilities and certain contingent 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 a matter of principle, 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 combinations 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 total 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 entered into 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.

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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 certain software solutions were estimated to be 1 or 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 groups 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.

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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 38 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 10 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. In addition, a residual value of 20 % is used to determine the scheduled depreciation of spare parts. 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 are 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

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, provided 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.

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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 asset 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, the lease classification has been made by reference to the right-of-use asset arising from the head lease in accordance with IFRS 16 since 1 October 2019. 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.

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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. TUI applies the simplified approach for all trade receivables.

Impairments and reversals of impairments are recognised under 'impairment / reversals of impairment of financial assets' 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.

The bond with warrants and the convertible bond on shares in TUI AG have to be accounted for as compound financial instruments. Compound financial instruments are divided into an equity and a debt component in accordance with IAS 32. The debt component shown under financial liabilities is valued less the pro rata transaction costs and added to the repayment amount using the effective interest method. The equity component is valued at the residual value that results after deducting the amount determined for the debt component from the fair value of the entire instrument. The pro rata transaction costs of the equity component are deducted from this component. No gain or loss will result from the exercise or expiry of the relevant conversion option.

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

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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 of a derivative financial instrument not designated as a hedging instrument or the component of a derivative financial instrument not designated as a hedging instrument 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 applying 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 41 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 generally 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 non-financial 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.

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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. Government grants include, for example, income subsidies or social security contributions for short-time allowances. If short-time allowance is a personal benefit for the employee, the respective payments are not recognised as income in the statement of profit or loss.

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 'Share-based payments in accordance with IFRS 2'.

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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 reclassification to profit or loss)
Trade and other receivables	At amortised cost or at fair value through profit or loss (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
Inventories	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
Other 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 and provisions as well as contingent assets and 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 of 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 based on 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 that alters any of our assessments about what is reasonably certain. The lease term, for instance, is adjusted if an extension

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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
- Effect of climate-related risks on the measurement 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 uncertainties remain with regard to the recovery of the travel business. Accordingly a risk assessment was carried out for the Group's assets if there is evidence for impairment as at 30 September 2021. Higher risks for impairments were identified for the assets of the cash-generating units Robinson, TUI Blue and Northern Hotels of the segment Hotels & Resorts. Accordingly the assets of these cash-generating units, namely hotels and right of use assets for hotels, were tested for impairment. Furthermore tests were carried out in the case of additional indications for an impairment such as closing, disposals and restructurings. Finally all assets which have been impaired before were tested for further impairments or reversal of impairments.

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.

Due to the development of effective vaccines and the progress in vaccination in our key source markets and destinations, the affordable testing capacities and established hygiene measures the strict travel restrictions were gradually lifted in our source markets in summer 2021. Only in the United Kingdom were the travel restrictions lifted later and thus the demand recovered later. Overall the recovery fell short of the prior year expectations, especially due to the more comprehensive travel restrictions as expected and their revocation later than anticipated in summer 2021. Accordingly the revenues for the financial year 2021 were below forecast and lower than the revenues of the financial year 2020. However, the resumption of the travel activity in summer 2021 showed that strong demand for travel can be assumed once the pandemic ends. Nonetheless it is expected that the first half of the financial year 2022, other than anticipated in the prior year, will still be affected by uncertainties in relation to the development of the pandemic and the pandemic related customer behaviour to book only shortly before the departure. For summer and the second half of the financial year 2022 it is expected that it will be possible to travel to most of our destinations including certain long haul destinations and that consequently the volume will nearly reach the level of the financial year 2019. Already in the financial year 2020 initiatives have been started to reduce costs and digitalize our business and to develop existing or new business segments. In the financial years 2023 and 2024 we expect that these initiatives will become fully effective, more than anticipitaed in the prior year plan. Accordingly the volume will exceed the level of the financial year 2019. The market consolidation that has already occurred will foster this.

Other key factors are the weighted average cost of capital after income taxes (WACC) on which discounting is based, and the growth in 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'.

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In the planning of the Hotels & Resorts segment, the unchanged plan is for a a gradual recovery in volume and earnings for the 2022 financial year. It is expected that the recovery of the occupancy of the hotels in the Caribbean and in Europe will be faster than for the hotels in other destinations. However, a complete recovery is expected for the 2023 financial year. In the medium term, a further increase in revenue is planned partly through capacity expansion but more significantly through an increase in demand and a slight rise in average prices. Please refer to the section 'Goodwill' for information on the calculation of the cost of capital. Particularly in the valuation of individual hotels, additional country-related risk premiums are applied, which ultimately also reflect climate-related risks.

In the Cruise segment, Marella Cruises it is still expected to suffer lower occupancy rates in the 2022 financial year than in the 2019 financial year. However, all ships will be deployed from with summer 2022. In the financial year 2023 the occupancy will then reach the levels of the financial year 2019. In summer 2023 a new ship will increase the fleet. TUI Cruises expects a return to a normal level in financial year 2023. Please refer to the section 'Goodwill' for information on the calculation of the cost of capital.

The development of TUI Musement depends partially on the development of customer numbers in the Markets & Airlines sector. However, TUI Musement will generate further growth, in particular in financial years 2023 and 2024, through the online distribution of its products to TUI and third party customers, 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'.

For Markets & Airlines it is expected that other than anticipated in the prior year the first half of the 2022 financial year will see a reduced volume due to the pandemic.In the second half of the 2022 financial year the volumes will reach the levels of the financial year 2019. The reissue of the flight permit for Boeing 737 Max aircraft will lead to cost savings and a reduction in CO_2 emissions compared to the 2019 business year. It is expected that the cost-cutting measures and restructuring measures already initiated and the increased use of online sales and investments in digitalisation will become fully effective in the 2023 and 2024 financial years. The market consolidation that has already occured will further support this. These planning assumptions are subject to increased uncertainty.

The weighted average cost of capital after income taxes (WACC) on which the discounting is based was derived from the analysis of external capital market information of comparable companies. The cost of capital of Markets & Airlines was additionally increased by an additional risk premium of 3.4 %. This risk premium is based on the analysis of internal and external market expectations and represents risks resulting from the progress of the COVID-19 pandemic and uncertainties regarding the middle and long term market development.

EFFECT OF CLIMATE-RELATED RISKS ON THE MEASUREMENT OF ASSETS

Climate-related risks may have an impact on the recoverability of the Group's assets in various ways. These risks include the increasing occurrence of natural disasters and the resulting damage, e. g. to hotels, or the disruption to travel activity, rising future expenses due to regulatory measures or scarcer procurement goods, and declining demand due to the adverse impact on the reputation of travel driven by the climate effect.

TUI addresses risks from natural disasters, e. g. hurricanes, by taking out insurance policies. With a well-trained crisis management team, TUI is well positioned to secure the repatriation of tourists in an emergency situation. This gives TUI a lasting advantage over other travel providers not maintaining such a management team. TUI addresses higher future expenses by investing in lower-emission aircraft and cruise ships. Through a range of programmes, TUI seeks to minimise the negative impacts of travel activities operated by TUI.

Overall, TUI therefore does not consider climate-related risks as a triggering event to test assets for impairment. Should impairment tests be carried out for other reasons on the basis of discounted future cash flows, the cash flows contain in particular the payments incurred in connection with the measures mentioned above. The risks, e. g. those resulting from natural disasters, are implicitly included in the tests of individual assets, in particular hotels, through a country risk premium. Should several assets be tested, e. g. for groups of cash-generating units, it is assumed that these risks offset each other.

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. In addition material assumptions are the determination of useful lives and residual carrying amounts of property, plant and equipment. Climate-related risks are taken into account when assessing the useful life of hotel buildings. The carrying amount of property, plant and equipment as at 30 September 2021 totals € 3,159.3 m (previous year € 3,462.5 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.

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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 2021, the carrying amount of provisions for pensions and similar obligations totals € 935.1 m (previous year € 1,015.0 m). For those pension plans where the plan assets exceed the obligation, other non-financial assets amounting to € 137.1 m are shown as at 30 September 2021 (previous year € 363.3 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 € 3,172.1 m (previous year € 3,373.7 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 30.

OTHER PROVISIONS

As at 30 September 2021, other provisions amount to € 1,303.1 m (previous year € 1,302.4 m). When recognising and measuring provisions, assumptions regarding the probability of occurrence, maturity and level of risk are required.

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 ranges of possible claims, 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 31.

LEASE LIABILITIES

As at 30 September 2021, lease liabilities worth € 3,229.4 m (previous year € 3,399.9 m) were carried, reflecting the present value of the future lease payments 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 specific agreed terms and conditions such as the transaction currency or contract term. TUI determines the incremental borrowing rate using observable inputs (bond yields and CDS quotations) and makes specific adjustments for individual companies (e. g. country risk premiums).

DEFERRED TAX ASSETS

As at 30 September 2021, deferred tax assets totalling € 291.1 m (previous year € 299.6 m) were recognised. Prior to offsetting against deferred tax liabilities, deferred tax assets total € 636.3 m, included an amount of € 147.3 m (previous year € 124.2 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 recoverability 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 2021, the carrying amount of touristic prepayments totals € 616.2 m (previous year € 705.4 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 forthcoming seasons.

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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. The uncertainty remains that this future ECL will not be in line with actual default rates due to market development notably with regard to the impact of the COVID-19 pandemic.

The measurement of the range of potential outcomes relating to the variable purchase price receivable from the sale of Riu Hotels S. A. meets the definition of a key estimate. More detailed information on the variable purchase price receivable is available in the Notes to the financial instruments in Note 41.

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 five other executives. The legally binding decision regarding the use of resources is taken by the Executive Board. TUI Group's 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 segment comprises the companies providing services in the destinations.

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).

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 until its disposal end of March 2021 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 UK aircraft fleet 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.

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Notes to the segment data

The selection of segment data presented is based on the regular internal reporting to the Executive Board. From the 2020 financial year onwards, the internationally more common earnings measure 'adjusted EBIT' is used for value-oriented corporate management. In the 2020 financial year, the adjusted EBIT was also adjusted for the earnings effect of IFRS16 ('adjusted EBIT [IAS17]') as part of internal reporting to facilitate comparability with the previous year. From the 2021 financial year onwards, adjusted EBIT is determined on the basis of IFRS 16 and is the segment performance indicator within the meaning of IFRS 8, and the previous year's figures were adjusted accordingly.

We define the EBIT in underlying EBIT as earnings before interest, income taxes and result of the measurement of the Group's interest hedges. 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 2021 financial year, net income totaling € 95.9 m was adjusted as separately disclosed items.

Separately disclosed items of financial year 2021 include income of € 54 m from the reversal of provisions as well as other obligations in connection with restructuring measures no longer required in the Central Region due to the lower than expected reduction in fleet size at TUIfly and € 2 m in the Western Region. In addition, restructuring expenses of € 149 m related to the segments TUI Musement (€ 12 m), Northern Region (€ 11 m), Central Region (€ 21 m), Western Region (€ 55 m) and All other segments (€ 50 m). Furthermore, gains or losses on disposal from the sale of our 49 % stake in the joint venture Riu Hotels S.A. to a company of the Riu Group (€ 197 m), the closure of TUI Musement's Mauritius business (€ – 2 m) and the sale of a stake in an aircraft asset company in the Northern (€ – 2 m) and Western (€ – 1 m) Regions, the sale of two hotel companies in Hotels & Resorts (€ – 4 m) and in the Western Region (€ 2 m) were adjusted.

In the 2020 financial year, net income totaling € 119.1 m were 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 prior year exclusively related to the Hotels & Resorts segment.

In financial year 2020, 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 programme 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.

The adjusted expenses of € 33.2 m (previous year € 49.5 m) from purchase price allocations mainly include scheduled amortization of intangible assets from acquisitions made in previous years.

In accordance with IFRS 8 TUI presents intercompany leases – in line with the internal steering logic – as if they were IAS 17 Operating leases in segment reporting.

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 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.

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Segment indicators

Revenue by segment

€ million	2021 External	2021 Group	2021 Total	2020 External adjusted	2020 Group adjusted	2020 Total adjusted
Hotels & Resorts	440.5	226.2	666.7	402.4	349.0	751.4
Cruises	27.0	0.0	27.0	472.6	–0.0	472.6
TUI Musement	116.7	61.6	178.3	306.3	155.0	461.3
Consolidation	–	–4.1	–4.1	–	–3.7	–3.7
Holiday Experiences	584.1	283.8	867.9	1,181.3	500.3	1,681.6
Northern Region	807.7	273.8	1,081.5	2,462.0	272.2	2,734.2
Central Region	2,322.9	84.0	2,406.9	2,859.6	125.7	2,985.3
Western Region	976.1	130.7	1,106.8	1,345.9	155.6	1,501.5
Consolidation	–	–484.9	–484.9	–	–541.6	–541.6
Markets & Airlines	4,106.7	3.6	4,110.3	6,667.5	11.9	6,679.4
All other segments	40.8	4.4	45.2	94.9	5.9	100.8
Consolidation	–	–291.8	–291.8	–	–518.1	–518.1
Total	**4,731.6**	**–**	**4,731.6**	**7,943.7**	**–**	**7,943.7**

Underlying EBIT by segment

€ million	2021	2020 adjusted
Hotels & Resorts	–152.7	–395.2
Cruises	–277.5	–322.3
TUI Musement	–105.3	–114.0
Holiday Experiences	–535.4	–831.5
Northern Region	–965.8	–960.9
Central Region	–328.6	–612.5
Western Region	–176.6	–433.7
Markets & Airlines	–1,470.9	–2,007.1
All other segments	–69.1	–158.4
Total	**–2,075.5**	**–2,997.0**

Reconciliation to underlying EBIT of TUI Group

€ million	2021	2020
Earnings before income taxes	**–2,461.7**	**–3,203.3**
plus: Net interest expense (excluding expense / income from measurement of interest hedges)	439.1	281.7
less / plus: Expense (income) from measurement of interest hedges	9.8	–5.9
EBIT	**–2,012.8**	**–2,927.4**
Adjustments:		
less / plus: Separately disclosed items	–95.9	–119.1
plus: Expense from purchase price allocation	33.2	49.5
Underlying EBIT	**–2,075.5**	**–2,997.0**

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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	
	2021	2020 adjusted	**2021**	2020 adjusted	**2021**	2020 adjusted	**2021**	2020
Hotels & Resorts	217.8	337.3	56.6	135.8	192.3	201.6	– 44.6	–78.9
Cruises	63.4	240.0	–	150.4	63.4	89.5	–146.7	–74.2
TUI Musement	32.9	42.1	0.2	5.2	32.9	36.9	– 5.6	– 2.7
Holiday Experiences	314.1	619.4	56.7	291.4	288.5	328.0	–196.9	–155.8
Northern Region	363.6	405.0	37.6	61.8	328.5	343.2	– 38.2	– 35.0
Central Region	133.4	184.9	6.4	17.7	127.2	167.3	2.3	– 2.3
Western Region	158.9	246.3	18.4	57.5	143.9	188.8	–	– 0.2
Markets & Airlines	655.9	836.2	62.4	137.0	599.6	699.3	– 35.9	– 37.5
All other segments	42.4	48.8	36.4	27.0	5.9	21.8	0.1	–
Total	**1,012.4**	**1,504.4**	**155.5**	**455.5**	**894.1**	**1,049.1**	**– 232.7**	**–193.3**

Key figures by region

€ million	External revenue by customer locations		Non-current assets	
	2021	2020	**2021**	2020
Germany	1,741.5	2,504.4	307.4	434.5
United Kingdom	768.5	2,282.8	3,656.2	3,933.3
Spain	87.4	75.8	589.9	738.7
Other Europe	1,926.3	2,817.2	533.9	597.2
North and South America	144.6	140.1	553.0	510.3
Rest of the world	63.3	123.4	1,197.4	1,258.9
Total	**4,731.6**	**7,943.7**	**6,837.8**	**7,472.9**

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The development of TUI Group's revenue and earnings in the financial year 2021 was still materially impacted by the suspension of most of our tour operation, aviation, hotel and cruise operations as a result of the global travel restrictions 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 2021, consolidated revenue decreased by 40.4 % year-on-year from € 7.9 bn to € 4.7 bn. The decline was driven by the travel restrictions due to COVID-19.

External revenue allocated by destinations for the period from 1 Oct 2020 to 30 Sep 2021

€ million	Spain (incl. Canary Islands)	Other European destinations	Caribbean, Mexico, USA & Canada	North Africa & Turkey	Rest of Africa, Ind. Ocean, Asia	Other countries	**2021 Revenues from contracts with customers**	Other	**2021 Total**
Hotels & Resorts	186.4	65.4	108.6	52.1	27.4	0.6	440.5	–	440.5
Cruises	0.3	26.3	0.3	–	–	0.1	27.0	–	27.0
TUI Musement	21.4	53.9	23.3	9.0	7.1	1.9	116.6	–	116.7
Holiday experiences	208.1	145.6	132.2	61.1	34.5	2.6	584.1	–	584.1
Northern Region	235.9	468.0	82.6	10.0	8.6	1.5	806.6	1.0	807.7
Central Region	602.7	1,161.9	79.9	337.8	139.7	0.5	2,322.5	0.3	2,322.9
Western Region	282.7	503.4	106.1	78.6	4.5	0.4	975.7	0.5	976.1
Markets & Airlines	1,121.3	2,133.3	268.6	426.4	152.8	2.4	4,104.8	1.8	4,106.7
All other segments	1.7	11.0	1.3	0.8	22.0	4.0	40.8	–	40.8
Total	**1,331.1**	**2,289.9**	**402.1**	**488.3**	**209.3**	**9.0**	**4,729.7**	**1.8**	**4,731.6**

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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	0.0	306.3
Holiday experiences	323.9	205.0	223.4	48.2	235.6	145.2	1,181.3	0.0	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	5.4	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**

Future revenue from performance obligations not yet delivered as at 30 September 2021 totals € 2,192.4 m (previous year € 1,993.7 m), including an amount of € 2,006.6 m (previous year € 1,854.8 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 34.

(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, the cost of sales declined by 40.0 % from € 9.9 bn to € 6.0 bn in financial year 2021.

In the prior year, 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 cost of sales in financial year 2021 and in the prior year include effects from the termination of hedging relationships that were previously designated in hedge accounting relationships. For more details, please refer to Note 41 'Financial instruments'.

Government grants

€ million	2021	2020
Cost of Sales	158.8	95.1
Administrative expenses	62.7	47.1
Total	**221.5**	**142.2**

Since April 2020 government programmes and measures to secure jobs had been introduced by european governments similar to the short-time work benefit scheme in Germany. The especially subsidiaries of the segments northern, western and central region used these programmes following the introduction of travel restrictions in the 2020 financial year and in winter and spring 2021. In the wake of the gradual lifting of restrictions in summer 2021 in the framework of the COVID-19 pandemic, some of these measures have already been terminated, while other will successively end. In addition, a number of Group companies have applied for government grants, or received such grants, respectively, from the relevant national awarding authorities, e. g. in the form of grants for fixed costs. The government grants reported under cost of sales and administrative expenses include in particular grants for wages and salaries, social security contributions as well as other contributions directly reimbursed to the relevant company. Due to the termination of these

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programmes in part or in full and the resumption of business operations, government grants will decline substantially in financial year 2022.

In addition TUI AG received government assistance in the form of financing measures to cover the liquidity requirements due to the COVID-19 pandemic from the KfW and the WSF. For further details we refer to the section 'Going concern reporting according to the UK Corporate Governance Code'.

Administrative expenses comprise all expenses incurred in connection with activities by the administrative functions and break down as follows:

Administrative expenses

€ million	2021	2020
Staff cost	542.1	649.0
Rental and leasing expenses	14.3	23.6
Depreciation, amortisation and impairment	131.9	126.7
Others	152.2	218.1
Total	**840.5**	**1,017.3**

The cost of sales and administrative expenses include the following expenses for personnel and depreciation / amortisation:

Staff costs

€ million	2021	2020
Wages and salaries	1,393.1	1,871.6
Social security contributions	193.7	247.1
Pension costs	119.3	142.3
Total	**1,706.1**	**2,261.0**

Pension costs include service cost for defined benefit obligations and contributions to defined contribution pension schemes.

In the period under review, the TUI Group's personnel costs decreased from 2.3 bn to € 1.7 bn. The year-on-year decline in wages and salaries and social security contributions in financial year 2021 resulted in particular from a reduction in the average number of employees across the Group due to the COVID-19 crisis and initial reorganisation effects, among others, from the Global Realignment Programme. In addition, considerable savings were generated, among other things, through the use of short-time work and other government programmes as the Job Retention Scheme in Great Britain, to preserve jobs. Some of these programmes have already been terminated or will successively end in the wake of the gradual lifting of restrictions to contain the COVID-19 pandemic. In addition, the restructuring measures in the 2021 financial year were lower than in the previous year.

The average annual headcount (excluding trainees) evolved as follows:

Average annual headcount in the financial year (excl. trainees)

	2021	2020
Hotels & Resorts	14,546	15,471
Cruises	58	271
TUI Musement	4,277	5,558
Holiday Experiences	18,881	21,300
Northern Region	8,952	11,172
Central Region	7,537	9,021
Western Region	4,572	5,819
Markets & Airlines	21,061	26,012
All other segments	2,274	2,293
Total	**42,216**	**49,605**

Depreciation / amortisation / impairment

€ million	2021	2020
Depreciation and amortisation of other intangible assets, property, plant and equipment and right-of-use assets	894.1	1,049.1
Impairment of other intangible assets, property, plant and equipment and right-of-use assets	155.5	455.4
Total	**1,049.6**	**1,504.5**

The decrease in depreciation and amortisation is attributable to revaluations and modifications of right-of-use assets as well as impairments in the previous year and changed exchange rates.

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Impairment on other intangible assets, property, plant and equipment and right-of-use assets

€ million	2021	2020
Hotels & Resorts	56.5	135.8
Cruises	–	150.4
TUI Musement	0.2	5.2
Holiday Experiences	56.7	291.4
Northern Region	37.6	61.8
Central Region	6.4	17.7
Western Region	18.4	57.5
Markets & Airlines	62.4	137.0
All other segments	36.4	27.0
Total	**155.5**	**455.4**

Of the impairments losses € 50.7 m (previous year € 280.0 m) relate to property, plant and equipment. Additionally € 72.4 m (previous year € 97.4 m) correspond to right-of-use assets and € 32.4 m (previous year € 78.0 m) to other intangible assets. Of the impairment losses € 111.3 m (previous year € 422.5 m) are presented within cost of sales and € 44.2 m (previous year € 32.9 m) in administrative expenses.

For details of the impairments effected in financial year 2021, please refer to the respective sections in the Notes on the consolidated statement of financial position.

(3) Other income and other expenses

Other income in financial year 2021 mainly results from the disposal of Group companies. For more information, please refer to the section 'Divestments'. In the prior year, too, this item primarily included gains from the sale of subsidiaries.

In both the current and previous financial years, Other expenses comprise losses from the sale of TUI Group companies and the disposal of aircraft assets.

(4) Financial income

Financial income

€ million	2021	2020
Bank interest income	0.8	9.4
Other interest and similar income	10.8	10.4
Income from the measurement of hedges	1.1	9.9
Interest income	**12.7**	**29.7**
Income from investments	–	0.6
Foreign exchange gains on financial instruments	14.6	5.0
Total	**27.3**	**35.3**

The decrease in financial income of € 8.0 m in financial year 2021 mainly results from lower interest income and lower income from the valuation of hedging instruments. This decrease was partly compensated by increased income from exchange rate changes on lease liabilities in accordance with IFRS 16.

(5) Financial expenses

Financial expenses

€ million	2021	2020
Bank interest payable on loans and overdrafts	14.8	14.8
Interest expenses on lease liabilities	153.3	148.1
Net interest expenses from defined benefit pension plans	0.9	2.5
Unwinding of discount on provisions	– 0.7	7.5
Other interest and similar expenses	282.5	128.7
Expenses relating to the measurement of hedges	10.9	4.0
Interest expenses	**461.7**	**305.6**
Expenses relating to the measurement of other financial instruments	–	0.3
Foreign exchange losses on financial instruments	2.4	15.8
Total	**464.1**	**321.7**

In the period under review financial expenses rose by € 142.4 m. This was mainly attributable to higher interest expenses, in particular due to the utilisation of credit facilities to cover payments to be made and expenses in connection with the early repayment of the TUI bond on 23 February 2021. This was offset by lower expenses from exchange rate changes in lease liabilities in accordance with IFRS 16.

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(6) Share of result of joint ventures and associates

The share of result of joint ventures and associates of € – 232.7 m (previous year € –193.3 m) comprises the net loss for the year attributable to the associated companies and joint ventures.

Due to the pandemic, joint ventures and associates were tested for impairment as at 30 September 2021. This resulted in an impairment loss of € 5.0 m in the Hotels & Resorts segment.

For the development of the results of the material joint ventures and associates, please 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	**2021**	2020
Current tax expense		
in Germany	– 6.5	6.0
abroad	3.4	15.5
Deferred tax expense	22.3	– 85.7
Total	**19.2**	**– 64.2**

In financial year 2021, the actual tax income in Germany included income attributable to prior periods. Due to the required reassessment of tax risks, income tax liabilities of € 2.0 m (previous year € 0.0 m) were reversed. In financial year 2021, the tax liabilities from actual taxes attributable to prior periods totalled € 18.2 m (previous year € 0.2 m).

In the financial year deferred tax expenses include deferred tax income from the reassessment of tax loss carryforwards in Germany of € 39.7 m (previous year tax expense € 43.8).

In financial year 2021, tax expense totalled € 19.2 m (previous year income € – 64.2 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	**2021**	2020
Earnings before income taxes	– 2,461.7	– 3,203.4
Expected income tax (current year 31.5 %, previous year 31.5 %)	**–775.4**	**–1,009.1**
Effect from the difference of the actual tax rates to the expected tax rates	196.0	259.0
Changes in tax rates and tax law	75.1	40.0
Income not taxable	– 82.9	– 204.6
Expenses not deductible	177.1	226.4
Effects from loss carryforwards	483.2	590.5
Temporary differences for which no deferred taxes were recognised	– 25.5	35.3
Deferred and current income tax relating to other periods (net)	– 34.5	– 2.3
Other differences	6.1	0.6
Income taxes	**19.2**	**– 64.2**

(8) Group loss attributable to shareholders of TUI AG

In financial year 2021, the share in Group loss attributable to TUI AG shareholders decreased from € – 3,148.4 m in the prior year to € – 2,467.2 m.

(9) Group loss attributable to non-controlling interest

In the Hotels & Resorts segment, the Group loss attributable to non-controlling interest primarily relates to the RIUSA II Group with € –10.6 m (previous year € 14.2 m).

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(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 (590,415,100 shares) and the share capital increase of 508,978,534 new shares issued on a pro rata basis (363,954,513 new shares).

Earnings per share

		2021	2020
Group loss/profit for the year attributable to shareholders of TUI AG	€ million	–2,467.2	–3,148.4
Weighted average number of shares		954,369,613	589,104,641
Basic earnings per share	€	**–2.58**	**–5.34**

Diluted Earnings per share

		2021	2020
Group loss/profit for the year attributable to shareholders of TUI AG	€ million	–2,467.2	–3,148.4
Weighted average number of shares		954,369,613	589,104,641
Weighted average number of shares (diluted)		954,369,613	589,104,641
Diluted earnings per share	€	**–2.58**	**–5.34**

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 event of a loss, this is not applicable. The matters described below therefore have no dilutive effect as of the reporting date.

On 1 October 2020 TUI AG issued a warrant bond to the Economic Stabilisation Fund (ESF) of € 150 m. As the conversion price per share was set at an amount of € 2.56, the potential shares amount to 58.7 m.

In January 2021 a conditional capital of € 420.0 m was resolved to grant ESF the right to exchange all or part of ESF's asset contribution in the form of a silent partnership interest of € 420 m at any time for up to 420 m new registered shares representing a proportionate amount of the capital stock of € 1.00 per share.

In April and July 2021, a convertible bond was issued for a total of € 589.6 m. At an initial conversion price of € 5.36 per share, the number of potential shares is 110 m.

With effect from 2 November 2021, 523.5 m new shares were issued in a rights offering. More detailed information is provided in Note 47 'Significant events after balance sheet date'.

In total the potential shares amount to 1,112.2 m.

(11) Taxes attributable to other comprehensive income

Tax effects relating to other comprehensive income

	2021			2020		
€ million	**Gross**	**Tax effect**	**Net**	Gross	Tax effect	Net
Foreign exchange differences	119.9	–	119.9	–185.9	–	–185.9
Cash flow hedges	144.0	–32.1	111.9	–316.1	73.3	–242.8
Remeasurements of benefit obligations and related fund assets	–257.5	139.3	–118.2	25.5	–15.2	10.3
Changes in the measurement of companies measured at equity outside profit or loss	17.9	–	17.9	–38.6	–	–38.6
Fair value gain/loss on investments in equity instruments designated as at FVTOCI	–0.1	–	–0.1	–27.7	–	–27.7
Other comprehensive income	**24.3**	**107.2**	**131.5**	**–542.8**	**58.1**	**–484.7**

Corporate income taxes worth € –1.3 m (previous year € –1.9 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.

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(12) Goodwill

Goodwill

€ million	2021	2020
Historical cost		
Balance as at 1 Oct	**3,404.7**	**3,438.3**
Exchange differences	86.8	– 48.0
Additions	–	40.1
Disposals	–	25.7
Reclassification as assets held for sale	– 22.0	–
Balance as at 30 Sep	**3,469.5**	**3,404.7**
Impairment		
Balance as at 1 Oct	**– 490.2**	**– 429.1**
Exchange differences	– 8.2	7.0
Impairments for the current year	–	– 68.1
Reclassification as assets held for sale	22.0	–
Balance as at 30 Sep	**– 476.4**	**– 490.2**
Carrying amounts as at 30 Sep	**2,993.1**	**2,914.5**

In the previous year, 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 previous year's reduction of goodwill of € 25.7 m. Furthermore, impairments carried out in the previous year led to a decrease in Goodwill 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 2021, an increase in the carrying amount of goodwill of € 78.6 m (previous year decrease of € 41.0 m) resulted from foreign exchange differences.

The following table presents a breakdown of goodwill by cash generating unit (CGU) at carrying amounts. Other exclusively consists of the two cash-generating units Robinson and Blue Diamond, which belong to the Hotels & Resorts segment.

Goodwill per cash generating unit

€ million	30 Sep 2021	30 Sep 2020
Northern Region	1,224.6	1,162.2
Central Region	501.7	501.7
Western Region	412.3	412.3
Riu	343.1	343.1
Marella Cruises	295.2	279.3
TUI Musement	170.3	170.1
Other	45.9	45.8
Total	**2,993.1**	**2,914.5**

As at 30 September 2021, an 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 identified.

For all CGUs, the recoverable amount, was determined on the basis of fair value less costs of disposal, being the higher value compared to the value in use. 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 2021. Budgeted revenues and EBIT margins are based on expectations with regard to the future business performance, assuming gradual recovery in 2022 and a business normalisation by 2023. 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 unchanged high weighted average cost of capital reflects the current market situation and in particular the increase in beta factors and debt capital since the beginning of and due to the COVID-19 pandemic.

The table below provides an overview of the parameters versus the previous financial year, underlying the determination of the fair values per CGU. Given the impact of the COVID-19 pandemic and the expected recovery in the upcoming planning periods with a normalisation of the booking situation in financial year 2023, the growth rate for revenues and the EBIT margin are comparable only to a limited extent. The table lists the CGUs to which goodwill has been allocated:

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Parameters for calculation of the recoverable amount at 30 September 2021

	Planning period in years	Growth rate revenues[2] in % p.a.	EBIT-Margin[3] in % p.a.	Sustainable Growth[4] in %	WACC in %	Level	Carrying amount in € million	Recoverable amount in € million
Northern Region	3.00	8.3	4.4	0.5	11.75	3	1,205.4	3,563.3
Central Region	3.00	3.3	3.4	0.5	11.75	3	7.2	1,363.1
Western Region	3.00	6.1	3.4	0.5	11.75	3	449.9	902.7
Riu[1]	3.00	7.2	30.1	1.0	7.77	3	2,099.3	3,304.1
Marella Cruises[1]	3.00	18.1	14.2	1.0	9.18	3	838.0	1,202.1
TUI Musement	3.00	23.4	4.8	1.0	8.36	3	327.5	727.7
Other	3.00	2.2 to 4.9	14.9 to 18.8	1.0	7.77 to 8.51	3	548.6 to 672.6	760.4 to 799.0

[1] Those are groups of CGUs.
[2] Planned growth rate in revenues in % in relation financial year 2023 to financial year 2024
[3] EBIT-Margin for financial year 2024
[4] Growth rate of expected net cash inflows

Parameters for calculation of the recoverable amount at 30 September 2020

	Planning period in years	Growth rate revenues[2] in % p.a.	EBIT-Margin[2] in % p.a.	Sustainable Growth[3] 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
[3] Average planned growth rate in detailed planning period

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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 and Airlines sector. The following table shows the effects of potential deviations in fair value in the financial year 2021:

Sensitivities presenting potential changes of the recoverable amount

Sensitivity analysis Markets & Airlines	WACC +225 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 2024 € million
Northern Region	–429.6	627.6	88.3	–80.8	534.5	–534.5	–374.7
Central Region	–208.1	309.2	45.4	–41.6	206.8	–206.8	–143.3
Western Region	–122.2	179.0	25.3	–23.2	136.1	–136.1	–94.9
Sensitivity 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 2024 € million**
Marella Cruises[1]	–133.4	170.4	67.8	–60.0	120.3	–120.3	–101.1
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 2024 € million**
Riu[1]	–414.5	557.3	224.1	–193.3	330.4	–330.4	–238.2
TUI Musement	–90.1	118.3	47.5	–41.5	73.4	–73.4	–56.1
Other	–94.0 to –95.4	124.7 to 126.4	50.2 to 50.9	–43.8 to –43.9	76.0 to 79.9	–76.0 to –79.9	–54.8 to –62.7

[1] Those are groups of CGUs.
[2] Sustainable growth rate of expected net cash inflows

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The fair values determined in the sensitivity analysis would only have led to an additional impairment requirement of € 6.2 m in the Hotels & Resorts segment if the WACC had increased by 100 basis points. With the exception of the impairment requirement presented in the Hotels & Resorts segment, the sensitivity analysis did not reveal any further indications of an additional need for impairment losses.

Based on the development of the COVID-19 pandemic, uncertainties persist in terms of recovery of the tourism business. To take account of the existing uncertainties, a risk analysis was also performed for assets of cash-generating units without goodwill. In the analysis an increased risk for potential impairments was identified in the cash-generating units TUI Blue and Northern Hotels in the Hotels & Resorts segment. Consequently, the individual cash generating units were subject to an event-driven impairment test (triggering event) and a sensitivity analysis. For details on impairment losses recognised in the financial year under review, please refer to the sections 'Property, plant and equipment' and 'Right-of-use assets'.

The key parameters for the triggering event-driven impairment tests of the above mentioned cash-generating units are the development of discounted future cash flows (discounted free cash flow) and the discount rate (WACC). In the cash-generating units TUI Blue and Northern Hotels, a 10 % reduction in the discounted free cash flow would have increased the impairment by € 42.3 m. An increase in the WACC by 100 basis points would have increased impairments by € 36.2 m. In return, an increase in the discounted free cash flow by 10 % or a decrease in the WACC by 100 basis points would have resulted in a potential reversal of impairments of € 33.0 m and € 32.5 m, respectively.

(13) Other intangible assets

The development of the line items of Other intangible assets in financial year 2021 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 30 Sep 2019	**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**
Exchange differences	9.1	22.8	– 2.1	3.3	0.9	4.0	38.0
Additions	–	10.3	8.5	–	–	89.3	108.1
Disposals	– 5.4	– 79.1	– 46.2	–	– 0.1	– 3.6	– 134.4
Reclassification as assets held for sale	–	–	– 1.1	–	–	–	– 1.1
Transfer	– 2.7	37.6	20.4	–	–	– 55.3	–
Balance as at 30 Sep 2021	**329.7**	**508.8**	**249.3**	**62.4**	**79.6**	**118.5**	**1,348.3**

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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 30 Sep 2019	**–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**
Exchange differences	–6.3	–14.0	2.7	–2.5	–0.7	–0.1	–20.9
Amortisation for the current year	–15.9	–81.9	–35.1	–2.4	–9.2	–	–144.5
Impairment for the current year	–1.0	–9.4	–4.8	–	–	–17.2	–32.4
Disposals	5.4	79.2	45.8	–	0.1	0.9	131.4
Reclassification as assets held for sale	–	–	1.0	–	–	–	1.0
Transfer	3.7	–3.3	–0.5	–	–	–	–0.1
Balance as at 30 Sep 2021	**–203.0**	**–342.7**	**–182.7**	**–49.7**	**–54.3**	**–17.3**	**–849.7**
Carrying amounts as at 30 Sep 2020	**139.8**	**203.9**	**78.0**	**14.3**	**34.3**	**83.2**	**553.5**
Carrying amounts as at 30 Sep 2021	**126.7**	**166.1**	**66.6**	**12.7**	**25.3**	**101.2**	**498.6**

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.

The intangible assets in the course of construction amounted to € 101.3 m as at 30 September 2021 (previous year € 82.9 m).

Additions due to changes in the group of consolidated companies in the previous year mainly related to the acquisition of Kybele Turizm Yatirim San. Ve Tic. A.Ş as well as acquisitions of travel agencies.

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The impairments recognised for the financial year under review totalled €32.3 m (previous year €78.0 m). The COVID-19 pandemic gave impetus to focus on accelerate the digital transformation of TUI. Accordingly, local software systems which will be replaced by group wide software were impaired. This includes €9.4 m (previous year €28.6 m) impairment of internally generated software and €4.8 m (previous year €25.3 m) of acquired computer software. In addition, software projects presented as intangible assets in the course of construction have been impaired by €17.1 m (previous year €15.3 m). Likewise it was decided to discontinue the use of smaller brands and licences with a total book value of €1.0 m (previous year €7.0 m). Accordingly these assets were impaired.

As in the previous year, the useful life of individual software systems has 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 €8.1 m in the financial year under review. For the financial year 2022 we expect an increase of amortization by €8.1 m compared with the amount that would have been charged before the change in useful life, whereas the increase of amortisation is expected to be €5.5 m for financial year 2023.

(14) Property, plant and equipment

The table below presents the development of the individual items of property, plant and equipment in financial year 2021.

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 30 Sep 2019	**2,215.4**	**286.6**	**2,177.7**	**1,644.9**	**1,301.5**	**172.9**	**481.3**	**8,280.3**
First-time 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**
Exchange differences	21.5	14.3	2.2	36.9	8.0	2.3	3.3	88.5
Additions	55.1	0.2	26.4	–	61.2	63.8	27.4	234.1
Disposals	–18.4	–30.2	–180.7	–16.5	–101.4	–4.6	–115.8	–467.6
Transfer to assets held for sale	–123.7	–51.5	0.2	–	–123.3	0.2	–	–298.1
Transfer	135.5	–	44.9	24.5	22.8	–147.5	–27.7	52.5
Balance as at 30 Sep 2021	**2,350.4**	**183.5**	**285.3**	**692.1**	**1,172.5**	**134.6**	**259.2**	**5,077.6**

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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 30 Sep 2019	**−568.8**	**−61.6**	**−585.1**	**−386.6**	**−867.7**	**0.2**	**–**	**−2,469.6**
First-time 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**
Exchange differences	−6.0	−0.7	−3.5	−11.8	−4.3	–	0.1	−26.2
Depreciation for the current year	−57.2	−3.0	−22.3	−53.0	−96.9	–	−0.4	−232.8
Impairment for the current year	−37.9	−1.4	−7.2	–	−4.2	–	–	−50.7
Reversals of impairment losses	7.5	0.1	1.5	–	–	–	–	9.1
Disposals	18.4	3.0	50.3	16.5	98.1	–	–	186.3
Transfer to assets held for sale	68.7	49.6	–	–	97.9	−0.2	–	216.0
Transfer	−1.5	–	−24.1	11.4	−0.1	–	–	−14.3
Balance as at 30 Sep 2021	**−674.6**	**−18.0**	**−158.2**	**−245.8**	**−820.8**	**–**	**−0.9**	**−1,918.3**
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**
Carrying amounts as at 30 Sep 2021	**1,675.8**	**165.5**	**127.1**	**446.3**	**351.7**	**134.6**	**258.3**	**3,159.3**

The acquisition of Karisma group resulted in additions of property, plant and equipment of € 44.0 m in the financial year under review, including € 40.3 m for the acquisition of hotels incl. land.

In the financial year under review, Riu Group invested € 86.1 m in the construction of two new hotels and the renovation of hotels in Spain, Jamaica and Zanzibar. These investments include an amount of € 44.7 m for operating and office equipment and € 35 m for assets under construction.

Further additions to assets under construction include € 11.7 m for investments in cruise ships and € 11.0 m for investments in aircraft.

In the financial year under review, pre-delivery payments of € 15.0 m (previous year € 52.1 m) were made for the acquisition of aircraft and € 10.6 m (previous year € 38.9 m) for cruise ships.

The additions to aircraft assets primarily include € 12.3 m for engines and € 7.9 m for spare parts.

In the prior year, Hapag-Lloyd Kreuzfahrten GmbH invested an amount of € 117.1 m in the acquisition of the cruise ship HANSEATIC inspiration.

The acquisitions through business combinations made in the prior year mainly related to the acquisition of a hotel company, for which the purchase price allocation was finalised in the previous year. For details, please refer to the section 'Acquisitions of the prior financial year'.

The main disposals in the financial year under review include € 130.4 m for the sale of aircraft and aircraft spare parts and € 101.0 m for the disposal of pre-delivery payments on aircraft. The sale of aircraft resulted in additions to right-of-use assets due to sale-and-leaseback transactions. Moreover, a sale-and-leaseback

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transaction relating to other buildings and land resulted in a disposal of € 26.7 m. In this context, please refer to the section 'Right-of-use assets and leases'.

The review of the carrying amounts of property, plant and equipment resulted in impairment losses of € 50.7 m in the financial year under review (previous year € 280.0 m). Impairments of € 37.9 m related to hotels including land in the Hotels & Resorts segment and were attributable notably to impairments of hotels in the destinations Turkey and Croatia.

In the prior year, one aircraft was written down to the agreed sale price (Level 2), and impaired by € 46.5 m.

The impairments made in the Cruises segment in the prior year were entirely related to Marella Cruises. The impairment test was performed by discounting future cash inflows derived from the prior year business plan with a discount rate of 9.74 %. Please refer to the section 'Goodwill' for details on how parameters are set. Each cruise ship represents a separate cash-generating unit. The recoverable amount was derived from value in use. The impairment test carried out in the prior year had resulted in impairments on four cruise ships totalling € 69.1 m (recoverable amount € 430.8 m). A further cruise ship was marked down by € 52.1 m to the planned selling price less costs to sell of € 1.4 m in the prior year. In addition, a cruise ship was decommissioned in the previous financial year due to the COVID-19 pandemic, generating an impairment loss of € 17.1 m. The advance payments of € 4.1 m for planned conversions were written off in full.

For detailed information on impairment tests, please refer to Note 12 'Goodwill'.

In July 2021, TUI AG concluded an agreement to sell Nordotel to the Grupotel joint venture. Accordingly, the associated assets were reclassified to the balance sheet item 'Assets held for sale' before the disposal was completed in October 2021. Further reclassifications relate to the disposal of hotel assets in the segment 'Hotels & Resorts', completed in financial year 2021. For the disposal, please refer to the section 'Divestments'.

The transfer 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 2021, borrowing costs of € 0.6 m (previous year € 2.5 m) were capitalised as part of historical costs. The capitalisation rate of capitalised borrowing costs is 3.0 % p. a. for financial year 2021 and 3.0 % p. a. for the prior year. For information on the calculation of the capitalisation rate, please refer to the Property, plant and equipment part in the section 'Accounting and measurement methods'.

The carrying amount of property, plant and equipment subject to ownership restrictions or pledged as security totals € 490.7 m as at the balance sheet date (previous year € 333.6 m). The increase is attributable to a new collateralisation of financial liabilities for aircraft.

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(15) Right-of-use assets and leases

As a lessee, TUI recognises right-of-use assets and lease liabilities according to IFRS 16. For more detailed information on the use of practical expedients, please refer to the accounting and measurement methods in the section 'Leases'.

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.

The development of the right-of-use assets in financial year 2021 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**
Exchanges differences	39.9	5.1	4.6	1.7	12.0	0.2	63.5
Additions	343.0	20.6	10.8	27.6	0.3	21.5	423.8
Revaluations and modifications	44.2	–71.0	3.3	–23.6	8.7	0.5	–37.9
Disposals	–72.6	–33.6	–14.8	–7.1	–0.1	–2.9	–131.1
Reclassifications as assets held for sale	–	–24.7	–	–0.4	–	–0.6	–25.7
Transfer	–30.0	–10.9	–	2.0	0.3	–0.2	–38.8
Balance as at 30 Sep 2021	**3,323.4**	**497.5**	**233.1**	**184.3**	**232.9**	**84.6**	**4,555.8**

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Right-of-use assets

€ million	Aircraft and engines	Hotels	Travel agencies	Buildings	Cruise ships	Other	Total
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**
Exchange differences	–16.3	–0.6	–1.9	–0.2	–2.9	–0.1	–22.0
Depreciation for the current year	–355.3	–67.7	–42.0	–23.7	–16.5	–11.4	–516.6
Impairment for the current year	–2.1	–22.4	–13.1	–27.9	–6.9	–	–72.4
Reversals of impairments losses	–	21.2	4.5	–	–	2.3	28.0
Disposals	36.0	30.5	14.7	6.7	0.1	2.8	90.8
Reclassifications as assets held for sale	–	11.6	–	0.4	–	0.6	12.6
Transfer	19.2	1.7	–0.1	–2.3	–11.7	0.3	7.1
Balance as at 30 Sep 2021	**–1,055.5**	**–181.2**	**–116.3**	**–70.5**	**–87.4**	**–35.7**	**–1,546.6**
Carrying amounts as at 30 Sep 2020	**2,261.9**	**456.5**	**150.8**	**160.6**	**162.2**	**35.9**	**3,227.9**
Carrying amounts as at 30 Sep 2021	**2,267.9**	**316.3**	**116.8**	**113.8**	**145.5**	**48.9**	**3,009.2**

Right-of-use assets declined by € 218.7 m year-on-year. While depreciation amounted to € 516.6 m, additions included notably an amount of € 343.0 m (previous year € 294.8 m) for aircraft and engines. In the financial year under review a number of aircraft and aircraft engines were purchased and then sold and leased back. A further sale-and-leaseback transaction resulted in an addition of right-of-use assets for an office building in Hanover (€ 22.1 m), allocated to 'All other segments'. A new lease for a hotel in Germany added right-of-use assets of € 19.0 m for the TUI Blue brand in Hotels & Resorts. Other additions include € 10.8 m for travel agencies in Markets & Airlines.

In addition, disposals decreased right-of-use assets by € 40.3 m. The disposals primarily include an amount of € 36.6 m for the termination of aircraft leases. Changes and remeasurements of existing leases resulted in a reduction in right-of-use assets of € 37.9 m. The decline is primarily driven by contractual changes relating to committed hotel capacity due to the COVID-19 pandemic. An opposite effect was driven by extensions of aircraft leases.

In July 2021, TUI AG concluded an agreement to sell Nordotel to the Grupotel joint venture. Accordingly, the associated right-of-use assets were reclassified to the balance sheet item 'Assets held for sale' before the disposal was completed in October 2021. For details on the disposal, please refer to Note 23 'Assets held for sale'.

Information on the associated lease liabilities is provided in Note 32, '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 41 'Financial instruments'.

The table below presents the expenses and income carried in the consolidated income statement of financial position in financial year 2021 in connection with leases in which TUI is the lessee:

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Expenses and income from leases with TUI as the lessee

€ million	2021	2020
Expenses from short-term leases	–17.0	–56.0
Expenses from low-value leases	–4.3	–12.8
Variable lease income and expenses	22.6	36.4
Depreciation of right-of-use assets	–516.6	–630.3
Impairment of right-of-use assets	–72.4	–97.4
Reversal of impairments	28.0	–
Interest expenses from lease liabilities	–153.3	–148.1
Gains or losses arising from sale and leaseback transactions	7.8	0.7

In the financial year under review, the impairment tests carried out in connection with the COVID-19 pandemic resulted in impairments of € 72.4 m (previous year € 97.4 m) for right-of-use assets. As use of a leased office building in Hanover in 'All other segments' will be reduced in future, it was impaired by € 22.4 m. Further impairments notably relate to right-of-use assets for hotels totalling € 22.4 m (previous year € 54.8 m), including primarily € 13.2 m for hotels in Turkey and € 5.5 m for hotel capacity contracts in Northern Region.

Gains from sale and leaseback transactions of € 7.2 m are attributable to aircraft financing. In the 2021 financial year, nine newly delivered Boeing B737 Max aircraft and two acquired engines were refinanced by means of sale and leaseback. In addition, sale and leaseback was used for a follow-up financing of another aircraft as well as the disposal and release of one aircraft and eight engines. Lease liabilities arising from these transaction totalled € 334.6 m. In the period under review, TUI AG entered into a lease agreement expiring on 30 September 2036 through the sale of a plot of land with buildings. The transaction resulted in a profit of € 0.6 m. As at 30 September 2021, lease liabilities for this sale-and-leaseback transaction totalled € 24.8 m. There were no significant sale and leaseback transactions in the previous financial year.

The cash outflows for leases totalled € 751.4 m (previous year € 816.5 m) in financial year 2021.

At the balance sheet date, unrecognised financial commitments for short-term leases amounted to € 3.7 m (previous year € 6.6 m). In addition, potential future lease payments from extension and termination options of € 259.5 m (previous year € 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 office buildings and travel agencies. In financial year 2021, proceeds from operating leases worth € 2.0 m (previous year € 35.2 m) were carried in revenue. This amount included € 0.3 m (previous year € 25.4 m) for the sublease of right-of-use assets. In addition, income from finance leases of € 1.0 m (previous year € 2.1 m) was carried in the interest result.

At the balance sheet date, there were receivables from two 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 2021	30 Sep 2020
Undiscounted lease payments (lease components)	12.7	44.7
Unguaranteed residual values	–	–
Gross investment	12.7	44.7
Unearned finance income	1.3	4.1
Impairment	0.3	27.1
Net investment	11.1	13.5

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 2021
	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	7.5	5.2	0.2	0.2	0.1	0.1	13.3
Finance lease contracts	4.1	4.1	3.4	1.1	–	–	12.7

							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

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(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 53. 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 2021**	30 Sep 2020	**30 Sep 2021**	30 Sep 2020
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
Joint ventures					
Riu Hotels S.A., Palma de Mallorca, Spain	Hotel operator	–	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. At 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. TUI Group sold its stake in Togebi Holdings Limited at the end of March 2021.

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 Group sold its stake in Riu Hotels S. A. at the end of July 2021.

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

	Sunwing Travel Group Inc., Toronto, Canada		Togebi Holdings Limited, Nicosia, Cyprus	
€ million	**30 Sep 2021 / 2021**	30 Sep 2020 / 2020	**30 Sep 2021 / 2021***	30 Sep 2020 / 2020
Non-current assets	1,559.4	1,525.6	n. a.	15.7
Current assets	623.4	601.0	n. a.	225.2
Non-current provisions and liabilities	1,015.3	811.7	n. a.	65.2
Current provisions and liabilities	1,019.5	1,021.0	n. a.	313.7
Revenue	506.7	1,349.9	167.9	456.6
Profit / loss	–144.9	–143.9	6.1	–97.4
Other comprehensive income	–1.0	–28.0	2.1	16.6
Total comprehensive income	**–145.9**	**–171.9**	**8.2**	**–80.8**

* Financial year 2021 only takes into account the values for the period until the disposal of the company.

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Summarised financial information of material joint ventures

€ million	Riu Hotels S.A., Palma de Mallorca, Spain 30 Sep 2021 / 2021*	Riu Hotels S.A., Palma de Mallorca, Spain 30 Sep 2020 / 2020	TUI Cruises GmbH, Hamburg, Germany 30 Sep 2021 / 2021	TUI Cruises GmbH, Hamburg, Germany 30 Sep 2020 / 2020
Non-current assets	n. a.	813.6	4,312.8	4,180.6
Current assets	n. a.	70.2	615.6	373.6
thereof cash and cash equivalents	n. a.	14.3	440.8	96.0
Non-current provisions and liabilities	n. a.	123.0	3,585.9	2,902.6
thereof financial liabilities	n. a.	106.3	3,546.7	2,893.0
Current provisions and liabilities	n. a.	47.0	777.4	868.4
thereof financial liabilities	n. a.	11.8	599.2	332.1
Revenue	97.4	225.8	319.2	646.3
Depreciation/amortisation of intangible assets and property, plant and equipment	16.1	25.3	177.3	115.4
Interest income	–	0.2	0.9	–
Interest expenses	0.4	0.2	106.4	59.6
Income taxes	– 5.7	17.4	–	0.3
Profit/loss	– 32.5	10.2	– 293.5	– 148.4
Other comprehensive income	102.1	– 165.6	– 43.6	29.1
Total comprehensive income	**69.6**	**– 155.4**	**– 337.1**	**– 119.3**

* Financial year 2021 only takes into account the values for the period until the disposal of the company.

In the financial year 2021, TUI Group received dividends of € 3.8 m (previous year € 4.9 m) from all joint ventures and dividends of € 2.7 m (previous year € 0.8 m) from its associates.

In addition to TUI Group's significant associates and joint ventures, TUI AG has interests in other associates and joint ventures accounted for under the equity-method, 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 2021	Sunwing Travel Group Inc., Toronto, Canada 2020	Togebi Holdings Limited, Nicosia, Cyprus 2021	Togebi Holdings Limited, Nicosia, Cyprus 2020	Other immaterial associates 2021	Other immaterial associates 2020	Associates Total 2021	Associates Total 2020
TUI's share of								
Profit/loss	– 71.0	– 70.5	–	–	– 1.0	– 0.2	– 72.0	– 70.7
Other comprehensive income	2.2	– 17.8	–	–	– 2.1	– 10.6	0.1	– 28.4
Total comprehensive income	**– 68.8**	**– 88.3**	**–**	**–**	**– 3.1**	**– 10.8**	**– 71.9**	**– 99.1**

Share of financial information of material and other joint ventures

€ million	Riu Hotels S.A., Palma de Mallorca, Spain 2021*	Riu Hotels S.A., Palma de Mallorca, Spain 2020	TUI Cruises GmbH, Hamburg, Germany 2021	TUI Cruises GmbH, Hamburg, Germany 2020	Other immaterial joint ventures 2021	Other immaterial joint ventures 2020	Joint ventures Total 2021	Joint ventures Total 2020
TUI's share of								
Profit/loss*	– 15.9	5.0	– 146.7	– 74.2	4.0	– 53.4	– 158.6	– 122.6
Other comprehensive income	49.3	– 81.1	– 21.8	14.6	– 15.2	– 11.1	12.3	– 77.6
Total comprehensive income	**33.4**	**– 76.1**	**– 168.5**	**– 59.6**	**– 11.2**	**– 64.5**	**– 146.3**	**– 200.2**

* Financial year 2021 only takes into account the values for the period until the disposal of the company.

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Net assets of the material associates

€ million	Sunwing Travel Group Inc., Toronto, Canada	Togebi Holdings Limited, Nicosia, Cyprus*
Net assets as at 1 Oct 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**
Other comprehensive income	–	–
Foreign exchange effects	–1.0	2.1
Profit/loss	–144.9	6.1
Consolidation effects	–	129.8
Net assets as at 30 Sep 2021	**148.0**	**–**

* Financial year 2021 only takes into account the values for the period until the disposal of the company.

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 2020	49.0	10.0	n. a.	n. a.
TUI's share of the net assets as at 30 Sep 2020	144.0	–13.8	2.0	132.2
Goodwill as at 30 Sep 2020	48.5	8.3	7.0	63.8
Unrecognised share of losses	–	5.5	31.8	37.3
Impairment of carrying amounts	–	–	–0.1	–0.1
Carrying amount as at 30 Sep 2020	**192.5**	**–**	**40.7**	**233.2**
Share of TUI in % as at 30 Sep 2021	49.0	–	n. a.	n. a.
TUI's share of the net assets as at 30 Sep 2021	72.5	–	29.2	101.7
Goodwill as at 30 Sep 2021	51.2	–	5.0	56.2
Unrecognised share of losses	–	–	–	–
Impairment of carrying amounts	–	–	–0.2	–0.2
Carrying amount as at 30 Sep 2021	**123.7**	**–**	**34.0**	**157.7**

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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 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**
Profit/loss	–32.5	–293.5
Other comprehensive income	82.6	–43.6
Capital increase	–	119.0
Foreign exchange effects	19.5	–
Consolidation effects	–783.8	–
Net assets as at 30 Sep 2021	**0.0**	**565.1**

* Financial year 2021 only takes into account the values for the period until the disposal of the company.

Reconciliation to the carrying amount of the joint ventures in the consolidated balance sheet

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany	Other immaterial joint ventures	Joint ventures total
Share of TUI AG in % as at 30 Sep 2020	49.0	50.0	n.a.	n.a.
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
Unrecognised share of losses	–	–	2.9	2.9
Impairment of carrying amounts	–	–	–34.4	–34.4
Carrying amount as at 30 Sep 2020	**351.7**	**391.6**	**210.2**	**953.5**
Share of TUI AG in % as at 30 Sep 2021	–	50.0	n.a.	n.a.
TUI AG's share of the net assets as at 30 Sep 2021	–	282.6	207.3	489.9
Goodwill as at 30 Sep 2021	–	–	18.3	18.3
Unrecognised share of losses	–	–	8.2	8.2
Impairment of carrying amounts	–	–	–33.6	–33.6
Carrying amount as at 30 Sep 2021	**–**	**282.6**	**200.2**	**482.8**

IMPAIRMENT OF THE CARRYING AMOUNTS OF ASSOCIATES AND JOINT VENTURES

Due to the development of the COVID-19 pandemic, uncertainties remain regarding the recovery of the tourism business. Accordingly, a risk assessment was performed on existing indications. The carrying amounts of the associates and joint ventures concerned were subsequently 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 of fair value hierarchy were used in the calculations. In the financial year under review impairments of € 5.0 m were recognised under Impairment of net investments in associates and joint ventures.

The impairments related to the Vitya Holding Co. Ltd joint venture in Thailand, which operates the Robinson Club Khao Lak. The country-specific discount rate of 7.77 % for Thailand was applied. Apart from that, the same parameters were applied as for the goodwill impairment test in the Hotel & Resorts segment (see Note 12).

UNRECOGNISED LOSSES BY ASSOCIATES AND JOINT VENTURES

Unrecognised accumulated losses amounted € 8.2 m (previous year € 40.2 m). The losses carried in the prior year included € 2.9 m for TUI's share in the earnings of Bartu Turizm Yatirimlari AS. These losses increased by a further € 1.7 m in the financial year under review. A further loss of € 3.6 m was carried for WOT Hotels Vietnam. The recognition of additional losses would have resulted in the carrying amounts falling below nil. Further unrecognised accumulated losses related to the stakes in Togebi Holdings Limited and Corsair S.A., which have meanwhile been sold.

RISKS ASSOCIATED WITH THE STAKES IN ASSOCIATES AND JOINT VENTURES

Contingent liabilities of € 12.2 m (previous year € 20.0 m) existed in respect of associates as at 30 September 2021. Contingent liabilities in respect of joint ventures totalled € 28.1 m (previous year € 89.4 m).

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(17) Trade and other receivables

Trade and other receivables

€ million	Remaining term more than 1 year (30 Sep 2021)	**Total (30 Sep 2021)**	Remaining term more than 1 year (30 Sep 2020)	Total (30 Sep 2020)
Trade receivables	–	259.9	–	151.2
Advances and loans	182.0	202.0	198.7	288.7
Lease receivables	7.2	11.1	9.6	13.5
Other receivables and assets	119.4	307.4	194.1	435.3
Total	**308.7**	**780.3**	**402.4**	**888.7**

As at 30 September 2021, TUI had capitalised sales commissions to travel agencies and other distribution channels worth € 34.1 m (previous year € 38.4 m) in respect of costs of obtaining a contract. In the financial year under review, sales commissions worth € 208.0 m (previous year € 340.7 m) were recognised in profit and loss.

During the first quarter of financial year 2021 TUI sold other receivables to a third party and thus derecognised it as all criteria for derecognition were met. The sale resulted in a loss, which is presented as a financial expense in the income statement.

(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 recognised through profit or loss for advance payments made by tour operators for future hotel services in the financial year under review totalled € 8.4 m (previous year € 53.4 m).

(19) Other non-financial assets

The other non-financial assets of € 290.1 m (previous year € 536.6 m) resulted mainly from the overfunded pension plans worth € 137.1 m (previous year € 363.3 m) and assets from other taxes worth € 63.4 m (previous year € 81.3 m).

(20) Deferred tax assets

Individual items of deferred tax assets and liabilities recognised in the statement of financial position

€ million	**Asset (30 Sep 2021)**	**Liability (30 Sep 2021)**	Asset (30 Sep 2020)	Liability (30 Sep 2020)
Lease transactions	11.8	61.9	46.4	131.4
Recognition and measurement differences for property, plant and equipment and other non-current assets	125.6	232.0	78.2	274.4
Recognition differences for receivables and other assets	15.7	35.9	120.2	52.3
Measurement of financial instruments	1.1	37.6	76.5	20.5
Measurement of pension provisions	175.7	38.8	156.6	69.9
Recognition and measurement differences for other provisions	72.1	6.5	53.0	5.8
Other transactions	87.0	55.8	52.1	46.0
Capitalised tax savings from recoverable losses carried forward	147.3	–	124.2	–
Netting of deferred tax assets and liabilities	–345.2	–345.2	–407.6	–407.6
Balance sheet amount	**291.1**	**123.3**	**299.6**	**192.7**

Deferred tax assets include an amount of € 169.2 m (previous year € 147.5 m) expected to be realised after more than twelve months. Deferred tax liabilities include an amount of € 118.9 m (previous year € 183.6 m) expected to be realised after more than twelve months.

No deferred tax assets are recognised for deductible temporary differences of € 179.7 m (previous year € 436.5 m).

No deferred tax liabilities are carried for temporary differences of € 75.2 m (previous year € 76.3 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.

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Recognised losses carried forward and time limits for non-recognised losses carried forward

€ million	30 Sep 2021	30 Sep 2020
Recognised losses carried forward	**771.4**	**617.5**
Non-recognised losses carried forward	**11,562.5**	**9,260.5**
of which losses carried forward forfeitable within one year	6.7	9.9
of which losses carried forward forfeitable within 2 to 5 years	70.2	144.8
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	11,485.6	9,067.3
Total unused losses carried forward	**12,333.9**	**9,878.0**

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 € 2,341.2 m (previous year € 1,740.1 m) were not recognised as the underlying losses carried forward were not expected to be utilised in the planning horizon.

In financial year 2021, tax savings of € 0.3 m (previous year € 0.0 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 reductions from loss carry- backs (previous year € 0.3 m) were not realised.

Development of deferred tax assets from losses carried forward

€ million	2021	2020
Capitalised tax savings at the beginning of the year	**124.2**	**116.4**
Use of losses carried forward	– 2.0	– 0.6
Capitalisation of tax savings from tax losses carried forward	75.0	78.3
Impairment of capitalised tax savings from tax losses carried forward	– 50.0	– 69.9
Exchange adjustments and other items	0.1	–
Capitalised tax savings at financial year-end	**147.3**	**124.2**

Capitalised deferred tax assets from temporary differences and losses carried forward that are assessed as recoverable of € 237.2 m (previous year € 213.0 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's 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 2021	30 Sep 2020
Airline spares and operating equipment	10.9	29.2
Real estate for sale	0.2	14.6
Consumables used in hotels	15.5	16.4
Other inventories	16.2	13.0
Total	**42.8**	**73.2**

In financial year 2021, inventories of € 248.5 m (previous year € 411.7 m) were recognised as expense. In previous year a write-down of real estate for sale to net realizable value resulted in expenses of € 17.2 m in the financial year. In this financial year there were no write-downs.

(22) Cash and cash equivalents

Cash and cash equivalents

€ million	30 Sep 2021	30 Sep 2020
Bank deposits	1,575.0	1,225.0
Cash in hand and cheques	8.9	8.1
Total	**1,583.9**	**1,233.1**

At 30 September 2021, cash and cash equivalents of € 509.0 m were subject to restrictions (previous year € 324.0 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 € 46.4 m is deposited as security within a bank account. TUI Group can only use that cash and cash equivalents if it provides alternative collateral.

Furthermore, an amount of € 116.3 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 is restricted.

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The remaining € 346.3 m (previous year € 155.4 m) subject to restrictions relate to cash and cash equivalents to be deposited due to statutory or regulatory requirements mainly in order to secure customer deposit and credit card payables.

(23) Assets held for sale

Assets held for sale

€ million	30 Sep 2021	30 Sep 2020
Disposal Group Nordotel	96.5	–
Aircraft	–	42.4
Investments accounted for using the equity method	–	13.1
Other assets	–	1.7
Total	**96.5**	**57.2**

On 16 July 2021, a contract was signed with Grupotel S. A., a joint venture of TUI Group, to sell Nordotel S. A., fully consolidated in Hotels & Resorts. The transaction was subject to approval by TUI AG's Supervisory Board, which was granted on 9 September 2021. The assets and liabilities of the disposal group were correspondingly classified as held for sale. The disposal transaction was completed on 5 October 2021. The first purchase price payment of € 50.0 m was made on 21 September 2021. Further deferred purchase price payments of € 10.0 m and € 20.0 m are due one or two years, respectively, after the closing of the transaction, taking account of final purchase price adjustments. In this context, we refer to the note 36 'Liabilities related to assets held for sale'.

Disposal group 'Nordotel'

€ million	30 Sep 2021
Other intangible assets and property, plant and equipment	65.7
Right-of-use assets	13.2
Deferred tax assets	7.2
Touristic payments on account	6.0
Cash and cash equivalents	2.2
Other assets	2.2
Total	**96.5**

In the course of the financial year under review, there were further reclassifications to assets held for sale and disposal groups as well as the associated liabilities, resulting in disposals through sale in the financial year under review. All assets and disposal groups carried as held for sale as at 30 September 2020 and the associated liabilities were sold in the financial year under review. Please refer in particular to the section 'Divestments'.

(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 € 1.00. 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 under review, the Company's capital stock of € 1,509,372,235.83, consisting of 590,415,100 no-par value registered shares with a proportionate share in the capital stock of around € 2.56 per no-par value share, was reduced by € 918,957,135.83 to € 590,415,100.00 in accordance with the provisions on ordinary capital reduction set out in sections 222 ff. of the German Stock Corporation Act in combination with section 7 (6) of the German Economic Stabilisation Acceleration Act (WStBG) with a view to transferring a part of the capital stock to the Company's capital reserve. The capital reduction took the form of a corresponding reduction in share capital so that the proportionate share in the capital stock per share was reduced to € 1.00 per existing no-par value share, without a merging of shares.

The reduced capital stock of the Company of € 590,415,100.00 was subsequently increased by € 508,978,534.00 to € 1,099,393,634.00 by issuing 508,978,534 new no-par value registered shares with a proportionate share in the capital stock of € 1.00 per no-par value share against cash contribution in accordance with section 7 of the German WStBG. At the end of the financial year under review, the subscribed capital therefore consisted of 1,099,393,634 shares. This corresponds to € 1,099,393,634.00.

In accordance with section 71 (1) no. 2 of the German Stock Corporation Act, TUI AG acquired 317,171 own shares to issue to employees in the framework of the employee share programme. The 317,171 shares were purchased on the stock exchange at € 3.8513 and transferred to the employees on 30 September 2021. The shares represent a capital stock of € 317,171, i. e. <0.03 % of the capital stock, and an acquisition volume of € 1.2 million. As at 30 September 2021, TUI AG did not hold any own shares.

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) was limited to a nominal amount of € 2.0 bn and expires on 8 February 2021.

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The Extraordinary General Meeting on 5 January 2021 resolved to create conditional capital of € 420.0 m in order to grant the ESF the right to convert ESF's asset contribution in the form of a silent participation of € 420.0 m ('silent participation I') at any time (in a single or several transactions) in full or in part into up to 420 m new registered no-par value shares with a proportionate share in the capital stock of € 1.00 per no-par value share. The new shares will be issued at the minimum issuance amount of € 1.00. The conversion right outlined above is limited in that the ESF is only entitled to convert silent participation I into new no-par value shares in an amount that ensures that the total interest of the ESF (including all other shares held by the ESF) does not at any point in time amount to more than 25 % plus one share in the Company's capital stock increased after the conversion.

The Annual General Meeting on 25 March 2021 resolved to create conditional capital for the issuance of bonds totalling € 109.9 m. The authorisation to issue bonds with conversion or option rights and profit participation (with or without a fixed maturity) is limited to a nominal amount of € 2.0 bn and expires on 24 March 2026.

Overall, TUI AG had conditional capital of € 679.9 m as at 30 September 2021.

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. No new employee shares were issued in the completed financial year so that authorised capital at the balance sheet date totals still around € 22.3 m.

The Ordinary Annual General Meeting on 25 March 2021 resolved to authorise the Executive Board to issue new registered shares against cash contribution by up to € 109.9 m (authorised capital 2021 / I). This authorisation will expire on 24 March 2026.

The Annual General Meeting on 25 March 2021 also resolved to create authorised capital for the issuance of new shares against cash or non-cash contribution of € 417.0 m (authorised capital 2021 / II). The issuance of new shares against non-cash contribution is limited to € 109.9 m. This authorisation will expire on 24 March 2026.

At the balance sheet date, the capital authorisations not yet been taken up amounted to around € 549.2 m (previous year around € 742.3 m).

The latter two authorisations for authorised capital resolved in 2021 as mentioned above were used after the balance sheet date. The authorised capital 2021 / I was fully used, while the authorised capital 2021 / II was used almost completely (except for around € 3.4 m) for a rights issue in October 2021.

(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.

In the completed financial year, capital reserves rose by € 1,038.5 m from € 4,211.0 m to € 5,249.5 m, in particular due to the capital increase in January and the issuance of the bond with warrants in October 2020 as well as the convertible bonds in April and July 2021.

The reduction in subscribed capital outlined in Note 24 'Subscribed capital' resulted in an increase in the capital reserves of € 917.8 m. The premium from the capital increase boosted the capital reserves by a further € 58.8 m. The ancillary costs of the capital increase and the issuance of the silent participations described in detail in Note 27 were offset in an amount of € 31.8 m.

Due to the issuance of the warrant bond in October 2020 and the convertible bonds worth € 400.0 m in April and € 190.0 m in July capital reserves rose by € 34.5 m and € 60.9 m, respectively. The ancillary costs of the convertible bond were offset in an amount of € 1.6 m.

(26) Revenue reserves

In the completed financial year, TUI AG did not pay a dividend to its shareholders (previous year € 318.1 m).

The ongoing recording of existing equity-settled stock option plans resulted in an increase in equity of € 0.3 m (previous year € 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.

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 €+144.0 m (previous year € – 316.1 m) (pre-tax). A reversal of this amount 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 increase in financial year 2021 is, besides changes in exchange rates and fuel prices, attributable to hedges no longer classified as effective within the meaning of IAS 39 due to the COVID-19 pandemic. The cumulative gains or losses from these instruments continue to be carried in equity at their relevant fair values until the date from which they were no longer effective. Upon occurrence of the expected transaction, they are reclassified to profit or loss.

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The revaluation of pension obligations (in particular actuarial gains or losses) is also carried directly in Other income 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) Silent participations

In financial year 2021, two silent participations were issued to the ESF. They are both carried in equity in accordance with IAS 32.

The first silent participation was fully paid in at € 420.0 m. It is convertible at any time in whole or in part into shares in TUI AG at a conversion price of € 1.00 per share as long as the ESF does not obtain a participation in TUI's equity capital of more than 25 % plus one share.

The second silent participation is not convertible into shares. It amounts to € 671.0 m and has been fully paid in.

(28) 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 € 491.5 m (previous year loss of € 2,272.6 m). Taking account of profit carried forward of € 190.9 m (previous year € 1,176.0 m) TUI AG's balance sheet loss totals € 300.6 m.

(29) 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 2021 / 2021**	30 Sep 2020 / 2020
Current assets	91.6	153.6
Non-current assets	1,824.1	1,755.5
Current liabilities	101.0	115.8
Non-current liabilities	141.9	127.1
Revenues	344.1	449.3
Profit / loss	– 21.2	28.4
Other comprehensive income	27.8	– 104.6
Cash inflow / outflow from operating activities	71.5	149.4
Cash inflow / outflow from investing activities	– 73.0	– 143.5
Cash inflow / outflow from financing activities	– 27.1	– 6.6
Accumulated non-controlling interest	664.9	661.5
Profit / loss attributable to non-controlling interest	– 10.6	14.2
Dividends attributable to non-controlling interest	–	–

* Consolidated subgroup

(30) 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

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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 € 77.1 m (previous year € 86.7 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 € 5.9 m (previous year € 6.1 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 72.6 % (previous year 70.6 %) of TUI Group's total obligations at the balance sheet date. German plans account for a further 23.0 % (previous year 24.8 %).

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 2019.

Since 31 October 2018, the main sections of TUI Group's UK Pension Trust have been closed to future accrual of benefits. 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 deferred members. 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.

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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 € 15.7 m for TUI Group, principally comprising current service cost. This was partly offset by gains from plan curtailments resulting from the restructuring of the activities of the Group's German airline in the financial year. The administrative expenses shown relate to professional advisor costs for the pension plans in the United Kingdom, which were for the current year only, settled from the plan assets.

Pension costs for defined benefit obligations

€ million	**2021**	2020
Current service cost for employee service in the period	36.3	49.5
Curtailment gains	29.7	4.0
Net interest on the net defined benefit liability	0.9	2.5
Past service cost	1.5	–
Administration cost	6.7	–
Total	**15.7**	**48.0**

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 2021 Total**	30 Sep 2020 Total
Present value of funded obligations	3,101.5	3,071.3
Fair value of external plan assets	3,172.1	3,373.7
Surplus (–) / Deficit (+) of funded plans	**–70.6**	**–302.4**
Present value of unfunded pension obligations	868.6	954.1
Defined benefit obligation recognised on the balance sheet	**798.0**	**651.7**
of which		
Overfunded plans in other non-financial assets	137.1	363.3
Provisions for pensions and similar obligations	**935.1**	**1,015.0**
of which current	33.2	31.4
of which non-current	901.9	983.6

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 2021, other non-financial assets include excesses of € 137.1 m (previous year € 363.3 m).

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Development of defined benefit obligations

€ million	Present value of obligation	Fair value of plan assets	**Total**
Balance as at 1 Oct 2020	**4,025.4**	**–3,373.7**	**651.7**
Current service cost	36.3	–	36.3
Past service cost	1.5	–	1.5
Curtailments and settlements	–29.7	–	–29.7
Interest expense (+)/interest income (–)	54.8	–53.9	0.9
Administration cost	–	6.7	6.7
Pensions paid	–178.1	146.2	–31.9
Contributions paid by employer	–	–78.3	–78.3
Contributions paid by employees	1.4	–1.4	–
Remeasurements	–101.5	359.0	257.5
due to changes in financial assumptions	–180.2	–	–180.2
due to changes in demographic assumptions	84.7	–	84.7
due to experience adjustments	–6.0	–	–6.0
due to return on plan assets not included in Group profit for the year	–	359.0	359.0
Exchange differences	160.9	–176.7	–15.8
Other changes	–0.9	–	–0.9
Balance as at 30 Sep 2021	**3,970.1**	**–3,172.1**	**798.0**

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
Administration cost	–	–	–
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**

The net defined benefit obligation increased by € 146.3 million to € 798.0 million in the financial year. The present value of the obligation decreased by a total of € 55.3 million compared with the previous year, mainly due to an increase in discount rates in the Eurozone and the United Kingdom.The fair value of the plan assets decreased by € 201.6 million, in particular due to a change in the pension fund's asset allocation in the United Kingdom, thus exceeding the decrease in the obligation.

In order to limit the risk arising from the obligation, the trustees of the UK pension plans acquired insurance policies in the third quarter of the fiscal year securitising full reimbursement by insurers of the payments to be made for parts of the existing obligations. The obligation to fulfill the pension commitment has not been assumed by the insurer in this transaction. Accordingly, the insured portions of the pension plan continue to be recognised in the financial statements.

In order to settle the insurance premium, existing plan assets were sold. The different valuation of an insurance policy compared to the assets sold resulted in a decrease in plan assets of € 174.2 million, which was recognised directly in equity as a remeasurement effect.

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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

€ million	30 Sep 2021 Quoted market price in an active market		30 Sep 2020 Quoted market price in an active market	
	yes	no	yes	no
Fair value of fund assets at end of period	**1,797.4**	**1,374.7**	**2,902.5**	**471.2**
of which equity instruments	23.7	–	36.3	–
of which government bonds	38.4	–	36.2	–
of which corporate bonds	584.2	140.6	929.1	–
of which liability driven investments	843.8	–	1,449.4	–
of absolute return bonds	–	–	184.9	–
of which property	302.0	–	262.7	–
of which insurance policies	–	894.1	–	111.2
of which insurance linked securities	–	15.6	–	130.9
of which loans	–	209.3	–	204.0
of which cash	–	115.1	–	25.1
of which other	5.3	–	3.9	–

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 2021 Germany	30 Sep 2021 Great Britain	30 Sep 2021 Other countries
Discount rate	1.0	2.0	0.8
Projected future salary increases	2.0	–	1.0
Projected future pension increases	1.8	3.3	0.7

Percentage p. a.	30 Sep 2020 Germany	30 Sep 2020 Great Britain	30 Sep 2020 Other countries
Discount rate	0.7	1.6	0.7
Projected future salary increases	2.5	–	0.9
Projected future pension increases	1.8	2.8	1.3

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) 2020. 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.

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Sensitivity of the defined benefit obligation due to changed actuarial assumptions

€ million	30 Sep 2021 +50 Basis points	30 Sep 2021 –50 Basis points	30 Sep 2020 +50 Basis points	30 Sep 2020 –50 Basis points
Discount rate	–342.4	+393.6	–342.5	+393.5
Salary increase	+13.2	–11.6	+17.1	–16.0
Pension increase	+103.4	–105.6	+119.1	–119.7
	+1 year		+1 year	
Life expectancy	+174.7	–	+177.2	–

The weighted average duration of the defined benefit obligations totalled 19.4 years (previous year 19.6 years) for the overall Group. In the UK, the weighted duration was 19.8 years (previous year 19.9 years), while it stood at 19.4 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 2021. 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 € 137.2 m (previous year € 112.7 m) to pension funds and pay pensions worth € 33.2 m (previous year € 31.4 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. The purchase of insurance policies within the UK schemes serves to eliminate these risks in respect of the liabilities due to pension scheme members covered by this insurance, and hence reduce the overall level of risk in respect of all the categories detailed below.

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.

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(31) Other provisions

Development of provisions in the financial year 2021

€ million	Balance as at 30 Sep 2020	Changes with no effect on profit and loss*	Usage	Reversal	Additions	**Balance as at 30 Sep 2021**
Maintenance provisions	734.9	39.9	63.7	17.2	100.4	794.3
Restructuring provisions	274.7	4.2	150.3	42.8	71.6	157.4
Provisions for environmental protection	52.4	–	0.8	2.9	3.3	52.0
Provisions for other taxes	46.4	0.5	2.1	0.7	7.1	51.2
Risks from onerous contracts	13.6	–7.6	7.6	5.5	53.6	46.5
Provisions for other personnel costs	36.0	–0.8	1.7	2.9	6.5	37.1
Provisions for litigation	18.8	0.6	1.8	0.9	11.1	27.8
Miscellaneous provisions	125.6	–10.4	32.4	21.0	75.0	136.8
Other provisions	**1,302.4**	**26.4**	**260.4**	**93.9**	**328.6**	**1,303.1**

* 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 Programme for which detailed, formal restructuring plans were drawn up and communicated to the parties concerned. At the balance sheet date, restructuring provisions totalled € 157.4 m (previous year € 274.7 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 from onerous contracts include € 17.9 m for the premature abandonment of a leased administrative building as the largest single item.

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 40 '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 38.

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 € – 0.7 m (previous year € 7.5 m), recognised as an interest expense.

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Terms to maturity of other provisions

€ million	30 Sep 2021 Remaining term more than 1 year	30 Sep 2021 Total	30 Sep 2020 Remaining term more than 1 year	30 Sep 2020 Total
Maintenance provisions	569.7	794.3	615.3	734.9
Restructuring provisions	48.3	157.4	146.6	274.7
Provisions for environmental protection	44.8	52.0	49.1	52.4
Provisions for other taxes	21.9	51.2	26.4	46.4
Risks from onerous contracts	18.4	46.5	2.1	13.6
Provisions for other personnel costs	28.7	37.1	28.4	36.0
Provisions for litigation	5.1	27.8	5.4	18.8
Miscellaneous provisions	26.7	136.8	38.8	125.6
Other provisions	**763.6**	**1,303.1**	**912.1**	**1,302.4**

(32) Financial and lease liabilities

Financial and lease liabilities

€ million	30 Sep 2021 Remaining term up to 1 year	30 Sep 2021 Remaining term 1–5 years	30 Sep 2021 Remaining term more than 5 years	30 Sep 2021 Total	30 Sep 2020 Remaining term up to 1 year	30 Sep 2020 Remaining term 1–5 years	30 Sep 2020 Remaining term more than 5 years	30 Sep 2020 Total
Convertible bonds	13.5	–	508.7	522.2	–	–	–	–
Bonds	–	119.3	–	119.3	–	298.9	–	298.9
Liabilities to banks	247.6	2,264.3	100.7	2,612.6	560.9	3,298.6	94.2	3,953.7
Other financial liabilities	23.5	43.1	–	66.6	16.4	–	–	16.4
Financial liabilities	**284.6**	**2,426.7**	**609.4**	**3,320.7**	**577.3**	**3,597.5**	**94.2**	**4,269.0**
Lease liabilities	**623.3**	**1,738.1**	**868.0**	**3,229.4**	**687.3**	**1,693.5**	**1,019.1**	**3,399.9**

Non-current financial liabilities decreased by € 655.6 m to € 3,036.1 m as against 30 September 2020. The decline was primarily driven by a decrease in liabilities to banks of € 1,027.8 m and the early redemption on 23 February 2021 of bonds issued by TUI on 26 October 2016 with a nominal volume of € 300.0 m. This decline was recorded alongside an increase in liabilities from issuing a convertible bond of € 400.0 m in April 2021, which was upsized by € 189.6 m in July 2021. The carrying amount of the liability component of this convertible bond amounts to € 522.2 m. Furthermore, has TUI AG issued a bond with warrants worth € 150.0 m on 1 October 2020 as part of the funding package by the Federal Republic of Germany, for which the Economic Stabilisation Fund (ESF) was the sole subscriber. The bond component of this bond with warrants is carried under Financial liabilities in the table above in the line Bonds, the separately tradable warrants are recognised in equity.

The early termination rights by TUI AG and the put options held by the holders of the convertible bond and the bond with warrant represent embedded derivatives which were not separated in accordance with IFRS 9 as they are classified as closely related to the host contract.

The core financing instrument is a syndicated revolving credit facility (RCF) totalling € 4.6 bn between TUI AG and the former banking syndicate and KfW Bank when it joined the syndicate.

In July 2021, an agreement was made with the private banks and KfW to extend the maturity of the credit facility by two years to summer 2024. This extension does not entail a substantial modification to the terms and conditions of the contract.

In addition, there is a separate revolving credit facility granted by a banking syndicate totalling € 170.0 m.

As at 30 September 2021, the amounts drawn under the non-current revolving credit facilities totalled € 1,775.4 m.

Current financial liabilities declined from € 577.3 m as at 30 September 2020 by € 292.7 m year-on-year to € 284.6 m. The decrease results from a reduction in current liabilities to banks.

As at 30 September 2021, an amount of € 77.6 m had been drawn from the current revolving credit facilities.

For more details on the terms and conditions of the credit facilities provided by KfW and the issuance of the convertible bond in April 2021, please refer to the section 'Going concern reporting according to the UK Corporate Governance Code'.

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Movements financial and lease liabilities

€ million	Convertible bonds	Bonds	Short-term liabilities to banks	Long-term liabilities to banks	Other financial liabilities	Total financial liabilities	Lease liabilities
Balance as at 1 Oct 2020	**–**	**298.8**	**560.9**	**3,392.9**	**16.4**	**4,269.0**	**3,399.9**
Payment in the period	506.9	–184.5	–9.1	–1,347.1	50.2	–983.6	–587.2
Changes in scope of consolidation	–	–	–0.2	–2.7	–	–2.9	–17.2
Foreign exchange movements	–	–	3.8	–16.1	–	–12.3	47.6
Other non-cash movement	15.3	5.0	–307.9	338.1	–	50.5	386.3
Balance as at 30 Sep 2021	**522.2**	**119.3**	**247.5**	**2,365.1**	**66.6**	**3,320.7**	**3,229.4**

Movements financial and lease liabilities

€ million	Convertible bonds	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**

Fair values and carrying amounts of the bonds at 30 Sep 2021

					30 Sep 2021		30 Sep 2020	
€ million	**Issuer**	**Nominal value initial**	**Nominal value out-standing**	**Interes rate % p.a.**	**Stock market value**	**Carrying amount**	Stock market value	Carrying amount
2021/28 convertible bond	TUI AG	589.6	589.6	5.000	583.7	522.2	–	–
2016/21 bond	TUI AG	300.0	–	2.125	–	–	269.5	298.9
Total					**583.7**	**522.2**	**269.5**	**298.9**

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(33) Other financial liabilities

Other financial liabilities include touristic advance payments received for tours canceled because of COVID-19 restrictions of € 204.6 m (previous year € 351.0 m), for which immediate cash refund options exist and which have to be repaid immediately if the customer chooses to receive a refund. Fore more details, please refer to the section below.

(34) Touristic advance payments received

Touristic advance payments received

€ million	
Touristic advance payments received as at 1 Oct 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**
Revenue recognised that was included in the balance at the beginning of the period	–444.4
Increases due to cash received, excluding amounts recognised as revenue during the period	1,691.9
Reclassification to other financial liabilities	–61.3
Customer refund repayments	–609.9
Changes in the consolidation status	–6.0
Other	39.0
Touristic advance payments received as at 30 Sep 2021	**2,379.4**

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. The entitlement to a refund of the voucher value represents a financial liability. Due to the high level of uncertainty regarding the further development of the COVID-19 crisis and customer behavior, it is not possible for TUI Group to reliably estimate the extent of utilisation of the voucher / refund credits for future bookings. As at 30 September 2021 the touristic advance payments received include € 2.4 m (previous year € 184.8 m) of advance payments for cancelled trips for which customers have received voucher / refund credits which may have to be refunded after a certain period of time.

(35) Other non-financial liabilities

Other non-financial liabilities

	30 Sep 2021			30 Sep 2020		
	Remaining term			Remaining term		
€ million	up to 1 year	1 – 5 years	**Total**	up to 1 year	1 – 5 years	Total
Other liabilities relating to employees	201.5	33.7	235.2	184.9	24.3	209.2
Other liabilities relating to social security	50.2	–	50.2	44.3	–	44.3
Other liabilities relating to other taxes	20.8	–	20.8	19.7	–	19.7
Other miscellaneous liabilities	195.5	5.7	201.2	149.2	5.6	154.8
Deferred income	50.0	166.9	216.9	49.7	168.5	218.2
Other non-financial liabilities	**518.0**	**206.3**	**724.3**	**447.8**	**198.4**	**646.2**

(36) Liabilities related to assets held for sale

As at 30 September 2021, liabilities related to assets held for sale amounted to € 50.6 m. These liabilities exclusively relate to the 'Nordotel' disposal group. In this context, we refer to the note 23 'Assets held for sale'.

Disposal group 'Nordotel'

€ million	30 Sep 2021
Lease liabilities	23.9
Trade payables	19.5
Other non-financial liabilities	5.0
Other provisions and liabilities	2.2
Total	**50.6**

As at 30 September 2020, liabilities related to assets held for sale totalled € 24.5 m. These liabilities resulted from the expected transfer of an aircraft to a TUI Group associate, which was implemented at the beginning of the financial year under review. For further details, please refer to the section 'Divestments'.

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(37) Contingent liabilities

As at 30 September 2021, contingent liabilities amounted to € 102.8 m (previous year € 165.6 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.

(38) 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 2021 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.

(39) Other financial commitments

Other financial commitments

€ million	30 Sep 2021 Remaining term up to 1 year	1–5 years	more than 5 years	**Total**	30 Sep 2020 Remaining term up to 1 year	1–5 years	more than 5 years	Total
Order commitments in respect of capital expenditure	456.5	1,769.5	160.1	2,386.1	465.9	2,028.9	54.2	2,549.0
Other financial commitments	51.8	37.0	2.9	91.7	99.0	110.8	2.9	212.7
Total	**508.3**	**1,806.5**	**163.0**	**2,477.8**	**564.9**	**2,139.7**	**57.1**	**2,761.7**

Order commitments in respect of capital expenditure relate almost exclusively to tourism and decreased by € 162.9 m year-on-year as at 30 September 2021. A new obligation for a cruise ship was more than off-set by delivery of aircraft and reduction in hotel commitments.

(40) Share-based payments in accordance with IFRS 2

As at 30 September 2021, all existing awards except the employee share programme 'oneShare' are recognised as cash-settled share-based payment schemes.

The following share-based payment schemes are in effect within TUI Group as at 30 September 2021.

1. PHANTOM SHARES IN THE FRAMEWORK OF THE LONG TERM INCENTIVE PLAN (LTIP)

1.1 LTIP WITH SHARE ALLOCATION FROM FINANCIAL YEAR 2020 (LTIP EPS20–21)

Since the 2020 financial year, the Long Term Incentive Plan (LTIP) consists of a programme based on phantom shares and is measured over a period of four years (performance reference period). The phantom shares are allocated 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 %.

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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 allocation 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 unusually 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 ALLOCATION IN FINANCIAL YEARS 2018 AND 2019 (LTIP EPS18–19)

Since the 2018 financial year, 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 allocated 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 %.

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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 allocation 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 ALLOCATION UP TO AND INCLUDING FINANCIAL YEAR 2018 (LTIP)

As Mr Baier stepped down from the Executive Board as scheduled, the remuneration system which was replaced in financial year 2018 continues to apply for him in relation to the LTIP. It affects the tranches allocated to Mr Baier up until and including financial year 2018, which, however, had not yet been paid out and were therefore not yet taken into account as granted and owed remuneration within the meaning of section 162 (1) sentence 1 of the German Stock Corporation Act due to the four-year performance period. The performance period for the last tranche agreed under his contract ended with the close of financial year 2021.

The LTIP consists of a programme based on phantom shares and is measured over a term of four years (performance period). The phantom shares are allocated 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 allocation of the LTIP, the entitlement to payment of the LTIP is determined on a pro rata basis.

There is an annual LTIP cap individually defined for each Executive Board member.

1.4 REMUNERATION RESTRICTIONS DUE TO FRAMEWORK AGREEMENT II WITH THE ECONOMIC STABILISATION FUND

On 4 January 2021, TUI AG concluded a framework agreement with the Economic Stabilisation Fund on the granting of stabilisation measures, fixing a number of provisions for the remuneration of the Executive Board members during the use of these measures. Accordingly, each Executive Board member already appointed on 31 December 2019 must not receive compensation beyond the basic remuneration of the respective Board member as at 31 December 2019 unless at least 75 % of the stabilisation measure has been repaid (taking account of potential Group remuneration in the event of dual employment by another

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Group company). The framework agreement also sets out that TUI AG does not grant and therefore does not entitle Executive Board members to 'any other remuneration components or services in the free discretion of the Company or any legally unjustified severance payments, taking account of potential Group remuneration bonuses, other variable or comparable compensation components or special payments in the form of share packages, bonuses or other separate remuneration'.

PERFORMANCE SHARE PLAN (PSP)

The PSP details the share-based payments for entitled Group executives who are not part of the Board. The current scheme principles of the ongoing PSPs have been in effect since 2019 and have been additionally adjusted accordingly with retroactive effect for all outstanding tranches. The scheme conditions are harmonized with the LTIP EPS20–21 of the Board members with the notable exceptions of a three year performance period instead of four years. Target amounts and allocation frequency are subject to individual contractual agreements.

Since LTIP EPS20–21 and PSP follow common scheme principles, the following development of allocated phantom shares under the programmes are shown on an aggregated basis.

Development of phantom shares allocated (LTIP EPS20, LTIP EPS18–19, LTIP & PSP)

	LTIP EPS20–21 & PSP*		LTIP EPS18–19		LTIP*	
	Number of shares	Present value € million	Number of shares	Present value € million	Number of shares	Present value € million
Balance as at 30 Sep 2019	**855,102**	**9.1**	**763,460**	**8.1**	**363,950**	**3.9**
Phantom shares allocated	1,559,378	15.4	–	–	–	–
Phantom shares exercised	–127,855	–1.3	–	–	–13,653	–
Phantom shares forfeited	–429,034	–4.2	–	–	–293,790	–1.0
Measurement results	–	–12.6	–	–5.5	–	–2.7
Balance as at 30 Sep 2020	**1,857,591**	**6.4**	**763,460**	**2.6**	**56,507**	**0.2**
Phantom shares allocated	3,775,181	13.0	–	–	–	–
New virtual shares allocated from subscription rights	1,552,117	–	448,272	–	–	–
Phantom shares exercised	–342	–	–	–	–14,127	–
Phantom shares forfeited	–469,346	–1.6	–567,103	–2.1	–42,380	–0.2
Measurement results	–	6.5	–	1.8	–	–
Balance as at 30 Sep 2021	**6,715,201**	**24.3**	**644,629**	**2.3**	**–**	**–**

* In the prior year, the PSP was shown in the LTIP column.

EMPLOYEE SHARE PROGRAMME 'ONESHARE'

Eligible employees can acquire TUI AG shares under preferential conditions when participating in the oneShare programme. 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 2021, no new tranche of oneShare was launched. The matching date occurred for Tranche 2 on 30 September 2020 and the matching shares of Tranche 2 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	67,181	38,297
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

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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.

Eligible Group executives were granted bonus payments at the time, 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. 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 2021, 36,059 share options (valued at € 0.1 m) were vested and outstanding. The plan is closed. However, in the completed financial year, additional phantom shares were allocated, in analogy to subscription rights resulting from capital measures such as the capital increase resolved on 5 January 2021 at TUI AG's Extraordinary General Meeting. No share options were exercised (total value of € 0.0 m), and no options were forfeited.

ACCOUNTING FOR SHARE-BASED PAYMENT SCHEMES

As at 30 September 2021, all existing awards except oneShare are recognised as cash-settled share-based payment schemes and are allocated with an exercise price of € 0.00. The personnel expense is recognised 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 allocated. Accordingly, phantom shares allocated in the past are charged on a pro rata basis upon actual delivery of service.

In financial year 2021, personnel expenses due to share-based payment schemes with cash compensation of € 1.9 m (previous year income of € 6.5 m) were recognised through profit and loss.

Overall, personnel expenses due to equity-settled share-based payment schemes of € 1.6 m (previous year € 5.1 m) were recognised through profit or loss in financial year 2021.

As at 30 September 2021, provisions relating to entitlements under these long-term incentive programmes totalled € 12.2 m (previous year € 9.7 m).

(41) 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

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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. Due to the COVID-19 pandemic, entering into new financial derivatives to hedge the planned foreign exchange requirements was temporarily paused, resulting in the current hedging ratios for the upcoming winter season being lower than the target hedging ratios. Hedging has now resumed with the aim of matching hedge ratios with the respective target hedging ratios for future seasons.

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 2021		30 Sep 2020	
Variable: Foreign exchange rate	**+10%**	**–10%**	+10%	–10%
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	–	–	–27.6	+25.5
Earnings after income taxes	–30.1	+36.9	–62.0	+75.2
Pound sterling/€				
Revaluation reserve	+1.2	–1.2	–13.4	+14.9
Earnings after income taxes	–76.2	+91.9	–54.2	+63.1
Pound sterling/US dollar				
Revaluation reserve	+0.9	–0.9	–26.1	+26.3
Earnings after income taxes	–18.4	+28.3	+287.4	–355.8
€/Swedish krona				
Revaluation reserve	–	–	+4.0	–5.4
Earnings after income taxes	–	+0.1	+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.

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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 table below 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 2021**		30 Sep 2020	
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
Earnings after income taxes	+2.9	–2.9	–9.2*	+8.6*

* The change by €296.2 m compared to the published TUI Group's consolidated financial statements for financial year 2020 results from a correction in the determination of the sensitivities of the floating-rate primary financial instruments.

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. Due to the COVID-19 pandemic, entering into new financial derivatives to hedge the planned fuel requirements was temporarily paused, resulting in the current hedging ratios for the upcoming winter season being lower than the target hedging ratios. Hedging has now resumed with the aim of matching hedge ratios with the respective target hedging ratios for future seasons.

If the commodity prices, which underlie the fuel price hedges, increase or decrease by 10 % (previous year +15 % / –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 sensitivity of market prices from plus 10 % to plus 15 % in the previous year was based on the assumption that an above-average increase in fuel prices could be expected in the context of a recovery in demand for flight capacity. After the significant increase in fuel prices in the past twelve months, the expectation is that the volatility of fuel prices will return to the level of before the COVID-19 pandemic, so that the sensitivity of market prices is adjusted to plus 10 %.

Sensitivity analysis – fuel price risk

€ million	**30 Sep 2021**		30 Sep 2020	
Variable: Fuel prices for aircraft and ships	**+10 %**	**–10 %**	+15 %	–10 %
Revaluation reserve	+2.1	–2.0	+5.5	–5.2
Earnings after income taxes	+10.1	–10.1	+56.9	–35.9

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 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 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.

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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 cash and cash equivalents. 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 recognised, 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.

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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 recognised 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 between 45 and 360 days past due. For corporate customers, the TUI 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. TUI 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 advances and loans, other receivables and assets as well as other financial assets, the expected credit losses are determined on a portfolio basis. In significant individual cases, this portfolio approach is deviated from, as the relevant information for determining the expected loss is available at the stage of the individual instrument. TUI Group ensures that solely financial assets with similar credit risk characteristics are combined, 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, because of the past due status of the instruments, is determined in TUI Group on an individual basis by region, change in default risk-related market data or change in contractual conditions, among other factors. 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 TUI 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.

CDS rates are used as forward-looking information in the general impairment model too.

TUI 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 2021, trade receivables were impaired in the amount of € 71.6 m (previous year € 86.2 m). The following overview shows a maturity analysis of the impairments:

Ageing structure of impairment of financial instruments classified as trade receivables

€ million	Gross value	Impairment	Net value	Impairment ratio
	30 Sep 2021			
Trade receivables				
Not overdue	184.5	17.9	166.6	5 – 25 %
Overdue less than 30 days	76.2	19.4	56.8	10 – 30 %
Overdue 30 – 90 days	20.8	9.6	11.2	15 – 35 %
Overdue 91 – 180 days	16.3	2.7	13.6	20 – 45 %
Overdue more than 180 days	33.6	22.0	11.6	50 – 75 %
Total	**331.4**	**71.6**	**259.8**	

Ageing structure of impairment of financial instruments classified as trade receivables

€ million	Gross value	Impairment	Net value	Impairment ratio
	30 Sep 2020			
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**	

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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 2021			
Lease receivables				
Not overdue	11.4	0.3	11.1	5–25%
Overdue less than 30 days	–	–	–	10–30%
Overdue 30–90 days	–	–	–	15–35%
Overdue 91–180 days	–	–	–	20–45%
Overdue more than 180 days	–	–	–	50–75%
Total	**11.4**	**0.3**	**11.1**	

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**	

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 2021			
Other receivables and assets				
Not overdue	223.8	9.1	214.7	5–25%
Overdue less than 30 days	0.2	–	0.2	10–30%
Overdue 30–90 days	0.2	–	0.2	15–35%
Overdue 91–180 days	0.9	–	0.9	20–45%
Overdue more than 180 days	2.0	0.1	1.9	50–75%
Total	**227.1**	**9.2**	**217.9**	

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**	

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Impairments of advances and loans have developed as follows:

Ageing structure of impairment of financial instruments classified as advances and loans

			30 Sep 2021
€ million	**Gross value**	**Impairment**	**Net value**
Advances and loans			
Not overdue	40.4	28.4	12.0
Overdue less than 30 days	–	–	–
Overdue 30 – 90 days	0.1	–	0.1
Overdue 91 – 180 days	–	–	–
Overdue more than 180 days	1.6	1.2	0.4
Total	**42.1**	**29.6**	**12.5**

Ageing structure of impairment of financial instruments classified as advances and loans

			30 Sep 2020
€ million	Gross value	Impairment	Net value
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**

The material single items in the following table, 'Default risk on financial instruments classified as advances and loans and as other receivables' are disclosed based on an internal rating. There were two transfers in financial year 2021 of € 9.7 m in total 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 the initial recognition due to the COVID-19 pandemic.

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Default risk on financial instruments classified as advances and loans and as other receivables

€ million	30 Sep 2021					30 Sep 2020		
	Impairment Stage	**Internal rating class**	**Gross value**	**Impairment**	**Net value**	Gross value	Impairment	Net value
Loans to related parties								
Advances and loans	1	2	25.0	–0.2	24.8	12.0	–0.1	11.9
Advances and loans	2	2	–	–	–	28.1	–	28.1
Other receivables	1	2	0.5	–	0.5	65.3	–2.4	62.9
Loans to hotels								
Advances and loans	1	5	7.8	–0.5	7.3	–	–	–
Advances and loans	2	5	29.0	–1.5	27.5	29.1	–1.8	27.3
Loans to other companies								
Advances and loans	1	2	130.0	–0.1	129.9	145.7	–0.3	145.4
Other receivables	1	2	89.2	–0.2	89.0	–	–	–
Other receivables	1	3	–	–	–	151.6	–2.2	149.4

Other financial assets carried at amortised cost at an amount of € 12.1 m (previous year € 14.9 m) relate to short-term deposits with banks. The full amount of these investments with a gross amount of € 12.7 m (previous year € 15.4 m) is not overdue. Impairments of € 0.7 m (previous year € 0.5 m) were carried in the framework of risk provisioning.

During financial year 2021, 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.

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Change in risk provisions for financial assets measured at amortised cost in the 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 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	–
Unrequired 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**
Risk provisioning as at 1 Oct 2020	**66.2**	**4.8**	**71.0**
Exchange differences	0.1	–	0.1
Changes in the group of consolidated companies	–	–	–
Addition of impairment on newly issued / acquired financial assets	18.7	–	18.7
Other change within a Stage (other changes)	–	–	–
Transfer to	–	–	–
Stage 2 lifetime ECL (not impaired)	– 9.7	9.7	–
Unrequired impairments on financial assets derecognised during the period	47.7	0.2	47.9
Risk provisioning as at 30 Sep 2021	**27.6**	**14.3**	**41.9**

As at 30 September 2021, risk provisioning totals € 9.4 m (previous year € 10.0 m) for the other receivables and assets class and € 0.7 m (previous year € 0.5 m) for the other financial assets class as well as € 31.8 m (previous year € 60.4 m) for the advances and loans class.

As at 30 September 2021, no stage 3 instruments were recognised. There were currency differences amounting to € 0.1 m (previous year € 0.0 m). There were no changes in the scope of consolidation (previous year € 0.7 m). Transfers of € 9.7 m from stage 1 to stage 2 were made in class advances and loans (previous year transfer from stages 1 to stage 2: € 3.1 m).

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 a lower risk provision of € 21.2 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 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**
Risk provisioning as at 1 Oct 2020	**86.2**
Exchange differences	0.7
Changes in the group of consolidated companies	0.1
Addition of impairment on newly issued / acquired financial assets	30.1
Unrequired impairments on financial assets derecognised during the period	45.5
Risk provisioning as at 30 Sep 2021	**71.6**

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Change in risk provisions for financial assets measured at amortised cost classified as lease receivables

€ million	Lifetime ECL simplified approach
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**
Risk provisioning as at 1 Oct 2020	**27.1**
Exchange differences	0.3
Unrequired impairments on financial assets derecognised during the period	27.1
Risk provisioning as at 30 Sep 2021	**0.3**

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 2019	**87.3**	**29.1**	**116.4**
Addition of assets	268.7	28.1	296.8
Reduction of assets	– 64.0	–	– 64.0
Transfer to lifetime ECL (Stage 2)	– 6.2	6.2	–
Gross carrying amounts as at 30 Sep 2020	**285.8**	**63.4**	**349.2**
Gross carrying amounts as at 1 Oct 2020	**285.8**	**63.4**	**349.2**
Addition of assets	37.7	–	37.7
Reduction of assets	–124.9	– 28.1	–153.0
Transfer to lifetime ECL (Stage 2)	– 9.7	9.7	–
Gross carrying amounts as at 30 Sep 2021	**188.9**	**45.0**	**233.9**

* The presentation of the table was adjusted to improve the informative value.

As of 30 September 2021, no instruments in the class advances and loans have been reported in stage 3. There were no substantial changes or modifications. There have been transfers from stage 1 to stage 2 in the amount of € 9.7 m (previous year transfers from stage 1 to 2: € 6.2 m).

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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 2019	**289.5**	**–**	**289.5**
Addition of assets	454.0	–	454.0
Reduction of assets	– 282.9	–	– 282.9
Gross carrying amounts as at 30 Sep 2020	**460.6**	**–**	**460.6**
Gross carrying amounts as at 1 Oct 2020	**460.6**	**–**	**460.6**
Addition of assets	318.6	–	318.6
Reduction of assets	– 449.6	–	– 449.6
Gross carrying amounts as at 30 Sep 2021	**329.6**	**–**	**329.6**

* The presentation of the table was adjusted to improve the informative value.

As of 30 September 3021, no instruments in the classes other receivables and assets and other financial assets have been reported in stage 3. There were no substantial 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 2019	**640.0**
Addition of assets	237.4
Reduction of assets	– 640.0
Gross carrying amounts as at 30 Sep 2020	**237.4**
Gross carrying amounts as at 1 Oct 2020	**237.4**
Addition of assets	331.4
Reduction of assets	– 237.4
Gross carrying amounts as at 30 Sep 2021	**331.4**

* The presentation of the table was adjusted to improve the informative value.

Change in gross carrying amounts of assets classified as lease receivables*

€ million	Lifetime ECL simplified approach
Gross carrying amounts as at 1 Oct 2019	**–**
Addition of assets	40.5
Gross carrying amounts as at 30 Sep 2020	**40.5**
Gross carrying amounts as at 1 Oct 2020	**40.5**
Addition of assets	10.1
Reduction of assets	– 39.2
Gross carrying amounts as at 30 Sep 2021	**11.4**

* The presentation of the table was adjusted to improve the informative value.

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 totalling € 4.6 bn agreed with the previous syndicate banks and KfW Bank, which has been included due to the COVID-19 pandemic.

Details of the financing transactions are presented in connection with the going-concern reporting in accordance with the UK Corporate Governance Code and under 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.

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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 2021)

	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								
Convertible bonds	–	–29.5	–	–29.5	–	–88.4	–589.6	–59.0
Bonds	–	–14.3	–	–14.3	–150.0	–42.8	–	–
Liabilities to banks	–247.6	–107.7	–223.1	–105.6	–2,040.1	–85.2	–101.8	–6.2
Other financial debt	–23.5	–21.7	–42.9	–	–0.2	–0.2	–	–
Trade payables	–2,052.4	–	–	–	–	–	–	–
Other financial liabilities	–313.2	–1.1	–1.0	–	–2.2	–	–	–
Lease liabilities	**–623.3**	**–66.2**	**–727.1**	**–70.6**	**–1,011.0**	**–176.8**	**–868.0**	**–362.5**

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 (adjusted)	interest (adjusted)	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 derivative financial instruments (30 Sep 2021)

	Cash in-/outflow until 30 Sep			
€ million	**up to 1 year**	1–2 years	2–5 years	more than 5 years
Derivative financial instruments				
Hedging transactions – inflows	+57.6	–	–	–
Hedging transactions – outflows	–57.8	–	–	–
Other derivative financial instruments – inflows	+513.8	+52.1	–	–
Other derivative financial instruments – outflows	–531.5	–65.5	–2.4	–

Cash flow of derivative financial instruments (30 Sep 2020)

	Cash in-/outflow until 30 Sep			
€ million	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

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.

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The COVID-19 pandemic significantly impacted business operations and the existing hedging strategy for currency risks and fuel price risks. Due to numerous travel restrictions and limitations the occurrence of numerous hedged underlying transactions could 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, so that the 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 € – 28.3 m (thereof € – 28.3 m from hedges that were already recognised as hedging instruments in the previous year) from fuel price hedges and € – 9.1 m (thereof € – 9.4 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. At 30 September 2021, the fair value of these reclassified fuel price hedges totalled € 1.8 m at a nominal volume of € 8.3 m, while the fair value of the reclassified currency hedges totalled € 0.0 m at a nominal volume of € 29.6 m.

Furthermore, the strong increase in TUI's credit risk had a direct impact on the retrospective hedge effectiveness test. As a result, fuel price, interest rate and currency hedges had to be terminated as they no longer met the effectiveness requirements of IAS 39.

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. At 30 September 2021, the fair value of these reclassified fuel price hedges totalled € 34.0 m at a nominal value of € 150.9 m, while the fair value of the interest rate hedges amounted to € – 9.2 m at a nominal volume of € 366.3 m and the fair value of currency hedges totalled € – 0.1 m at a nominal volume of € 160.0 m.

CASH FLOW HEDGES

At 30 September 2021, hedges existed to manage cash flows in foreign currencies with maturities of up to two years (previous year up to two years). The fuel price hedges had terms of up to one year (previous year up to one year). Hedges to protect variable interest payment obligations are currently not in the portfolio (previous year up to one year). 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 2021

€ 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	–	–	–		
Payer EUR	–	–	–		–
Payer USD	–	–	–		–
Currency hedges			**–**		
Forwards	131.2	0.4	131.6		
Forwards EUR / GBP	17.0	–	17.0	1.1712	
Forwards EUR / USD	76.4	–	76.4	0.8602	
Forwards GBP / USD	12.9	–	12.9	0.7223	
Forwards EUR / SEK	19.5	–	19.5	0.0982	
Other currencies	5.4	0.4	5.8		
Commodity hedges			**–**		
Swaps	26.9	–	26.9		
Jet fuel	26.9	–	26.9	538.06	
Marine fuel	–	–	–	–	
Other fuels	–	–	–	–	
Other derivative financial instruments	**1,950.3**	**505.3**	**2,455.6**		

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Nominal amounts of derivative financial instruments used

€ million	Remaining term: up to 1 year	Remaining term: more than 1 year	Total	Average hedged rate / price	Average hedging interest rate
					30 Sep 2020
Interest rate hedges					
Caps / Floors	–	–	–		0.00
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**		

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 (ended) cash flow hedges**
			30 Sep 2021
Interest rate risk hedges	–	–	–31.0
Currency risk hedges	–0.9	0.9	3.9
Fuel price risk hedges	–3.7	3.2	–33.7
Hedging	**–4.6**	**4.1**	**–60.8**
Total	**–4.6**	**4.1**	**–60.8**

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 (ended) 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**
Total	**43.9**	**–39.0**	**–157.3**

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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 2021.

Development of OCI

€ million	Interest rate risk (30 Sep 2021)	Currency risk	Fuel price risk	Total
Gain or loss from fair value changes of hedges within hedge accounting	–31.0	4.8	–30.5	–56.7
recognised in equity	–31.0	4.8	–30.5	–56.7
Reclassification from cash flow hedge reserve to income statement	–3.0	–45.7	–116.3	–165.0
Due to early termination of the hedge	–	–11.4	–10.8	–22.2
Due to recognition of the underlying transaction	–3.0	–34.3	–105.5	–142.8

Development of OCI

€ million	Interest rate risk (30 Sep 2020)	Currency risk	Fuel price risk	Total
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
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

In the reporting period, expenses of € 139.8 m (previous year: expenses of € 47.4 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 € 3.0 m (previous year: expenses of € 3.5 m), carried in net interest income. Income of € 0.2 m (previous year: income of € 0.6 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 (30 Sep 2021)	Liabilities	FV changes to determine ineffective portions	Nominal volume
Cash flow hedges for				
currency risks	1.3	0.4	0.9	131.6
fuel price risks	3.2	–	3.2	26.9
interest rate risks	–	–	–	–
Hedging	**4.5**	**0.4**	**4.1**	**158.5**
Other derivative financial instruments	**57.8**	**23.4**	**–**	**2,455.6**
Total	**62.3**	**23.8**	**4.1**	**2,614.1**

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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**

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, debt components of bonds with warrants and convertible 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 2021, the fair values of other current receivables and current liabilities to banks were determined in line with 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 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, current trade payables and other financial liabilities the carrying amount approximates the fair value due to the short remaining term.

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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 2021

		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	769.2	661.1	–	–	108.1	783.2
thereof instruments within the scope of IFRS 16	11.1	–	–	–	–	11.7
Derivative financial instruments						
Hedging transactions	4.5	–	–	4.5	–	4.5
Other derivative financial instruments	57.8	–	–	–	57.8	57.8
Other financial assets	24.4	12.1	10.3	–	2.0	24.4
Cash and cash equivalents	1,583.9	1,586.1	–	–	–	1,586.1
Liabilities						
Financial liabilities	3,320.7	3,320.8	–	–	–	3,359.7
Trade payables	2,052.4	2,071.9	–	–	–	2,071.9
Derivative financial instruments						
Hedging transactions	0.4	–	–	0.4	–	0.4
Other derivative financial instruments	23.4	–	–	–	23.4	23.4
Other financial liabilities	318.9	318.9	–	–	–	318.9

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Carrying amounts and fair values according to classes and measurement categories according to IFRS 9 as at 30 Sep 2020

€ 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	Fair value of financial instruments
Assets						
Trade receivables and other receivables						
thereof instruments within the scope of IFRS 9	875.2	875.2	–	–	–	853.1
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	–	–	–	4,028.5
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

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 are 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.

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 2021 amounts to € 10.3 m (previous year € 8.5 m). There were disposals of stakes in partnerships or corporations amounting to € 0.1 m (previous year € 3.5 m) which were measured at fair value, as part of their first consolidation. None of these strategic financial investments were sold in the completed financial year. In financial year 2021 no dividends have been received from these financial investments (previous year € 0.6 m).

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Aggregation according to measurement categories under IFRS 9 as at 30 Sep 2021

€ million	Carrying amount of financial instruments Total	Fair Value
Financial assets		
at amortised cost	2,259.3	2,381.4
at fair value – recognised directly in equity without recycling	10.3	10.3
at fair value – through profit and loss	167.9	167.9
Financial liabilities		
at amortised cost	5,711.6	5,750.5
at fair value – through profit and loss	23.4	23.4

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	2,101.1
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	6,070.7
at fair value – through profit and loss	257.5	257.5

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 2021

€ million	Total	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Other receivables	108.1	–	–	108.1
Other financial assets	12.3	–	–	12.3
Derivative financial instruments				
Hedging transactions	4.5	–	4.5	–
Other derivative financial instruments	57.8	–	57.8	–
Liabilities				
Derivative financial instruments				
Hedging transactions	0.4	–	0.4	–
Other derivative financial instruments	23.4	–	23.4	–

Hierarchy of financial instruments measured at fair value as at 30 Sep 2020

€ million	Total	Fair value hierarchy 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	–

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.

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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 the reporting period 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, debt components of warrant and convertible bonds, liabilities to banks, promissory notes and other non-current financial liabilities as well as for current other receivables, current financial liabilities and non-current trade and other receivables, the fair value is determined as the present value of future cash flows, taking account of observable 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 receivables IFRS 9	Other financial assets IFRS 9
Balance as at 1 Oct 2019	**–**	**42.9**
Disposals	–	– 3.5
consolidation	–	– 3.5
Total gains or losses for the period	–	– 27.7
recognised through profit and loss	–	–
recognised in other comprehensive income	–	– 27.7
Foreign currency effects	–	– 1.1
Balance as at 30 Sep 2020	**–**	**10.6**
Balance as at 1 Oct 2020	**–**	**10.6**
Additions	108.1	–
sale	108.1	–
Disposals	–	– 0.1
sale	–	– 0.1
Total gains or losses for the period	–	– 0.1
recognised through profit and loss	–	–
recognised in other comprehensive income	–	– 0.1
Foreign currency effects	–	1.9
Balance as at 30 Sep 2021	**108.1**	**12.3**

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.

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In principle, the unobservable input parameters relate to the following parameters; the (estimated) EBITDA margin is in a range between – 4.2 % and 22.5 % (previous year –13 % and 22 %). The constant growth rate is 1 % (previous year 1 %). The weighted average cost of capital (WACC) is in a range between 8.8 %– 9.9 % (previous year 8.6 – 9.9 %). Due to materiality, no detailed figures have been provided. With the exception of the WACC, there is a positive correlation between the input factors and the fair value.

The increase in the fair values of the Other financial in Level 3 mainly results from foreign exchange rate effects in the amount of € 1.9 m.

The Other receivables according to IFRS 9 in Level 3 relate to a variable purchase price receivable from the sale of Riu Hotels S. A. at a carrying amount of € 108.1 m, carried as a financial instrument in the measurement category at fair value through profit and loss. The fair value is determined using a probability calculation for the future gross operating profit, taking account of contractual entitlements to an additional purchase price demand and an appropriate risk-adjusted discount rate (– 0.33 % until – 0.22 %). Gross operating profit is defined as total revenue minus operating expenses. The cash flows from the contractual claims set out in the underlying Memorandum of Understanding depend solely on a number of contractually determined Riu hotels delivering the gross operating profit for calendar years 2022 and 2023.

The variable purchase price payment varies as a function of delivering the contractually fixed gross operating profit. Its' maximum amount is limited. At least 90 % of the target gross operating profit contractually agreed for 2022 or 2023, respectively, has to be achieved in order to generate a variable purchase price payment. If the 90 % target is not met, no further purchase price payment will be made. The maximum purchase price payment totals € 127.4 m. Due to different expectations regarding target achievement, potential purchase price payments vary between € 0 and € 127.4 m.

TUI expects the hotels concerned to deliver around 95 % to 100 % of cumulative gross operating profit in calendar year 2022 and around 100 % to 105 % in calendar year 2023. The current planning for the relevant hotels (input parameters) is regularly reviewed by the responsible accounting staff. In the period under review, following subsequent valuation, no profits or losses were carried in the profit and loss statement in connection with the variable purchase price payment from the sale of Riu Hotels S. A.

A sensitivity analysis shows that an increase in the hotels' gross operating profit of 10 % would result in a change in the present value of the additional purchase price receivable of around € 20 m, while a reduction in gross operating profit of 10 % would result in a change in the present value of around € – 95.9 m. An interest rate shift of + / – 100 basis points would alter the present value of the purchase price receivable by around € 2.0 m.

EFFECTS ON RESULTS

The effects of remeasuring the 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

			2021
€ million	**from interest**	**other net results**	**from interest**
Financial assets	1.3	140.3	141.6
At amortised cost	0.2	140.5	140.7
At fair value through profit or loss	1.1	– 0.2	0.9
Financial liabilities	– 255.7	– 114.2	– 369.9
At amortised cost	– 255.7	– 12.7	– 268.4
At fair value through profit or loss	–	– 101.5	– 101.5
Total	**– 254.4**	**26.1**	**– 228.3**

Net results of financial instruments

			2020
€ million	from interest	other net results	from interest
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**

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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 2021						
Derivative financial assets	62.3	–	62.3	11.1	–	51.2
Cash and cash equivalents	1,740.7	156.8	1,583.9	–	–	1,583.9
Financial assets as at 30 Sep 2020						
Derivative financial assets	96.3	–	96.3	80.8	–	15.5
Cash and cash equivalents	1,571.5	338.4	1,233.1	–	–	1,233.1

Offsetting of financial liabilities

€ million	Gross amounts of financial assets	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	Financial assets and liabilities not set off in the balance sheet: Collateral granted	Net amount
Financial liabilities as at 30 Sep 2021						
Derivative financial liabilities	23.8	–	23.8	11.1	–	12.7
Financial liabilities	3,477.5	156.8	3,320.7	–	–	3,320.7
Financial liabilities as at 30 Sep 2020						
Derivative financial liabilities	318.8	–	318.8	80.8	–	238.0
Financial liabilities	4,607.4	338.4	4,269.0	–	–	4,269.0

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.

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(42) 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 2021, the travel restrictions triggered by the COVID-19 pandemic continued to have a strong negative impact on the Group's earnings and liquidity development.

The financing measures carried out in the year under review are described in detail in the section on Going concern reporting in accordance with the UK Corporate Governance Code (page 155), additional information can be found in the section 'Financial instruments', on page 214 in the Notes.

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.

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.

The TUI Group calculates the leverage ratio as the ratio of gross financial debt + lease liabilities + recognised obligations from defined benefit pension plans to reported EBITDA. Due to the negative EBITDA, the negative leverage ratio calculated for financial year 2021 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	**2021**	2020
Ø Invested Capital	6,913.1	7,134.8
Underlying EBIT	– 2,075.5	– 2,997.0
ROIC	**– 30.0 %**	**– 42.0 %**
Gross financial liabilities	3,320.8	4,269.0
Lease liabilities (IFRS 16)	3,229.4	3,399.9
Defined benefit obligation recognised on the balance sheet	798.0	651.7
EBITDA (IFRS 16)	–1,000.4	–1,355.0
Leverage Ratio	**– 7.3**	**– 6.1**

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Notes to 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.

In the period under review, cash and cash equivalents rose by € 353.0 m to € 1,586.1 m. Cash and cash equivalents include an amount of € 2.2 m carried in the balance sheet item 'Assets held for sale' (previous year € 0.0 m)

(43) Cash inflow / cash outflow 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 € 151.3 m (previous year € – 2,771.9 m). The cash outflow includes interest payments received of € 6.4 m (previous year € 25.1 m) and dividends of € 14.2 m (previous year € 7.7 m). Income tax payments resulted in a cash outflow of € 9.0 m (previous year inflow of € 56.1 m).

(44) Cash inflow / cash outflow from investing activities

In financial year 2021, the cash inflow from investing activities totalled € 704.7 m (previous year inflow of € 161.8 m). This amount includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of € 299.7 m (previous year € 587.0 m). The Group also recorded a cash inflow of € 357.9 m, (previous year € 109.9 m) from the sale of property, plant and equipment and intangible assets. In addition, investing activities include a cash inflow of € 105.5 m in connection with the sale of interests in consolidated companies, including € 32.9 m for the divestment of Hapag-Lloyd Kreuzfahrten concluded in the prior year and € 50.0 m for the sale of Nordotel S.A, completed after the end of the financial year under review. A cash inflow of € 543.8 m was recorded from the sale of interests in Riu Hotels S. A. and Karisma Hotels Caribbean S. A. Further cash inflows of € 19.6 m relate to the repayment of loans in connection with the sale of the stakes in Togebi Holdings Limited (TUI Russia). A cash outflow of € 21.0 m related to a capital increase in TUI Cruises GmbH.

(45) Cash inflow / cash outflow from financing activities

The cash outflow from financing activities totalled € 233.5 m (previous year inflow of € 2,112.5 m). TUI AG recorded a cash inflow of € 1,743.8 m from various equity measures after deduction of capital procurement costs. Of this, € 1,084.4 m was attributable to the silent participations and € 542.5 m to the issue of shares completed on January 28, 2021. A further € 82.4 m relate to the equity component of the convertible bond issued and € 34.5 m to the equity component of the bond with warrants. A cash outflow of € 1.7 m related to the purchase of shares, transferred to TUI Group employees in the framework of the oneShare employee share programme. TUI AG recorded a cash inflow of € 598.6 m from taking out loans and bonds after deduction of capital procurement costs. Other TUI Group companies took out loans worth € 257.0 m. In the period under review, TUI AG reduced its syndicated credit facility by € 1,445.1 m and paid € 300.0 m for the early redemption of a bond. Other Group companies recorded a cash outflow of € 94.1 m to repay financial liabilities. A further cash outflow of € 587.2 m was used to redeem lease liabilities. A cash outflow of € 404.8 m related to interest payments.

(46) 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 increased by € 33.2 m (previous year € – 17.0 m) due to foreign exchange effects.

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(47) Significant events after balance sheet date

On 5 October 2021 TUI AG sold its investment in the subsidiary Nordotel S. A. to the joint venture Grupotel S. A., both in Spain. For further details especially on the financial effects please refer to Note 23 'Assets held for sale'.

With effect from 2 November 2021 TUI AG finalized its second capital increase in the calendar year 2021. The net proceeds amounted to € 1.1 bn. The subscribed capital and number of shares increased by € 523.5 m to € 1,622.9 m. The remaining amount of € 0.6 bn increased the capital reserves. TUI AG intends to use the net proceeds to reduce financial liabilities and interest expenses.

(48) 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 2021 break down as follows:

Services of the auditors of the consolidated financial statements

€ million	**2021**	2020
Audit fees for TUI AG and subsidiaries in Germany	3.1	3.3
Audit fees	**3.1**	**3.3**
Review of interim financial statements	0.3	0.8
Other certification services (mainly in connection with comfort letters)	0.8	0.5
Other certification services	**1.1**	**1.3**
Total	**4.2**	**4.6**

(49) Remuneration of Executive and Supervisory Board members according to § 314 HGB

In the completed financial year, the remuneration paid to Executive Bord members totalled € 4.9 m (previous year € 4.3 m), and that of the Supervisory Board members totalled € 3.6 m (previous year € 3.4 m).

Pension payments for former Executive Board members or their surviving dependants totalled € 6.1 m (previous year € 6.1) in the completed financial year. Pension obligations according to IAS 19 for former Executive Board members and their surviving dependants amounted to € 71.8 m (previous year € 73.5 m) at the balance sheet date.

(50) 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 provision

DEFAG Beteiligungsverwaltungs GmbH I, Hanover	TUI Aviation GmbH, Hanover
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	TUI Aviation Holding GmbH, Hanover
FIRST Travel GmbH, Hanover	TUI Beteiligungs GmbH, Hanover
Flyloco GmbH, Rastatt	TUI Blue DE GmbH, Hanover
Last-Minute-Restplatzreisen GmbH, Rastatt	TUI Business Services GmbH, Hanover
Leibniz-Service GmbH, Hanover	TUI Customer Operations GmbH, Hanover
l'tur GmbH, Rastatt	TUI Deutschland GmbH, Hanover
MEDICO Flugreisen GmbH, Rastatt	TUI Group Services GmbH, Hanover
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	TUI Hotel Betriebsgesellschaft mbH, Hanover
Robinson Club GmbH, Hanover	TUI Immobilien Services GmbH, Hanover
TICS GmbH Touristische Internet und Call Center Services, Rastatt	TUI InfoTec GmbH, Hanover
TLT Urlaubsreisen GmbH, Hanover	TUI Insurance & Financial GmbH, Hanover
TUI 4 U GmbH, Bremen	TUI Leisure Travel Service GmbH, Neuss
TUI aqtiv GmbH, Hanover	TUIfly GmbH, Langenhagen
TUI Asset Management and Advisory GmbH, Hanover	TUIfly Vermarktungs GmbH, Hanover

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(51) 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 (Note 53) 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.

Through the Economic Stabilisation Fund (ESF), the federal German government has indirectly acquired two silent participations and a warrant bond, which combined form the stabilisation package for TUI AG. With the payments of € 420 m made in connection with the first silent participation on 25 January 2021, a number of terms and conditions relating to the package have entered into force, which TUI AG has to comply with. Amongst others the ESF nominated two members of the supervisory board of TUI AG. Due to the scope of those terms and conditions, ESF can exercise material control over TUI AG and hence is a related party. The stabilisation measures received are significant business transactions with the ESF. Please refer to Note 27 'Silent participations' and Note 10 'Earnings per share' for details regarding the warrant bond.

Financial obligations from order commitments vis-à-vis related parties primarily relate to the purchasing of hotel services.

Transactions with related parties

€ million	**2021**	2020
Services provided by the Group		
Management and consultancy services	16.1	76.5
Sales of tourism services	36.9	58.3
Other services	–	3.7
Total	**53.0**	**138.5**
Services received by the Group		
Rental and leasing agreements	9.5	16.8
Purchase of hotel services	110.1	197.5
Distribution services	0.8	6.3
Other services	2.9	6.1
Total	**123.3**	**226.7**

Transactions with related parties

€ million	**2021**	2020
Services provided by the Group to		
non-consolidated Group companies	0.3	0.4
joint ventures	29.0	49.0
associates	1.7	48.2
other related parties	22.0	40.9
Total	**53.0**	**138.5**
Services received by the Group from		
non-consolidated Group companies	0.4	0.3
joint ventures	106.1	169.2
associates	16.8	49.8
other related parties	–	7.4
Total	**123.3**	**226.7**

Transactions with joint ventures and associates are primarily effected in the tourism business. 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 July 2021, TUI Group sold its shares in the Riu Hotels S. A. joint venture. For details of the transaction, please refer to the section 'Divestments'.

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Receivables against related parties

€ million	30 Sep 2021	30 Sep 2020
Trade receivables from		
non-consolidated Group companies	–	–
joint ventures	4.2	6.2
associates	3.9	5.6
other related parties	5.5	3.2
Total	**13.6**	**15.0**
Advances and loans to		
non-consolidated Group companies	–	0.1
joint ventures	3.1	39.6
associates	27.3	60.0
other related parties	2.5	–
Total	**32.9**	**99.7**
Payments on account to		
joint ventures	24.4	28.6
Total	**24.4**	**28.6**
Other receivables from		
non-consolidated Group companies	1.3	1.7
joint ventures	1.4	87.9
associates	1.8	1.7
other related parties	–	34.3
Total	**4.5**	**125.6**

Payables due to related parties

€ million	30 Sep 2021	30 Sep 2020
Trade payables due to		
non-consolidated Group companies	0.3	0.1
joint ventures	19.6	23.2
associates	3.0	7.5
other related parties	–	–
Total	**22.9**	**30.8**
Financial liabilities due to		
non-consolidated Group companies	0.5	0.5
joint ventures	111.9	134.6
Total	**112.4**	**135.1**
Other liabilities due to		
non-consolidated Group companies	4.9	5.3
joint ventures	6.3	6.9
associates	2.3	3.8
key management personnel	3.3	3.2
Total	**16.8**	**19.2**

Financial liabilities to joint ventures included liabilities from leases of € 111.9 m (previous year € 134.6 m).

The share of result of associates and joint ventures is shown separately in segment reporting.

Unifirm Limited, Cyprus, held 32.0 % of the shares in TUI AG as at 30 September 2021 (30 September 2020 24.9 %). Unifirm Limited is controlled by the family of Russian entrepreneur Alexej 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, reduced its equity stake to less than 3.0 % in the period under review.

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.

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Remuneration of Executive and Supervisory Board

€ million	2021	2020
Short-term benefits	8.5	7.7
Post-employment benefits	1.5	2.9
Share-based payment	0.5	– 3.8
Total	**10.5**	**6.8**

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 € 16.0 m (previous year € 16.6 m) as at the balance sheet date. In addition, provisions of € 2.6 m (previous year € 2.1 m) are recognised relating to the long-term incentive programme.

(52) International Financial Reporting Standards (IFRS) not yet applied

New standards endorsed by the EU, but applicable after 30 Sep 2021

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
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
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
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

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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 2021

Standard	Applicable from	Amendments	Expected impact on financial position and performance
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.
Amendments to IAS 1 Disclosure of Accounting Policies	1 Jan 2023	The amendments to IAS 1 and IFRS Practice Statement 2 are to help preparers in deciding which accounting and measurement methods to disclose in their financial statements. The amendments require entities to disclose their material accounting and measurement policy information instead of their significant accounting and measurement policies.	TUI will review the impacts of this amendment on the disclosures of accounting policies in due course.
Amendments to IAS 8 Definition of Accounting Estimates	1 Jan 2023	The amendments to IAS 8 are to help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates is replaced with a new definition of accounting estimates. It is clarified that a change in an accounting estimate that results from new information or new developments is not the correction of an error.	No major impacts
Amendments to IAS 12 Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023	The amendments clarify that deferred tax assets and liabilities have to be formed when a transaction gives rise to equal amounts of deductible and taxable temporary differences at the same time. The initial recognition exemption, according to which deferred tax assets or liabilities are not recognised on initial recognition of an asset or a liability, does not apply to transactions of this type.	No major impacts

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(53) TUI Group Shareholdings

Company	Country	Capital share in %
Consolidated companies		
Tourism		
Absolut Holding Limited, Qormi	Malta	99.9
Adriasense d.o.o., Zagreb	Croatia	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 Limited, Kapstadt	South Africa	50.1
ATC-Meetings and Conferences Proprietary Limited, 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
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
Clubhotel Cala Serena S.A., Madrid	Spain	100
Clubhotel IP S.A., Athen	Greece	100
Clubhotel JD, S.A., Las Palmas	Spain	100
Cruisetour AG, Zürich	Switzerland	100
Daidalos Hotel- und Touristikunternehmen A.E., Athen	Greece	89.8
Darecko S.A., Luxemburg	Luxembourg	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
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, Hannover	Germany	100

Company	Country	Capital share in %
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	Tanzania	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, Hannover	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
Hoteli Koločep d.d., Koločep	Croatia	100
Hoteli Živogošće d.d., Živogošće	Croatia	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
KHA pet d.o.o., Zagreb	Croatia	100
KHA tri d.o.o., Zagreb	Croatia	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

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Company	Country	Capital share in %
l'tur GmbH, Rastatt	Germany	100
L'TUR Suisse AG, Dübendorf/ZH	Switzerland	99.5
Lunn Poly Limited, Luton	United Kingdom	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 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
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 Lanka (PVT) Ltd., Ahungalla	Sri Lanka	100
RIUSA NED B.V., Amsterdam	Netherlands	100
Robinson Austria Clubhotel GmbH, Villach-Landskron	Austria	100
Robinson Club GmbH, Hannover	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
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
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
Tec4Jets NV, Zaventem	Belgium	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
TLT Reisebüro GmbH, Hannover	Germany	100
TLT Urlaubsreisen GmbH, Hannover	Germany	100
Travel Choice Limited, Luton	United Kingdom	100
Travel Guide With Offline Maps B.V., Amsterdam	Netherlands	100
TT Hotels Croatia d.o.o., Zagreb	Croatia	100
TT Hotels Italia S.R.L., Rom	Italy	100

* entrepreneurial management

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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 Asset Management and Advisory 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 Blue DE GmbH, Hannover	Germany	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 (Thailand) Limited, Bangkok*	Thailand	49
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 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 Holidays Ireland Limited, Dublin	Ireland	100
TUI Hotel Betriebsgesellschaft mbH, Hannover	Germany	100
TUI Ireland Limited, Luton	United Kingdom	100
TUI Italia S.r.l., Sorrent	Italy	100
TUI Italia S.r.l. 'in liquidazione', Fidenza	Italy	100
TUI Jamaica Limited, Montego Bay	Jamaica	100
TUI Malta Limited, Pieta	Malta	100
TUI Mexicana SA de CV, Mexico	Mexico	100
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, Hannover	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
Umbhaba Eco Lodge Proprietary Limited, Kapstadt	South Africa	85
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
DEFAG Beteiligungsverwaltungs GmbH I, Hannover	Germany	100
DEFAG Beteiligungsverwaltungs GmbH III, Hannover	Germany	100
Europa 2 Ltd, Valletta	Malta	100

* entrepreneurial management

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Company	Country	Capital share in %
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
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 Serial Number 852 Limited, Dublin	Ireland	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 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, Hannover	Germany	100
TUI Insurance & Financial 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
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

Company	Country	Capital share in %
TUI Travel Holdings Limited, Luton	United Kingdom	100
TUI Travel Limited, Luton	United Kingdom	100
TUI Travel Overseas Holdings Limited, Luton	United Kingdom	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, Hannover	Germany	75
Hapag-Lloyd Reisebüro Hagen Verwaltungs GmbH, Hannover	Germany	70
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 'in liquidazione', 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
TUI 4 U Poland sp.zo.o., Warschau	Poland	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

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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
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
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
Interyachting Limited, Limassol	Cyprus	45
Jaz Hospitality Services DMCC, Dubai	United Arab Emirates	50
Jaz Hotel Group S.A.E., Kairo	Egypt	51
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	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
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

Company	Country	Capital share in %
Tikida Bay S.A., Agadir	Morocco	34
TIKIDA DUNES S.A., Agadir	Morocco	30
Tikida Palmeraie S.A., Marrakesch	Morocco	33.3
Travco Group Holding S.A.E., Kairo	Egypt	50
TRAVELStar GmbH, Hannover	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
MSN 1359 GmbH, Hannover	Germany	25

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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, 6 December 2021

The Executive Board

Friedrich Joussen	David Burling	Sebastian Ebel
Peter Krueger	Frank Rosenberger	Sybille Reiss

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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 2021, 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 2020 to 30 September 2021, 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 2020 to 30 September 2021. 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) 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 2021 and of its financial performance for the financial year from 1 October 2020 to 30 September 2021, 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.

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Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2020 to 30 September 2021. 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 the following we present the key audit matters we have determined in the course of our audit:

❶ Impact of the COVID-19 pandemic on the going-concern assumption and presentation of associated risks
❷ Recoverability of goodwill,
❸ Recoverability of touristic payments on account for hotel services,
❹ Recoverability of deferred tax assets
❺ Specific provisions

Our presentation of these key audit matters has been structured as follows:

Ⓐ Description (including reference to corresponding information in the consolidated financial statements)
Ⓑ Auditor's response

❶ Impact of the COVID-19 pandemic on the going-concern assumption and presentation of associated risks

Ⓐ The global travel restrictions to contain COVID-19 have had a significant negative impact on the Group's earnings and liquidity performance from the end of March 2020 and throughout the 2020/21 financial year. In the notes to the consolidated financial statements, the management board states that TUI Group is currently still affected by the negative impact of the COVID-19 pandemic and that it is currently not foreseeable when the travel programme can be fully resumed. The management board also explains that numerous financing measures had been successfully implemented in the reporting year and up to the date of preparation of the consolidated financial statements, including stabilisation measures by the Federal Republic of Germany in the form of a KfW credit line and silent participations by the Economic Stabilisation Fund (WSF) as well as capital increases. Based on the funds raised from the financing measures and the expected operating cash flow, the management board assumes that the preparation of the consolidated financial statements using the going concern assumption is appropriate and that there is no material uncertainty at the time of preparation of the consolidated financial statements that could cast significant doubt on the Group's ability to continue as a going concern. The remaining risk with regard to a further pandemic-related change of the booking behaviour is no longer considered by the management board to be a risk threatening the Group's ability to continue as a going concern. In this assessment, the management board expects that the booking figures for the financial year 2021/22 will successively recover and that the booking behaviour in the financial year 2022/23 will largely correspond to the pre-pandemic level. Here, the management board expects that no further long-term closures and lockdowns will be on hand, which could affect the travel behaviour. Nevertheless, the customer bookings could be lower than expected on account of new travel restrictions, an insufficient vaccination rate against the COVID-19 virus in the single countries as well as on account of virus variants, such as the new Omicron virus variant, for which there may not be sufficient vaccination protection and could thus affect the development of TUI Group. In our view, this is a key audit matter because it strongly depends on discretionary assumptions and estimations made by the management board and is subject to uncertainties.

The disclosures on the aforementioned risks and their assessment are included in the 'Going Concern Reporting under the UK Corporate Governance Code' section of the notes to the consolidated financial statements. Furthermore, we refer to the section 'Viability Statement' of the combined management report.

Ⓑ As part of our audit, we considered whether the preparation of the consolidated financial statements in accordance with the going concern assumption is appropriate and whether a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern should be disclosed in the notes to the consolidated financial statements. In addition, we have audited the notes to the consolidated financial statements in this context for completeness and accuracy. In particular, we checked the plausibility of the forecasts of the management board with regards to the liquidity development of the group and compliance with the covenants, especially against the background of the developing COVID-19-Pandemic. First of all, we checked the plausibility of the management board's planning approved by the supervisory board and the assumptions contained therein by comparing them with general and industry-specific market expectations as well as with historical data. In addition, we tested the extent to which the actual development of revenues, earnings and liquidity may deviate from the management board's expectations by sensitising the planning submitted by the management board until a potential threat to TUI Group's continued existence as a going concern would arise.

In this process, we were supported by our internal valuation and restructuring specialists. During the entire audit process, we regularly discussed the individual financing measures as well as the main planning assumptions with representatives of TUI Group. As of the financing measures already carried out during the financial statements preparation period, we have inspected the relevant documents, contracts and agreements and critically reviewed them with regard to their impacts on the consolidated financial statements. In particular, we critically reviewed the current short-term liquidity forecast prepared by the Company until the completion of the audit. In addition, we – involving our specialists – assessed the updated assumptions underlying the short-term liquidity forecast for plausibility.

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❷ Recoverability of goodwill

Ⓐ In TUI AG's consolidated financial statements as at 30 September 2021, goodwill totalling mEUR 2,993.1 is reported under the item 'goodwill' within 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, there is an increased degree of forecasting uncertainty given the uncertain further impacts of the COVID-19 pandemic. 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 realisable amount).

❸ Recoverability of touristic payments on account for hotel services,

Ⓐ Payments on account for hotel services amounting to mEUR 225.5 are recognised under the item 'touristic payments on account' reported in the statement of financial position in TUI AG's consolidated financial statements as at 30 September 2021.

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 payments on account' are provided in Note (18) of the notes to the consolidated financial statements.

Ⓑ We evaluated the valuation process for touristic payments on account 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 payments on account 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.

❹ Recoverability of deferred tax assets

Ⓐ TUI AG's consolidated financial statements as at 30 September 2021 report deferred tax assets totalling mEUR 291.1 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 under Note (20) 'Accounting policies'.

Ⓑ 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.

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5 Specific provisions

Ⓐ TUI AG's consolidated financial statements as at 30 September 2021 report provisions for maintenances of mEUR 794.3 under the statement of financial position item 'other provisions'. Furthermore, provisions for pensions and similar obligations of mEUR 935.1 were recognised as of 30 September 2021. 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 (30) and (31) as well as under the disclosures on recognition and measurement methods set out in the notes to the consolidated financial statements.lten.

Ⓑ 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.

Other information

The management board and the supervisory board are responsible for the other information. The other information comprises:

- Report of the supervisory board
- Report of the audit committee
- 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 HGB and Section 315 (1) sentence 5 HGB, respectively, and
- all sundry parts of the business report,
- but not the consolidated financial statements, the audited content of the combined management report and our audit opinion thereon.

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 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, the audited content in 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 executive 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.

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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 executive board and the reasonableness of estimates made by the executive 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 opinions. 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.

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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 the auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Audit of the Electronic Files of the Consolidated Financial Statements and of the Combined Management Report prepared for Publication pursuant to Section 317 (3a) HGB

AUDIT OPINION

In accordance with Section 317 (3a) HGB, we have assessed with reasonable assurance whether the electronic files of the consolidated financial statements and of the combined management report (hereafter referred to as 'ESEF files') prepared for publication, contained in the accompanying file, which has the SHA256: C75413208140981CEFEF72B470AB1D0EE2A7973DD61556DC244310550832DF54, meet, in all material respects, the requirements concerning the electronic reporting format ('ESEF format') pursuant to Section 328 (1) HGB. In accordance with the German legal requirements, this audit only covers the transfer of the consolidated financial statements' and the combined management report's information into the ESEF format, and therefore covers neither the information contained in these electronic files nor any other information contained in the file stated above.

In our opinion, the electronic files of the consolidated financial statements and of the combined management report prepared for publication contained in the accompanying file stated above meet, in all material respects, the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 October 2020 to 30 September 2021 contained in the above 'Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report', we do not express any audit opinion on the information contained in these electronic files and on any other information contained in the file stated above.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the electronic files of the consolidated financial statements and of the combined management report contained in the accompanying file stated above in accordance with Section 317 (3a) HGB and on the basis of the IDW Draft Auditing Standard: Audit of the Electronic Files of the Annual Financial Statements and of the Management Report prepared for Publication pursuant to Section 317 (3a) HGB (IDW Draft AuS 410). Our responsibilities in this context are further described in the section 'Auditor's Responsibilities for the Audit of the ESEF Files'. Our audit firm has applied the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW).

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE ESEF FILES

The executive directors of the parent are responsible for the preparation of the ESEF files based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the management board of the Company is responsible for such internal control as it has determined necessary to enable the preparation of ESEF files that are free from material violations against the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB, whether due to fraud or error.

The supervisory board is responsible for overseeing the preparation of the ESEF files as part of the financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ESEF FILES

Our objectives are to obtain reasonable assurance about whether the ESEF files are free from material violations, whether due to fraud or error, against the requirements pursuant to Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit.

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We also

- identify and assess the risks of material violations against the requirements pursuant to Section 328 (1) HGB, 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 opinion.
- obtain an understanding of internal control relevant to the audit of the ESEF files 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 controls.
- assess the technical validity of the ESEF files, i.e. whether the file containing the ESEF files meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date as to the technical specification of this file.
- evaluate whether the ESEF files enable a XHTML copy of the audited consolidated financial statements and of the audited combined management report whose content is identical with these documents.
- evaluate whether the ESEF files have been tagged using inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815 as applicable at the reporting date in a way that enables an appropriate and complete machine-readable XBRL copy of the XHTML copy.

FURTHER INFORMATION PURSUANT TO ART. 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the general meeting on 25 March 2021. We were engaged by the Supervisory Board on 25 March/1 April 2021. 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 2020/2021. We have nothing to report in this regard.

OTHER MATTER – USE OF INDEPENDENT AUDITOR'S REPORT

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited annual financial statements and the audited combined management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Hendrik Nardmann.

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 non-financial statement pursuant to Sections 315b and 315c German Commercial Code (HGB) included in the section 'Combined non-financial group statement' of the combined management report
- 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.

Hanover/Germany, 7 December 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Christoph B. Schenk	Dr Hendrik Nardmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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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.

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GLOSSARY

A

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

C

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

Compliance – Compliance is generally defined as a company's commitment to abide by the rules set by the legislator, the shareholders or the supervisory body. These rules often contain ethical aspects of the corporate philosophy. The aim is to avoid both a negative image and the exclusion of liability cases and claims for damages.

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 (DCGK) contains the main principles for the management and supervision of listed companies, in Great Britain the UK CGC applies.

Cruises segment – The Cruises segment consists of the joint venture TUI Cruises, which also operates Hapag-Lloyd Cruises since the prior year, and Marella Cruises.

CSR – Corporate Social Responsibility

COSO – Committee of Sponsoring Organizations of the Treadway Commission, a standard that enhances internal control, risk management, governance and fraud deterrence

D

DCGK – German Corporate Governance Code

Direct distribution mix – Share of Markets & Airlines sales via own channels (retail and online)

DTR – Disclosure and Transparency Rules of the UK Listing Authorities

E

EBIT – Earnings before interest, income taxes and result of the measurement of the Group's interest hedges. EBIT by definition includes goodwill impairments.

EBITDA – 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.

EBT – Earnings before taxes

Economic Value Added – Economic Value Added is calculated as the product of ROIC less associated pre-tax capital costs (WACC) multiplied by interest-bearing invested capital.

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.

ESF – Economic Stabilisation Fund, German WSF Wirtschaftsstabilisierungsfonds

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G

GEC – Group Executive Committee of TUI Group. The GEC is set up to enhance informed, effective decision-making and to create a flat hierarchy and strong execution environment. It reflects a culture of openness and information sharing.

GSTC – Global Sustainable Tourism Council

H

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 – 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.

J

JEV – JEV is designed to motivate members of the Executive Board to achieve demanding and challenging financial, operational and strategic goals during a financial year. 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.

L

Leverage Ratio – Leverage ratio = (gross financial liabilities + lease liabilities + obligations from defined-benefit pension plans) / reported EBITDA

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.

M

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. Our own flying capacity continues to play a key role in our business model.

N

Northern Region segment – 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.

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 potential passenger days.

Online mix – Share of Markets & Airlines online sales.

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.

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R

RCF – revolving credit facilities

ROIC – ROIC is calculated as the ratio of underlying earnings before interest and taxes (underlying EBIT) to average invested interest-bearing capital (invested capital).

ROC – Risk Oversight Committee of TUI Group

T

TSR – Total Shareholder Return

TUI Musement segment – The TUI Musement segment delivers local services at our holiday destinations around the world. TUI Musement is one of the largest digital providers in the online intermediary market for tours, activities and experiences.

U

UK CGC – UK Corporate Governance Code

UN Global Compact – In September 2014, TUI signed up to 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 – 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.

UNWTO – World Tourism Organisation of the United Nations

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

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8 FEBRUARY 2022
Annual General Meeting 2022

8 FEBRUARY 2022
Quarterly Statement Q1 2022

MAY 2022
Half-Year Financial Report H1 2022

AUGUST 2022
Quarterly Statement Q3 2022

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PHOTOGRAPHY
TUI Group (cover photo, p. 10); Christian Wyrwa (p. 6, 8, 20);
Photo Motion by Alexander Fischer (p. 11)