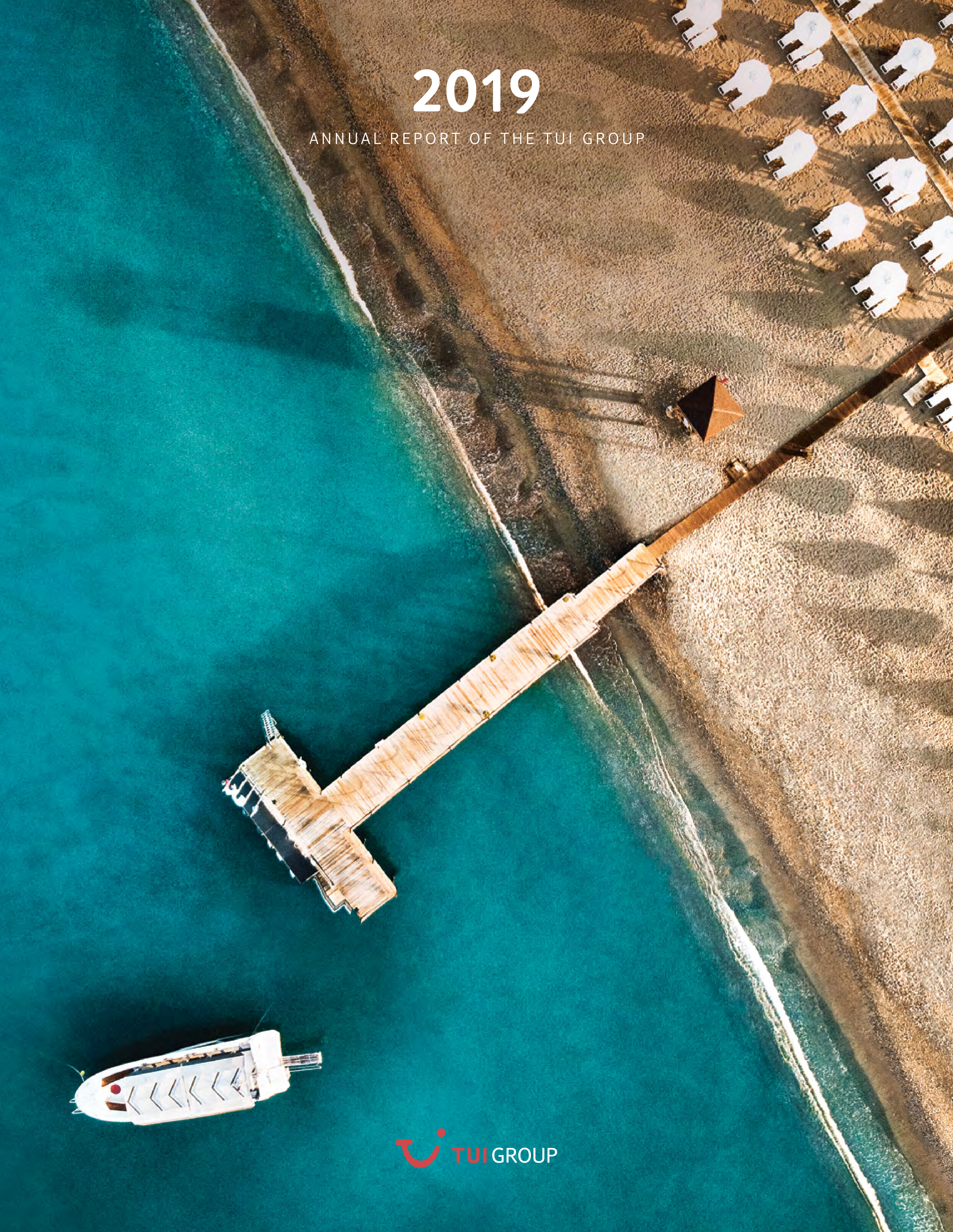
2019

ANNUAL REPORT OF THE TUI GROUP



TUI GROUP

FINANCIAL HIGHLIGHTS

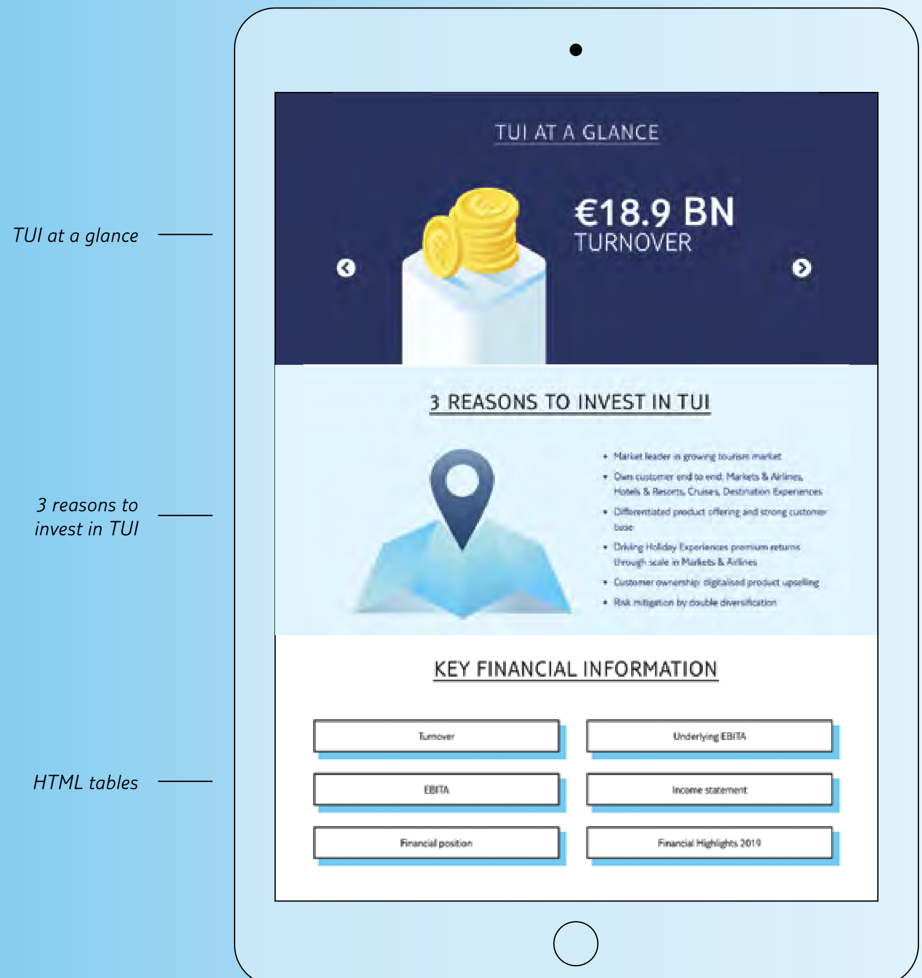
€ million		2019	2018 adjusted	Var. %	Var. % at constant currency
Turnover		**18,928.1**	**18,468.7**	**+2.5**	**+2.7**
Underlying EBITA[1]					
Hotels & Resorts		451.5	420.0	+7.5	–4.9
Cruises		366.0	323.9	+13.0	+13.2
Destination Experiences		55.7	45.6	+22.1	+20.4
Holiday Experiences		873.2	789.5	+10.6	+3.6
Northern Region		56.8	278.2	–79.6	–77.1
Central Region		102.0	94.9	+7.5	+7.0
Western Region		–27.0	124.2	n. a.	n. a.
Markets & Airlines		131.8	497.3	–73.5	–72.2
All other segments		–111.7	–144.0	+22.4	+18.5
TUI Group		**893.3**	**1,142.8**	**–21.8**	**–25.6**
EBITA[2, 3]		**768.4**	**1,054.5**	**–27.1**	
Underlying EBITDA[3, 4]		**1,359.5**	**1,554.8**	**–12.6**	
EBITDA[3, 4]		**1,277.4**	**1,494.3**	**–14.5**	
EBITDAR[3, 4, 5]		**1,990.4**	**2,215.8**	**–10.2**	
Net profit for the period		531.9	774.9	–31.4	
Earnings per share[3]	in €	0.71	1.17	–39.3	
Equity ratio (30 Sept.)[6]	%	25.6	27.4	–1.8	
Net capex and investments (30 Sept.)		1,118.5	827.0	+35.2	
Net debt / net cash (30 Sept.)		–909.6	123.6	n. a.	
Employees (30 Sept.)		71,473	69,546	+2.8	

Differences may occur due to rounding.
This Annual Report 2019 of the TUI Group was prepared for the reporting period from 1 October 2018 to 30 September 2019.
The TUI Group applied IFRS 15 and IFRS 9 retrospectively from 1 October 2018. In contrast to IFRS 15, IFRS 9 was introduced without restating the previ-ous year's figures.
For details on reclassifications please refer to page 32.

[1] In order to explain and evaluate the operating performance by the segments, EBITA adjusted for one-off effects (underlying EBITA) is presented. Underlying EBITA has been adjusted for gains / losses on disposal of investments, restructuring costs according to IAS 37, ancillary acquisition costs and conditional purchase price payments under purchase price allocations and other expenses for and income from one-off items. Please also refer from page 67 for further details.
[2] EBITA comprises earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges.
[3] Continuing operations.
[4] EBITDA is defined as earnings before interest, income taxes, goodwill impairment and amortisation and write-ups of other intangible assets, depreciation and write-ups of property, plant and equipment, investments and current assets. The amounts of amortisation and depreciation represent the net balance including write-backs. Underlying EBITDA has been adjusted for gains / losses on disposal of investments, restructuring costs according to IAS 37, ancillary acquisition costs and conditional purchase price payments under purchase price allocations and other expenses for and income from one-off items.
[5] For the reconciliation from EBITDA to the indicator EBITDAR, long-term leasing and rental expenses are eliminated.
[6] Equity divided by balance sheet total in %, variance is given in percentage points.

»TUI’s strategy change launched more than five years ago marked the successful shift to an integrated tourism provider. The transformation of the Group is consistently advancing, as today’s business model will not guarantee tomorrow’s success. For TUI, the future is digital.«

Friedrich Joussen, CEO of TUI AG



Additional content in the interactive financial report 2019

annualreport2019.tuigroup.com

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COMPASS

This is a cross-reference provided by law or audited by the auditor as part of the audit of the financial statements.

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.

Here is a reference to websites or separate corporate publications. These cross-references are not subject of the audit as they not provided for by law or by the German Accounting Standards (DRS) No. 20

TUI GROUP 2019 IN FIGURES

15.46 %
ROIC

~ 150
AIRCRAFT

€ 18.9 BN
TURNOVER

71,473
EMPLOYEES

€ 893 M
UNDERLYING EBITA

21 M
CUSTOMERS
in the Markets & Airlines businesses


411
HOTELS
115
DESTINATIONS
€0.54
DIVIDEND PROPOSAL PER SHARE
€0.89
UNDERLYING EPS
18
CRUISE SHIPS
as at December 2019

LETTER TO OUR SHAREHOLDERS

Dear shareholders,

Actively shaping change and successfully tackling external factors and market challenges are two of TUI's strengths. We delivered double-digit growth for four consecutive years. In 2019, our planned growth was impossible to achieve. Nevertheless, we held up well in a very challenging market environment for tourism and aviation. The traditional tour operating business in Europe is still changing, the aviation sector is feeling the impact of overcapacity, in particular on short- and medium-haul routes, and our results for the completed financial year were affected in particular by the grounding of the Boeing 737 Max. This led us to update our guidance early on. Without the grounding of the 737 Max, we would have delivered earnings within the prior year's record levels. Taking account of all external factors, the performance we delivered this year reflects our updated guidance, but it is down 25.6 % year-on-year. A year like the one we have just witnessed demonstrates, in particular, that we adopted the right approach with our new strategic alignment in 2014, and that it has ensured TUI's financial and economic resilience.

Let me thank our many customers who again chose TUI and our brands, and you, our shareholders, for your loyalty to TUI. I would also like to thank all our employees who catered to the needs of our guests and made their holidays a unique experience last year. The Executive Board and the Supervisory Board will propose payment of a dividend of € 0.54 per share to this year's Annual General Meeting.

TUI's strategy change launched more than five years ago marked the shift from a traditional tour operator, a trader in holiday tours, to an integrated tourism provider – with its own hotels, cruise ships and rapidly growing destination activities segment. Our Holiday Experiences business, consisting of our hotel, cruise and destination activities, again delivered a very positive performance. In 2019, we opened a record number of new hotels, increasing TUI's portfolio of own hotels to 411. Thanks to two newbuilds our cruise ship fleet now comprises 18 vessels. TUI Cruises maintains one of the world's youngest and most state-of-the-art fleets. With Hotels & Resorts and Cruises, we already operate two strong growth and earnings pillars. Both segments now form the backbone of our Group.

Apart from successful joint ventures such as Riu and Atlantica, we are looking in our hotel business at a strong expansion of the TUI Blue brand, facilitating asset-light growth. In the next few years, TUI Blue will become the world's leading holiday hotel brand. It is setting standards and enables hoteliers outside our existing joint ventures to grow with us under the TUI umbrella.

For TUI, the future is digital. The transformation of the Group is consistently advancing, as today's business model will not guarantee tomorrow's success. We have launched the second stage of TUI's transformation. The way ahead will change TUI at least as much as the successful transformation pursued since 2014. We have done our homework, invested in people, teams and technology: TUI is becoming a digital company. Our 28 million customers and our global footprint in more than 100 countries around the world form the basis for the next chapter in TUI's history. We are developing digital solutions for ourselves and our companies, but also for other hoteliers and industry partners. This is what we call TUI's 'ecosystem', and it will be accessible for all those focusing – as we do – on unique holiday experiences, quality, service and innovation in tourism. The prerequisite was and remains a comprehensive digitalisation of our businesses. We are developing new markets and customers: our 'TUI 2022' programme is progressing well. We have created a pure-play online presence in six attractive markets and are tapping into countries such as India, Malaysia and Brazil through one single global platform. We are currently winning around 250,000 new customers a year, increasing the occupancy and profitability of our own hotels. Moreover, our destination activities business is becoming one of our strategic growth pillars. In autumn 2018, we acquired the Italian technology start-up Musement and can now offer around 150,000 activities. Since then we have more than doubled the volume of excursions sold through our platform. This business already contributes more than 50 million euros to our earnings. Our partnership with the leading Chinese company Ctrip demonstrates the potential for this segment in international growth markets. The TUI brand, the technology provided by Musement and our 28 million customers are the components that will enable us to build the largest digital marketplace for activities.

In tourism, growth and sustainability are not contradictory, but two sides to the same coin. Social, environmental and economic sustainability are inextricably linked. In many parts of the world, the tourism sector plays a crucial role in economic and social progress. Tourism goes hand in hand with investments in environmental standards, social standards, education and training. It also creates substantially better health care standards compared with places not visited by tourists. In today's highly complex world, travel creates better understanding of people and cultures: 'The most dangerous worldviews are the worldviews of those who have never viewed the world,' said Alexander von Humboldt. We need more rather than less exchange and dialogue – not least in order to effectively address global challenges such as the carbon issue and to develop solutions that can be globally implemented. Companies have to invest in state-of-the-art technologies, and this is what TUI has done over the past few years with our investments in cutting-edge aircraft and ships. Our 2015 – 2020 Sustainability Strategy was ambitious and we have already delivered many of our goals. We are in the middle of our preparations for the 2020 – 2030 Strategy, which we will present next year. We refer to the enclosed magazine 'moments', where you can read more about the many initiatives we have launched to embrace our responsibility for global challenges effectively.

As you can see, dear shareholders, TUI is evolving and pressing vigorously ahead with its transformation as a digital group. I hope that we can continue to inspire you to support our Company and strategy. We will do our utmost to work towards that goal in 2020 in partnership with our Group Executive Committee, the global management team and around 70,000 employees with us around the world. I thank you, dear shareholders, for your loyalty, support and the trust you place in us.

Best regards,

Friedrich Joussen
CEO TUI AG

GUIDANCE

KEY FIGURES	*Guidance FY 2019*[1]	*Guidance FY 2019, updated*	GUIDANCE ACHIEVEMENT *Actual FY 2019*
TURNOVER IN € BN	APPROXIMATELY 3 %[2]		18.9 +2.7 %[2]
EBITA (UNDERLYING) IN € M	AT LEAST +10 %[2]	–26 %[4]	893 –25.6 %[2]
ADJUSTMENTS IN € M	~ 125 costs		125 costs
NET CAPEX AND INVESTMENTS IN € BN	1.0 – 1.2[5]		1.1[5]
NET DEBT IN € BN			0.9

1 As published on 13 December 2018, unless otherwise stated

2 Variance year-on-year assuming constant foreign exchange rates are applied to the result in the current and prior period and based on the current group structure and pre IFRS 16.

3 Underlying EBIT. Range includes approximately € 130 m cost impact from Boeing 737 Max grounding, assuming return to service by end of April 2020. Should the Boeing 737 Max grounding continue to the end of FY 2020, additional cost impact of € ~ 220 – 270 m expected. The above guidance does not include any potential grounding compensation from Boeing in any form; and includes a mid to high double-digit millions investment in digital platform growth.

4 The outlook has been updated due to a weaker earnings expectation for Markets & Airlines and the subsequent grounding of Boeing 737 Max aircraft in February and March 2019.

5 Including PDPs, excluding aircraft assets financed by debt or finance leases

GUIDANCE

FY 2020

mid to high single-digit % growth[2]

€ ~ 950 – 1,050 m[3]

€ ~70 – 90 m costs

€ ~750 – 900 m[5]

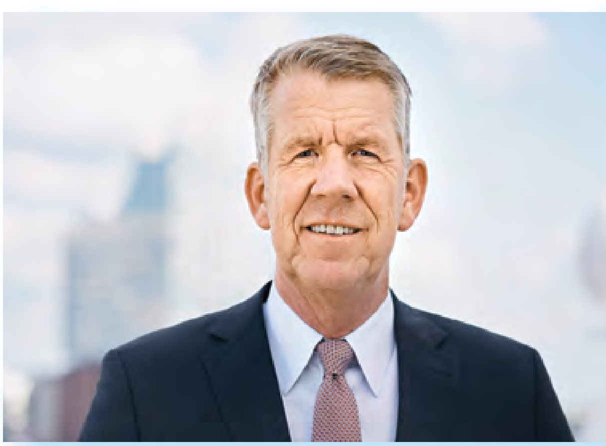
€ ~1.8 – 2.1 bn

GROUP EXECUTIVE COMMITTEE

PETER KRUEGER
Group Director Strategy and Merger & Acquisitions

SEBASTIAN EBEL
Member of the Executive Board;
CEO Hotels & Resorts, Cruises, Destination Experiences

THOMAS ELLERBECK
Group Director Corporate & External Affairs



FRIEDRICH JOUSSEN
CEO

BIRGIT CONIX
Member of the Executive Board;
CFO

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

DR ELKE ELLER

Member of the Executive Board;

CHRO / Personnel Director

ERIK FRIEMUTH

Group Chief Marketing Officer &
Managing Director TUI Hotels & Resorts

ELIE BRUYNINCKX

CEO Western Region

KENTON JARVIS

CEO Aviation and
Business Improvement;

Director Markets

DAVID BURLING

Member of the
Executive Board;

CEO Markets & Airlines

FRANK ROSENBERGER

Member of the Executive Board;

CIO & Future Markets

DR HILKA SCHNEIDER

Group Director Legal,
Compliance & Board Office

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

Following four very successful financial years with double-digit growth rates, TUI started into the completed financial year with great confidence. However, the year brought a number of unexpected challenges.

On the one hand, bookings slowed down unexpectedly at the beginning of 2019 following the hottest summer in a century recorded in 2018. In combination with a weak pound sterling as a result of the Brexit announcement as well as shifts in demand for destinations, this led to a first update in our earnings guidance. Shortly afterwards, at the end of March, we had to update our guidance once again when the Boeing 737 Max was grounded following the tragic accidents.

However, these events have also shown that TUI had taken the right strategic decisions and consistently implemented these decisions with the first strategy realignment since the merger between TUI AG and TUI Travel PLC. The transformation from a pure tour operator to an integrated tourism group that invests in, develops and operates hotels, cruises and holiday experiences secured the resilience of our business model. This year in particular, against the backdrop of recent events, we realised just how much stability we had gained as a result of this first transformation.

In the completed financial year, we continued to expand our operations in excursions and activities with the Musement platform, consistently developed our hotel portfolio and expanded our cruise ship fleet. In parallel, we supported the Executive Board throughout the sale of the French airline Corsair and the specialist tour operators Berge & Meer and Boomerang, approving the Group's strategy of focusing on our core activities. The Supervisory Board will now continue to support the Executive Board in actively shaping the second phase of our transformation towards a digital and platform company. We will continue to provide constructive support but remain critical and challenge our executives. We will definitely not rest on our past achievements. The permanent change we have undergone in recent years, in particular, has confirmed our view that this change is a crucial basis for our success.

After all, it is already emerging that the new financial year will bring challenges of its own. We cannot yet draw any firm conclusions about the return to service of Boeing 737 Max jets, and it is not clear, either, what will happen around a potential Brexit. On the other hand, we can also see opportunities arising from the market exit of our competitor Thomas Cook, and we are planning to seize these opportunities.

In terms of governance, the Supervisory Board will address the implementation of the second Shareholder Rights Directive (SRD II) and the amendments to the German Corporate Governance Code as well as the new UK Corporate Governance Code in the new financial year. We will continue to comply with the latter as far as practically possible. We had already considered these developments and forthcoming changes in the completed financial year and believe we are already well positioned to tackle the matter.

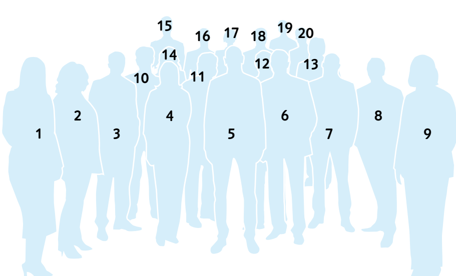
We also look back on changes in the composition of our Supervisory Board in FY 2019.

At the Annual General Meeting held in February 2019, Carmen Riu Güell's son Juan Trían Riu was elected to the Supervisory Board after she stepped down from this body as announced. We are delighted that Juan Trían Riu, a finance expert familiar with the structure and functioning of the hotel business, has joined the Supervisory Board. Although we already bid farewell to Carmen Riu Güell at the Annual General Meeting, I would like to use this opportunity to thank her very warmly once again for her committed work on the Supervisory Board over fourteen years.

In May 2019, my predecessor, Prof. Klaus Mangold, also stepped down from the Supervisory Board after nineteen years as a member, including eight years as its Chairman. To the end, Prof. Mangold energetically maintained his unwavering commitment and support, initially for the merger and subsequently for TUI's transformation as an integrated tourism group. As a convinced European, he played a crucial role in uniting the different cultures within TUI and forging them into a single, global player, alongside his commitment to securing TUI's economic success. TUI will drive the transformation process further on the basis of these foundations. We would like to thank him very warmly and wish him all the best for his future.

After Prof. Mangold stepped down in May, and with the support of the Supervisory Board, the Executive Board filed an application for the appointment of Vladimir Lukin by court order. Mr Lukin was subsequently appointed as a Supervisory Board member by court order on 5 June 2019. Mr Lukin had already been a member of our Supervisory Board from February 2014 until the completion of the merger between TUI AG and TUI Travel PLC in December 2014.

The Supervisory Board of TUI AG at its meeting at head office in Hanover on 11 September 2019



1 *Janis Carol Kong*
2 *Coline Lucille McConville*
3 *Andreas Barczewski*
4 *Valerie Frances Gooding*
5 *Dr Dieter Zetsche (Chairman)*
6 *Alexey Mordashov*
7 *Joan Trían Riu*
8 *Frank Jakobi (Deputy Chairman)*
9 *Angelika Gifford*
10 *Peter Long (Deputy Chairman)*
11 *Ortwin Strubelt*
12 *Vladimir Lukin*
13 *Wolfgang Flintermann*
14 *Anette Strempel*
15 *Dr Dierk Hirschel*
16 *Peter Bremme*
17 *Carola Schwirn*
18 *Prof. Edgar Ernst*
19 *Mag. Stefan Weinhofer*
20 *Michael Pönipp*

He is a valuable member of our Board, above all thanks to his financial expertise and operational insights.

Cooperation between the Supervisory Board and the Executive Board

In a stock corporation under German law, there is a mandatory strict separation of the Executive Board and the Supervisory Board. While the management of the company is the exclusive task of the Executive Board, the Supervisory Board is in charge of advising and overseeing the Executive Board. As the oversight body, the Supervisory Board provided on-going advice and supervision for the Executive Board in managing the Company in FY 2019, as required by the law, the Articles of Association and its own Terms of Reference.

Its actions were guided by the principles of good and responsible corporate governance. Our monitoring activities essentially served to ensure that the management of business operations and the management of the Group were lawful, orderly, fit for purpose and commercially robust. The individual advisory and oversight tasks of the Supervisory Board are set out in Terms of Reference. Accordingly, the Supervisory Board is, for instance, closely involved in entrepreneurial planning processes and the discussion of strategic projects and issues. Moreover, there is a defined list of specific Executive Board decisions requiring the consent of the Supervisory Board, some of which call for detailed review in advance and require the analysis of complex facts and circumstances from a supervisory and consultant perspective (own business judgement).

TUI AG falls within the scope of the German Industrial Co-Determination Act (MitbestG). Its Supervisory Board is therefore composed of an equal number of shareholder representatives and employee representatives. 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. All Supervisory Board members have the same rights and obligations and they all have one vote in voting processes. In the event of a tie, a second round of voting can take place according to the Terms of Reference for the Supervisory Board, in which case I as Chairman of the Supervisory Board have the casting vote.

In written and verbal reports, the Executive Board provided us with regular, timely and comprehensive information at our meetings and outside our meetings. The reports encompassed all relevant facts about strategic development, planning, business performance and the position of the Group in the course of the year, the risk situation, risk management and compliance, but also reports from the capital markets (e. g. from analysts), media reports and reports on current events (e. g. crises). The Executive Board discussed with us all key transactions of relevance to the Company and the further development of the Group. Any deviations in business performance from the approved plans were explained in detail. The Supervisory Board was involved in all decisions of fundamental relevance to the Company in good time. We fully discussed and adopted all resolutions in accordance with the law, the Articles of Association and our Terms of Reference. We regularly prepared for these decisions based on documents provided in advance by the Executive Board to the Supervisory Board and its committees. We were also swiftly informed about any urgent topics arising in between the regular meetings. As Chairman of the Supervisory Board, I was also regularly informed by the Executive Board about current business developments and key transactions in the Company between Supervisory Board meetings.

Deliberations in the Supervisory Board and its Committees

Prior to Supervisory Board meetings, the shareholder representatives and the employees' representatives met in separate meetings, which were regularly also attended by Executive Board members.

Apart from the full Supervisory Board, a total of four committees were in place in the completed financial year: the Presiding Committee, Audit Committee, Strategy Committee and Nomination Committee. The Mediation Committee formed pursuant to section 27 (3) of the Co-Determination Act did not have to meet. The chair of each committee provides regular and comprehensive reports about the work performed by the committee at the ordinary Supervisory Board meetings.

In FY 2019, as in prior years, we again recorded a consistently high meeting attendance despite a large number of meetings. Average attendance was 93.5 % (previous year 92.8 %) at plenary meetings and 97.3 % (previous year 85.3 %) at committee meetings. All Supervisory Board members attended significantly more than half the Supervisory Board meetings and meetings of the committees on which they sat in FY 2019. Members unable to attend a meeting usually participated in the voting through proxies. Preparation of all Supervisory Board members was greatly facilitated by the practice of distributing documents in advance in the run-up to the meetings and largely dispensing with handouts at meetings.

Attendance at meetings of Supervisory Board 2019

Attendance at meetings of Supervisory Board 2019

Name	Supervisory Board meetings	Presiding committee	Audit committee	Nomination committee	Strategy Committee
Dr Dieter Zetsche (Chairman since 23 May 2019)	9 (10)	3 (3)[1]	3 (3)		2 (2)
Frank Jakobi (Deputy Chairman)	9 (10)	7 (7)			8 (8)
Peter Long (Deputy Chairman)	9 (10)	7 (7)		2 (2)	8 (8)[1]
Andreas Barczewski	10 (10)		7 (7)		
Peter Bremme	9 (10)	7 (7)			
Prof. Edgar Ernst	9 (10)		7 (7)[1]		5 (5)
Wolfgang Flintermann	10 (10)				
Angelika Gifford	10 (10)	1 (1)			8 (8)
Valerie Frances Gooding	10 (10)				6 (8)
Dr Dierk Hirschel	10 (10)		7 (7)		
Janis Carol Kong	8 (10)		7 (7)		
Vladimir Lukin	3 (3)				
Coline Lucille McConville	10 (10)		7 (7)		
Prof. Klaus Mangold (Chairman until 23 May 2019)	7 (7)	6 (6)	3 (4)	2 (2)[2]	6 (6)
Alexey Mordashov	6 (10)	6 (7)		2 (2)	8 (8)
Michael Pönipp	10 (10)		7 (7)		
Carmen Riu Güell	3 (3)	2 (4)		1 (1)	
Carola Schwirn	10 (10)				
Anette Strempel	10 (10)	7 (7)			
Ortwin Strubelt	9 (10)	7 (7)	7 (7)		
Joan Trían Riu	7 (7)				
Stefan Weinhofer	10 (10)				
Attendance at meetings in %	**93.5**	**94.6**	**98.2**	**100.0**	**96.2**
Attendance at Committee meetings in %	**97.3**				

(In brackets: number of meetings held)
[1] Chairman of Committee
[2] Chairman until his resignation on 23 May 2019.

Key topics discussed by the Supervisory Board

The Supervisory Board held ten meetings. In addition, a resolution was adopted by circular decision. The meetings focused on the following issues:

1. At its meeting on 10 October 2018, the Supervisory Board considered current business performance. The discussions also focused on Brexit. In this context, we talked in detail about any measures to be adopted by the Group in the event of a hard Brexit. Our deliberations also focused on the development of the UK Corporate Governance and its impact on TUI as well as the divestment of the French airline Corsair. We also discussed the appropriateness of Executive Board remuneration and pensions. The Supervisory Board furthermore approved the budget for FY 2019.
2. At its meeting on 12 December 2018, the Supervisory Board discussed the annual financial statements of TUI Group and TUI AG, each having received an unqualified audit opinion from the auditors, the combined Management Report for TUI Group and TUI AG, the Report by the Supervisory Board, the Corporate Governance Report and the Remuneration Report. The discussions were attended by representatives of the auditors. The Audit Committee had already comprehensively considered these reports the previous day. Following its own review, the Supervisory Board endorsed the findings of the auditors. 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 2018 were thereby adopted. Moreover, the Supervisory Board approved the Report by the Supervisory Board, the Corporate Governance Report and the Remuneration Report. It also adopted the invitation to the ordinary AGM 2019 and the proposals for resolutions to

be submitted to the AGM, including the proposal to elect Joan Trían Riu as successor to Carmen Riu Güell after she stepped down from her mandate as shareholder representative on the Supervisory Board. Alongside the HR and Social Report, we received a number of other reports, including on the results of the TUIgether Pulse 2018 employee survey and on the progress of the divestment of Corsair. In the framework of Executive Board matters, we adopted the individual performance factor for each Executive Board member for the annual bonus for FY 2018. We also discussed the results of the efficiency review of the work performed by the Supervisory Board in order to identify any specific measures to be taken.

3. On 11 February 2019, the Supervisory Board comprehensively discussed the update of the earnings guidance published by the Executive Board on 6 February 2019 as well as its impact. The deliberations also focused on TUI AG's interim statements and financial report for the quarter ending 31 December 2018 and the organisation and preparation of the 2019 Annual General Meeting. We were furthermore given a report on the sales process for Corsair. Apart from an outside-in analysis of the TUI share, we turned our deliberations to the implications of Brexit for TUI.

4. At its extraordinary meeting on 15 March 2019, held in the form of a conference call, the Supervisory Board discussed the current development and the impact of the grounding of Boeing 737 Max 8 jets, officially ordered by public authorities, on TUI Group.

5. At a second extraordinary meeting held on 29 March 2019 to discuss the grounding of Boeing 737 Max 8 jets, the Supervisory Board deliberated on the implications resulting from the ongoing grounding. The discussions also focused on the impact of the ad hoc announcement relating to the updated earnings guidance for FY 2019, published by the Executive Board in the early morning of 29 March 2019 in connection with the grounding of the Boeing jets.

6. On 14 May, we debated the interim report for the second quarter and the half-year financial report for the period ending 31 March 2019. We also approved the change in the business allocation plan, adjusting some areas of responsibility so as to reflect changes within the organisation. Apart from reports on the development of senior executives, the recruitment of digital talent and the development of TUI's brand image, we discussed our business performance in TUI Destination Experiences and in Hotels & Resorts. We then heard a report on the results of the efficiency review carried out in the spring and the resulting measures already implemented or scheduled for implementation.

7. At its extraordinary meeting on 23 May 2019, the Supervisory Board discussed the Group's own airlines and the latest developments regarding Brexit. Moreover, we nominated Mr Lukin as a candidate to be proposed to the Annual General Meeting for election as a new Supervisory Board member representing shareholders to succeed Prof. Mangold. We asked the Executive Board to file an application with the relevant district court for his appointment by court order until the close of the 2020 Annual General Meeting. Furthermore, we appointed the new members for the vacancies on Supervisory Board committees that had arisen now that Prof. Mangold was stepping down, and elected Dr Zetsche as the new Chairman of the Supervisory Board.

8. At its extraordinary meeting on 7 August 2019, the Supervisory Board discussed the planned sale of specialist tour operators Berge & Meer Touristik GmbH and Boomerang-Reisen Vermögensgesellschaft GmbH, which had already been extensively discussed by the Strategy Committee, and approved the divestments based on the Executive Board's strategic considerations.

9. On 22 August 2019, by written circulation, the Supervisory Board approved the increase in TUI AG's capital stock for the issue of employee shares under the oneShare employee share programme for 2019 and resolved a corresponding amendment to Article 4 of the Articles of Association.

10. On Strategy Day, 11 September 2019, during a two-day meeting, the Supervisory Board discussed the key topics relating to future-proofing and securing the competitiveness of TUI's business model. Specifically, we scrutinised the key trends in the global tourism market and TUI's positioning in this context as well as new approaches to customer segmentation. The Supervisory Board also discussed the effects of the key current challenges faced by aviation and the source markets, including the continued grounding of Boeing 737 Max jets and the political and economic uncertainty around Brexit. The meeting also examined the transformation of the TUI Destination Experiences business into a platform and with it a new, scalable business model. The Supervisory Board was able to see from the detailed analysis that this would bring an expanded offering with the associated future growth potential. We also heard a progress report on the development of the Global Distribution Network. Together with the senior managers in charge of the relevant topics, the Executive Board and Supervisory Board engaged in very constructive and open dialogue about tackling these challenges and further steps that would be required in this regard. Following the strategic topics, we deliberated on the key elements of the strategic 3-year plan. On 12 September 2019, the Supervisory Board discussed Executive Board issues and specific operational and financial scenarios and simulations relating to the grounding of the Boeing 737 Max jets. We were also updated on the status of Brexit negotiations and the impact on TUI Group's business operations. The meeting also considered the growth potential and the plans for enhancing the fleets of TUI Cruises and Marella Cruises.

11. After the Supervisory Board had been briefed about the direct repercussions of the insolvency of Thomas Cook in an informal conference call, we held an extraordinary Supervisory Board meeting on 27 September 2019 to engage once again in detailed discussions of the operational and strategic questions, in particular relating to our own business.

Apart from the ordinary and extraordinary meetings, the Supervisory Board held a number of informal conference calls, convened at short notice, in particular on 6 February 2019 immediately after the update of the earnings guidance due to the decline in bookings and on 29 March 2019 after the grounding of Boeing 737 Max 8 jets to learn about the state of play and discuss the next steps. Moreover, the Chairman of the Supervisory Board and the CEO engaged in regular dialogue about material current issues.

Presiding Committee

The Presiding Committee takes the lead on various Executive Board issues (including succession planning, new appointments, terms and conditions of service contracts, remuneration, proposals for the remuneration system). It also prepares the meetings of the Supervisory Board. In the period under review, the Presiding Committee held eight meetings.

Members of the Presiding Committee:

- Dr Dieter Zetsche (member since 12 February 2019, Chairman since 23 May 2019)
- Peter Bremme
- Angelika Gifford (since 23 May 2019)
- Carmen Riu Güell (until 12 February 2019)
- Frank Jakobi
- Peter Long
- Prof. Klaus Mangold (until the close of the Supervisory Board meeting on 23 May 2019; until then, also Chairman of the Presiding Committee)
- Alexey Mordashov
- Anette Strempel
- Ortwin Strubelt

1. At its meeting on 10 October 2018, the Presiding Committee discussed Executive Board issues, including deliberations on various topics related to Executive Board remuneration for the completed financial year and the current financial year. The Committee also discussed the preliminary findings from the 2018 TUIgether Pulse employee survey and follow-up measures.

2. At its extraordinary meeting on 26 November 2018, the Presiding Committee further discussed the individual performance factors for the annual bonus of the Executive Board members for FY 2018 and drew up a recommendation on the determination of these factors for the Supervisory Board. We also discussed the definition of individual whole Board and stakeholder targets for the Executive Board members in relation to the annual performance bonus for FY 2019.

3. On 11 December 2018, the Presiding Committee discussed Executive Board matters. In that context, it adopted the final definition of the individual whole Board and stakeholder targets for the Executive Board members for FY 2019, which were then submitted to the Supervisory Board in the form of a recommendation for a resolution.

4. At its meeting on 11 February 2019, the Presiding Committee discussed the divestment of Corsair. It also deliberated on the future composition of the Supervisory Board and its committees against the backdrop of Ms Riu stepping down from the Supervisory Board and on a potential extension of the appointment and service contract of Mr Rosenberger.

5. At its meeting on 14 May 2019, the Presiding Committee adopted resolutions for a recommendation to the Supervisory Board on candidates to fill the vacancies on the Supervisory Board and its committees resulting from Prof. Mangold's departure from the Supervisory Board.

6. At its extraordinary meeting on 23 May 2019, the Presiding Committee primarily focused on the future composition of the Supervisory Board committees.

7. On 10 September 2019, the Presiding Committee first prepared the subsequent Strategy Meeting of the Supervisory Board. The Presiding Committee then decided to recommend to the Supervisory Board that the appointment of Mr Rosenberger be extended and that a corresponding supplemental agreement be concluded. After this the Committee discussed an initial proposal for changes to the current remuneration system for Executive Board members, caused by the current Executive Board remuneration forecast. The Committee also discussed amendments to the business allocation plan for the Executive Board driven by internal shifts in responsibilities.

AUDIT COMMITTEE

Members of the Audit Committee:

- Prof. Edgar Ernst (Chairman)
- Andreas Barczewski
- Dr Dierk Hirschel
- Janis Kong
- Prof. Klaus Mangold (until 23 May 2019)
- Coline McConville
- Michael Pönipp
- Ortwin Strubelt
- Dr Dieter Zetsche (since 23 May 2019)

The Audit Committee held seven ordinary meetings in the financial year under review. For the tasks of the Audit Committee and the advisory and resolution-related issues it discussed, we refer to the comprehensive Audit Committee Report on page 22.

NOMINATION COMMITTEE

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

Members of the Nomination Committee, which held two meetings:

- Dr Dieter Zetsche (Chairman since 23 May 2019)
- Carmen Riu Güell (until 12 February 2019)
- Peter Long
- Prof. Klaus Mangold (until the close of the Supervisory Board meeting on 23 May 2019; until then Chairman of the Audit Committee)
- Alexey Mordashov

1. At its meeting on 11 December 2018, the Nomination Committee adopted a resolution to recommend to the 2019 Annual General Meeting that Joan Trían Riu be elected to TUI AG's Supervisory Board as successor to Carmen Riu Güell. Carmen Riu Güell had stepped down from her mandate as of the close of the Annual General Meeting held on 12 February 2019.

2. At its meeting on 13 May 2019, the Nomination Committee adopted a resolution to recommend to the Supervisory Board that it nominate a (shareholder representative) member to be appointed by court to succeed Prof. Mangold.

STRATEGY COMMITTEE

The Strategy Committee was established on 9 February 2016 by resolution of the Supervisory Board. Its task is to advise the Executive Board in developing and implementing the corporate strategy. The Committee met eight times in the financial year under review. In the financial year under review, Prof. Ernst and Dr Zetsche were both elected as members of the Strategy Committee, with Dr Zetsche taking over after Prof. Mangold had stepped down.

The members of the Strategy Committee:

- Peter Long (Chairman)
- Angelika Gifford
- Valerie Gooding
- Frank Jakobi
- Prof. Edgar Ernst (since 12 December 2018)
- Prof. Klaus Mangold (until 23 May 2019)
- Alexey Mordashov
- Dr Dieter Zetsche (since 23 May 2019)

1. At its meeting on 9 October 2018, the Committee discussed the Group's M&A strategy and the opportunities of data analytics for target group-specific usage.

2. At its extraordinary meeting held on 30 November 2018, the Committee discussed future alignment in selected source markets.

3. On 11 December 2018, the Committee again deliberated on the Group's M&A strategy and the opportunities of target group-specific usage of data analytics. The discussions also focused on the further development of the TUI brand.

4. At its meeting on 11 February 2019, the Committee continued its discussions on data analytics opportunities for target group-specific usage. Debate also centred around the further development potential for the business model and a divestment transaction for the Group.

5. At its meeting on 13 May 2019, the Strategy Committee discussed strategic and operational growth initiatives in selected source markets and the Group's own airlines as well as the impact of the grounding of Boeing 737 Max 8 jets.

6. At its extraordinary meeting on 23 May 2019, the deliberations again focused on selected source markets and the Group's own airlines.

7. At its extraordinary meeting on 8 July 2019, the Strategy Committee discussed TUI AG's capital structure, selected source markets and the Group's own airlines.

8. At its meeting on 10 September 2019, the Committee discussed the hotel business strategy based on customer segmentation and the future positioning of the brand portfolio. The Committee then debated the transformation of the business model and the required IT investments.

CORPORATE GOVERNANCE

Due to the primary quotation of the TUI AG share on the London Stock Exchange and the constitution of TUI AG as a German stock corporation, the Supervisory Board naturally grants regular and very careful consideration to the recommendations around German and British corporate governance. Apart from the mandatory observance of the rules of the German Stock Corporation Act (AktG), the German Industrial Co-Determination Act (MitbestG), the Listing Rules and the Disclosure and Transparency Rules, TUI AG had announced in the framework of the merger that the Company was going to observe both the German Corporate Governance Code (DCGK) and – as far as practicable – the UK Corporate Governance Code (UK CGC).

For the DCGK – conceptually founded, inter alia, on the German Stock Corporation Act – we issued an unqualified declaration of compliance for 2019 pursuant to section 161 of the German Stock Corporation Act, together with the Executive Board. By contrast, there are some deviations from the UK CGC, due for the most part to the different concepts underlying a one-tier management system for a public listed company in the UK (one-tier board) and the two-tier management system comprised of Executive Board and Supervisory Board in a stock corporation based on German law (two-tier board).

More detailed information on corporate governance, the declaration of compliance for 2019 pursuant to section 161 of the German Stock Corporation Act and the declaration on the UK CGC is provided in the present Annual Report in the Corporate Governance Report jointly prepared by the Executive Board and the Supervisory Board (page 117), as well as on TUI AG's website.

Conflicts of interest

In the period under review, the Supervisory Board continuously monitored for conflicts of interest and found that no conflict of interest occurred in FY 2019.

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

The Supervisory Board reviewed the annual and consolidated financial statements and the financial reporting to establish whether they were in line with applicable requirements. Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hanover, audited the annual financial statements of TUI AG prepared in accordance with the provisions of the German Commercial Code (HGB), as well as the combined management report of TUI AG and TUI Group, and the consolidated financial statements for FY 2019 prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), and issued their unqualified audit opinion. The above documents, the Executive Board's proposal for the appropriation of the net profit available for distribution and the audit reports by the auditors had been submitted in good time to all members of the Supervisory Board. They were discussed in detail at the Audit Committee meeting on 10 December 2019 and the Supervisory Board meeting on 11 December 2019, convened to discuss the annual financial statements, where the Executive Board provided comprehensive explanations of these statements. At those meetings, the Chairman of the Audit Committee and the auditors reported on the audit findings, having determined the key audit areas for the financial year under review beforehand with the Audit Committee. Neither the auditors 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 of TUI AG and TUI Group and the combined management report, we did not have any grounds for objections and therefore concur with the Executive Board's evaluation of the situation of TUI AG and TUI Group. Upon the recommendation of the Audit Committee, we approve the annual financial statements for FY 2019; the annual financial statements of TUI AG are thereby adopted. We comprehensively discussed the proposal for the appropriation of profits with the Executive Board and approved the proposal in the light of the current and expected future financial position of the Group.

Executive Board and Supervisory Board

The composition of the Executive Board and Supervisory Board as at 30 September 2019 is shown in the lists on page 114 for the Supervisory Board and page 116 for the Executive Board.

SUPERVISORY BOARD

Upon the close of the 2019 Annual General Meeting, Carmen Riu Güell stepped down from the Supervisory Board. At the same AGM, Joan Trían Riu was elected to serve on TUI AG's Supervisory Board for a term of five years. Moreover, Prof. Klaus Mangold stepped down from the Supervisory Board upon the close of its extraordinary meeting on 23 May 2019. By court appointment of 5 June 2019, Vladimir Lukin was appointed as a member of the Supervisory Board. As announced in the Executive Board's application for appointment by court order, the Executive Board and the Supervisory Board intend to submit a proposal to the 2020 AGM to elect Vladimir Lukin as a Supervisory Board member.

PRESIDING COMMITTEE

Carmen Riu Güell stepped down from the Supervisory Board and thus also the Presiding Committee with effect from the close of the 2019 Annual General Meeting. The Supervisory Board elected Dr Dieter Zetsche as the fourth shareholder representative on the Presiding Committee. When Prof. Mangold stepped down, Dr Zetsche was elected as Chairman of the Supervisory Board and therefore also as Chairman of the Presiding Committee. Moreover, Angelika Gifford was elected as a shareholder representative to the Presiding Committee on 23 May 2019.

NOMINATION COMMITTEE

Carmen Riu Güell likewise stepped down from the Nomination Committee upon the close of the 2019 Annual General Meeting. The Supervisory Board elected Dr Dieter Zetsche as a member of the Nomination Committee to replace Prof. Mangold after his departure. Dr Zetsche has also become Chairman of the Nomination Committee. In line with the Terms of Reference, the Supervisory Board dispensed with the appointment of a fourth member to the Committee.

EXECUTIVE BOARD

On 1 October 2018, Birgit Conix was appointed CFO, as planned, to succeed Horst Baier, who had stepped down from the Executive Board upon the close of 30 September 2018.

Word of thanks

The Supervisory Board thanks all TUI Group employees for their day-to-day dedication, which contributed substantially to TUI's successful positioning in a very challenging financial year.

Hanover, 11 December 2019

On behalf of the Supervisory Board

Dr Dieter Zetsche
Chairman of the Supervisory Board

AUDIT COMMITTEE REPORT

Dear Shareholders,

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

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

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

The Audit Committee was elected immediately after the 2016 Annual General Meeting from among the members of the Supervisory Board. The committee members are elected for the respective term of their Supervisory Board mandate. In the completed financial year, Dr Dieter Zetsche was elected as a new member of the Audit Committee after Prof. Klaus Mangold stepped down from the Supervisory Board of TUI AG.

The Audit Committee therefore currently consists of the following eight Supervisory Board members:

- Prof. Edgar Ernst (Chairman)
- Andreas Barczewski
- Dr Dierk Hirschel
- Janis Carol Kong
- Coline Lucille McConville
- Michael Pönipp
- Ortwin Strubelt
- Dr Dieter Zetsche

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

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

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

Apart from the Audit Committee members, the meetings were also attended by the CEO and CFO as well as the heads of Group Financial Accounting & Reporting, Group Audit, Group Legal, Group Compliance & Risk and Group Treasury.

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

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

The members attended the meetings of the Audit Committee as shown in the table on page 17.

Reliability of financial reporting and monitoring of the accounting process

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

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

In order to monitor accounting, we examined individual aspects in great detail. In addition, we considered the treatment of key balance sheet items, in particular goodwill, tourism prepayments and other provisions, in the accounts. In consultation with the auditors, we ensured that the assumptions and estimates underlying the accounting were appropriate. Moreover, the Audit Committee assessed significant legal disputes and significant aspects arising from the operating business.

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

In FY 2019, the accounting standards IFRS 15 Revenue and IFRS 9 Financial Instruments had to be applied for the first time. They had a significant impact on part of the TUI Group's accounting and reporting. Accordingly, the Audit Committee received reports on the implementation and effects of the new accounting standards as part of the quarterly reporting.

From FY 2020, a new accounting standard on leases, IFRS 16, will also need to be applied, which will lead to perceptible changes in the balance sheet and results. In view of the significance of that standard for TUI, we requested explanations of the expected effects. We also regularly obtained confirmation that the timely implementation of the project for the new lease accounting was not at risk.

In March 2019, Boeing 737 Max aircraft were grounded, which had a material impact on TUI's earnings situation in the completed financial year and triggered various announcements including an ad-hoc announcement by the Executive Board. Against the background of the publication of two ad-hoc announcements in the financial year under review, we heard explanations of the background and, in particular, the underlying process for the ad-hoc announcements.

In addition, we were informed about the status of implementation of a uniform financial system for the subsidiaries in source market Germany. Its implementation is now nearing completion. The further planned implementation of that system in other source markets was likewise the subject of this report.

In addition, the consistency of the reconciliation to the key performance parameter 'underlying earnings' and the material adjustments were discussed for each quarterly report and for the annual financial statements.

We also gathered information about the corporate transactions carried out in the financial year under review. In addition to the disposal of the French airline Corsair, they included the acquisition of the excursion platform Musement in the Destination Experiences segment. Furthermore, we examined TUI's investment activities in Airlines, Hotels & Resorts, Cruises and IT. We obtained information about the major investments within the Group segments and the profit contributions from these investments.

In addition to these and other matters, the Audit Committee discussed the Going Concern Report to verify relevant statements on the Group's ability to continue as a going concern in the half-year report and the annual report. The discussions also focused on the Viability Statement to be drawn up by the Company as part of the annual financial report pursuant to UK CGC.

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

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

Effectiveness of internal controls and the risk management system

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

The Group has continuously developed its internal control system on the basis of the COSO concept. The routine review of key financial controls by management has meanwhile been established in the larger business units. The rollout of these controls for joint ventures and associated companies, in particular for start-ups, is planned as the next step in this development. Further internal controls are additionally reviewed in the largest source markets, UK and Germany.

The Group's Compliance function is split into the areas of Finance, Legal, and IT. This split plays an essential role in identifying further control needs and continuously improving existing controls. In addition, the auditors also report on any weaknesses in the Group's accounting-related control system which they have identified. Management monitors prompt remedial action in response to such weaknesses.

The Audit Committee regularly receives reports on the effectiveness of the risk management system, as described in the Risk Report starting on page 40. In this regard, the Risk Oversight Committee plays a key role within the Group. We are convinced that an appropriate risk management system is thus in place.

The Group Audit department ensures independent monitoring of the implemented processes and systems as well as core projects and reports directly to the Audit Committee at each regular meeting. In the period under review, the Audit Committee was not informed of any audit findings indicating significant weaknesses in the internal control system or the risk management system. In addition, regular discussions are held between the Chairman of the Audit Committee and the Head of Group Audit for closer coordination. The annual audit planning is agile. The Audit Committee received detailed reports on the methodology and took note of and approved them, together with the audits for the forthcoming financial year already defined in this context. The Audit Committee believes that the effectiveness of the Group Audit department is ensured through this regular consultation. In order to assure itself of the quality of the Group Audit department, an audit in accordance with Audit Standard No 3 and IdW's accounting standard PS 983 was carried out by an external consulting firm during the financial year under review. The review has shown that TUI's Internal Audit department produces excellent results, not least in comparison with other audited companies.

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

In the period under review, TUI Group's legal compliance system was reviewed on the basis of checklists and a self-assessment by the companies. We had the results of this review presented to us and were informed about the risk analysis carried out and the measures derived from it. In addition to the core elements of the control and risk management systems, the Group's hedging policy formed part of the reporting we heard during the year.

Whistleblower systems for employees in the event of compliance violations

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

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

Examination of auditor independence and objectivity

For FY 2019, the Audit Committee recommended to the Supervisory Board that it propose Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte) to the Annual General Meeting for election as auditors. Following the commissioning of Deloitte as auditor by the Annual General Meeting in February 2019, the Supervisory Board mandated Deloitte to audit the annual financial statements for 2019 and to review the half-year financial statements as at 31 March 2019.

The Audit Committee asked Deloitte for advance explanation of the audit plan for the annual financial statements as at 30 September 2019. That plan covered the key areas of audit and the main companies to be audited from the Group's point of view. On that basis, the Audit Committee firmly believes that the audit has taken the identifiable financial risks into account to an appropriate degree and is satisfied that the auditors are independent and objective in performing their work.

On the basis of the regular reporting by the auditors, we have every confidence in the effectiveness of the external audit. Therefore, we have decided to recommend that the Supervisory Board propose to the Annual General Meeting to elect Deloitte as the auditors for FY 2020 as well. We had selected Deloitte as auditors in a public tender process in FY 2016, and they have been appointed as auditors without interruption since they were first elected by the Annual General Meeting in 2017.

In order to ensure the independence of the auditors, any non-audit services to be provided by the auditors must be submitted to the Audit Committee for approval before awarding the mandate. Depending on the scope of the work, the Audit Committee makes use of the option to delegate approval to the Company. The Chairman of the Audit Committee is only involved in the decision once a specified cost limit has been exceeded. Insofar as the auditors have performed services that do not fall under the audit of the Group's annual financial statements, the nature and extent of these services were explained to the Audit Committee. This process complies with the Company's existing policy on the approval of non-audit services and it takes into account the requirements of the AReG regulations on prohibited non-audit services and on limitations to the scope of non-audit services. In FY 2019, these non-audit services, excluding audit-related services, accounted for 6% of the total auditors' fee, which amounted to €9.8 m.

I would like to use this opportunity to thank the Audit Committee members, the auditors and the management for their hard work and trustful cooperation in the completed financial year.

Hanover, 10 December 2019

Prof. Edgar Ernst
Chairman of the Audit Committee

TUI Blue combines the best of both hotel holidaying and individual travel. After the successful pilot, the lifestyle brand will now grow to about 100 hotels with roughly a million guests.

» In 'Blueprint' in our magazine 'moments', hotel general manager Yavuz Zeyrek shows us where TUI Blue first took root in Turkey's Sarigerme Park – and reveals the secret to success.

1

COMBINED MANAGEMENT REPORT*

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

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

TUI GROUP STRATEGY

From an integrated holiday provider to an integrated digital tourism ecosystem

ATTRACTIVE TOURISM MARKET

TUI is a globally operating tourism company serving 21 m customers[1] annually within its ecosystem. The tourism sector continues to be attractive, showing constant and above GDP growth for nearly a decade, providing an excellent basis for our businesses to grow.

The macro-fundamentals for our Hotel, Cruise and Destination Experiences businesses remain particularly favourable: the global sales volume for Hotels and Cruises is growing more than 4 % on a five year outlook, for Destination Experiences growth is even at 7 %. However, our Markets & Airlines intermediary business is facing some cyclical and structural challenges.

TUI GROUP'S STRATEGY

TUI's integrated business model continues to be considered a success factor and remains to be a core element of our strategy. Access to 21 m customers[1] in our core Markets & Airlines source markets with strong market positions (market shares between 20 – 40 %) allows us to drive premium returns in our Holiday Experiences businesses and provides a large basis for digitalised product up-selling. Therefore, we are committed to growing our integrated model on both ends, investing in customers' growth and own product growth. While in recent years TUI was significantly investing into own product growth by redeploying non-core business disposal proceeds, we will re-focus future growth more towards digital customer acquisition and therefore continue to grow our integrated business model on both ends. Our digital platforms will enable us to accelerate customer growth and to create a digital ecosystem allowing us to up- and cross-sell our tourism products to an even larger TUI customer base. At the same time, we will be able to offer more individualised holidays to our customers.

FOUR SPECIFIC STRATEGIC INITIATIVES

Our Group strategy is driven by four specific strategic initiatives.

1. MARKETS & AIRLINES: PROTECT AND WHERE POSSIBLE EXTEND STRONG POSITIONS

While the performance of our Markets & Airline business in FY 2019 was characterised by a number of specific external challenges such as potential Brexit and grounding of the 737 Max aircraft, it continues to face cyclical and structural challenges in the form of overcapacities and cost pressure. Both elements may continue to drive further market consolidation in particular in the Airline sector following a broader tour operating market consolidation triggered by the insolvency of one of our key competitors. We will continue to address the structural challenges we face by improving our cost position and flexibility and by driving speed and innovation facilitated through centralised IT and processes as the core elements of our Markets Transformation & Domaining initiative. This shall allow us to further expand our product offering beyond traditional packages into attractive growth segments like accommodation only and dynamic package offerings, while remaining competitive and maintaining our leading positions in the traditional packaging market, supported by managing our airline asset intensity.

[1] Customers in the Markets & Airlines businesses

2. HOTELS & CRUISES: EXPANSION AT SCALE, DRIVING RETURNS BY BENEFITTING FROM VERTICAL INTEGRATION

With 411 hotels, TUI has built a sizable and highly profitable leisure hotel business (with a ROIC of 14 %). We are benefiting from our vertical integration, as we can leverage the distribution power in our Markets and Airlines segment to drive customers into TUI Hotels and Cruises. TUI will continue to invest in further portfolio expansion and diversification leveraging its Joint Venture structures besides own investments. However, our capital intensity will be reduced compared to our investment spending in recent years. In addition, we will accelerate the growth of our asset-light brand TUI Blue by targeting almost 100 Hotels[2] by the end of FY 2020 versus currently about 10 Hotels in particular through management and franchise. Geographically, the Caribbean, South East Asia and Africa remain our key investment focus areas.

The fundamentals with strong demand and scarcity of supply remain intact for our cruise businesses and provide the basis for further growth. We will continue to invest in our cruise businesses by expanding and upgrading capacities in particular through our joint venture TUI Cruises.

3. GDN-OTA PLATFORM: BUILDING SCALE BASED ON COMPETITIVE PRICING TO ATTRACT CUSTOMERS TO JOIN THE TUI ECOSYSTEM

TUI has launched a new online travel agency platform in six markets[3] complementary to its existing Markets & Airline businesses, currently focusing in particular on the accommodation only market, meta-search business and flight combined offerings based on Airline partnerships. Unlike our traditional package markets, TUI is not operating an own airline in these markets but sourcing aircraft seats flexibly. Initially, we will run our GDN-OTA platform as a customer acquisition engine by attracting customers with very competitive product pricing and are prepared to accept no platform profitability or moderate losses to build market share and to feed customers into our TUI ecosystem. However, driving as many new customers as possible into our own hotels and cross-selling our own products remains a key objective and should drive additional margins in our Holiday Experiences businesses. Our CRM systems are set to support such a digital up- and cross-selling and will focus on customer retention within the TUI ecosystem. To date, we have a run-rate of 250 k GDN-OTA customers and are confident to achieve our target of 1 m customers by 2022, now even much earlier by rolling out our platform to further markets and meta-search business opportunities globally. We see a strategic opportunity for this platform to become the leading distribution system also for independent third party hotels, in particular when combined with our brands and sophisticated property management systems, positioning TUI as a holistic digital hotel service provider.

[2] Partially through repositioning existing hotels
[3] Spain, Portugal, India, Brazil, China, Malaysia

4. DESTINATION EXPERIENCES PLATFORM: BUILDING SCALE IN THE 'THINGS TO DO'-MARKET AND ATTRACTING CUSTOMERS TO JOIN THE TUI ECOSYSTEM

The tours and activities market encompasses a sales volume of around € 150 bn and is growing approx. 7%[4]. In this market, TUI has built a growing platform business with around 150 k products. Our business model is based on a two-sided open platform, accessible for direct booking, distribution partners and 3rd party curated product suppliers along-side serving our own customers and connecting our own destination experiences products. While we see strong profitable growth rates[5], investing in an accelerated customer acquisition may initially come at the expense of margins. As with our GDN-OTA initiative, our CRM systems will be applied to up- and cross-sell our products to customers once acquired. We see product depth as the main constraint to accelerate our platform growth and are therefore committed to investing in additional product offerings both, organically and inorganically in line with our vision to offer '1 m things to do' to our customers.

SUMMARY & CONCLUSION

TUI has built a profitable business, its integrated business model has proven to be successful. To grow our integrated model on both ends TUI will re-focus on accelerated customer growth in addition to further investments into Holiday Experiences. Initially, such customer growth may come at lower margins but will drive customer acquisition acceleration into the TUI ecosystem. Once acquired, TUI will up- and cross-sell its own products with the support of our sophisticated and digital CRM systems, driving margins in our Holiday Experiences on top of the demand from our existing traditional Markets and Airline business, which will become more competitive as a result of our Transformation & Domaining initiative.

[4] 2018 – 2023
[5] Based on underlying EBITA

Our environment

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

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

Greenhouse gas emissions and the impact of these emissions on climate change pose one of the major global challenges for the tourism sector. In FY 2019, TUI Group's total emissions decreased year-on-year in absolute terms, primarily due to the sale of the airline Corsair. Relative carbon emissions across our airlines slightly increased by 0.9 % in the FY 2019 to 65.2 g / rpk (previous year 64.6 g / rpk, excluding Corsair). The main reasons for the increase are the overall reduction in load factors and the grounding of Boeing 737 Max. TUI continues to operate one of Europe's most carbon-efficient airline fleet and continually seeks to deliver further improvements.

The grounding of the Boeing 737 Max and the late deliveries have significantly impacted progress against our initial aviation carbon target to cut our carbon itensity of our operations by 10 % by 2020 (baseline year 2014: 67.56 CO_2 / rpk). Compared to our baseline year 2014, we have improved airline carbon efficiency by 3.6 %.

Details see from page 83

Our employees

For the TUI Group well-qualified and engaged employees are a key factor in the long-term success. To meet the technological, cultural and organisational challenges of digital transformation effectively, we aim to empower our employees to keep abreast of the times. At the same time, we have to recruit new 'change-makers'. We want to be an attractive employer whose employees are passionate about the company and to offer them development opportunities that meet their personal needs. 'The best company to work for' is therefore the key goal of our Group-wide HR strategy. In 2019, our Engagement Index[6] of 76 matched the previous year's level. Our goal is to exceed a People Engagement score of 80 by 2020 in order to feature among the Top 25 global companies in this area.

[6] The Engagement Index comprises the individual commitment and the team commitment of our employees and describes the loyalty with the company. The questions on commitment relate to the satisfaction of the individual with the working conditions, a possible recommendation of the employer, pride, motivation, belief in future orientation and willingness to exceed requirements and expectations.

CORPORATE PROFILE

Group structure

TUI GROUP

HOLIDAY EXPERIENCES	MARKETS & AIRLINES	ALL OTHER SEGMENTS
Hotels & Resorts Cruises Destination Experiences	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 Group companies conducting the Group's operating business in individual countries. Overall, TUI AG's group of consolidated companies comprised 288 direct and indirect subsidiaries at the balance sheet date. A further 21 affiliated companies and 30 joint ventures were included in TUI AG's consolidated financial statements on the basis of at equity measurement.

For details on principles and methods of consolidation and TUI Group shareholdings see pages 170 and 275.

ORGANISATION AND MANAGEMENT

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

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

EXECUTIVE BOARD AND GROUP EXECUTIVE COMMITTEE

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

For details on Executive Board members see page 116.

A Group Executive Committee was set up in order to manage TUI Group strategically and operationally. As at 30 September 2019, the Committee consisted of twelve members, who meet under the chairmanship of CEO Friedrich Joussen.

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

TUI Group structure

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

With the exception of a number of reclassifications, the Group's management structure was thus comparable year-on-year. The reclassifications related to the Italian tour operators reclassified to Central Region from All Other Segments in Q1 2019. Moreover, the Crystal Ski companies delivering services in the destinations were reclassified from Northern Region to Destination Experiences.

In addition, the allocation of underlying EBITA from intra-group aircraft leasing across the segments was changed in the internal reporting. The aircraft leasing companies of TUI Group (included in All other segments) hold the aircraft of TUI Group and lease these to the airlines (Northern Region, Central Region and Western Region).

In the TUI Group internal reporting, the positive under-lying EBITA that the aircraft leasing companies generate from this leasing is entirely allocated to the airline that uses the corresponding aircraft. Consequently, underlying EBITA of All other segments decreases, whilst underlying EBITA for the segments Northern Region, Central Region and Western Region increases by the same amount. The prior year's figures were restated accordingly. As only the allocation of underlying EBITA was altered, the internal revenues and additional segmental figures remain unchanged. This adjustment has no effect on the Group's underlying EBITA.

The prior year's reference figures were restated accordingly.

HOLIDAY EXPERIENCES

Holiday Experiences comprises our hotel, cruise and destination activities.

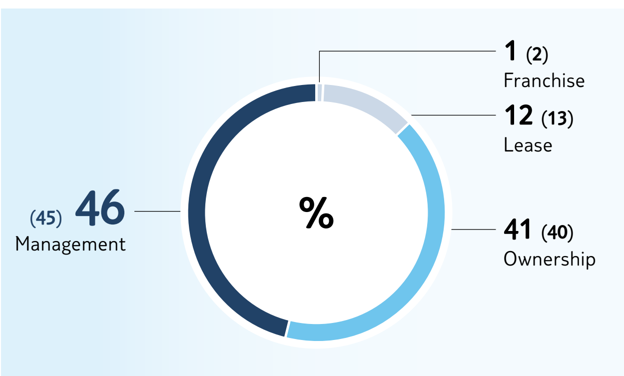
HOTELS & RESORTS

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

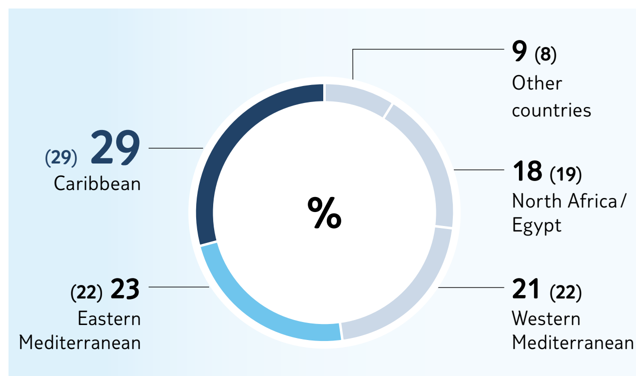
In FY 2019, Hotels & Resorts comprised a total of 354 hotels with 262,644 beds. 328 hotels, i. e. the majority, are in the four- or five-star category. 46 % were operated under management contracts, 41 % were owned by one of the hotel companies, 12 % were leased and 1 % of the hotels were managed under franchise agreements.

In addition, 57 hotels were operated by third-party hoteliers under TUI's international concept brands as at 30 September 2019, so that the total number including third-party hotels was 411.

Hotels & Resorts financing structure %



Hotels & Resorts beds per region %



In brackets: previous year

Hotels & Resorts portfolio

Hotel brand	3 stars	4 stars	5 stars	Total hotels	Beds	Main sites
Riu	3	49	47	99	90,460	Spain, Mexico, Caribbean, Cape Verde, Portugal, Morocco
Robinson	0	17	6	23	13,927	Spain, Greece, Turkey, Austria
Blue Diamond	3	12	17	32	30,080	Cuba, Dom. Rep., Jamaica, Mexico, Saint Lucia
Other hotel investment	20	119	61	200	128,177	Spain, Greece, Turkey, Egypt
Total	**26**	**197**	**131**	**354***	**262,644**	

* Plus 57 international concept hotels, operated by third-parties
As at 30 September 2019

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

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

Blue Diamond is a hotel chains in the Caribbean. The Hotels & Resorts segment comprises 32 resorts in the Caribbean and Mexico.

Other hotel companies include in particular the flagship brand TUI Blue. Its portfolio is being expanded by combining the previous TUI Blue offerings with those of the concept brand hotels of TUI Sensimar and TUI Family Life. Including rebranded existing hotels, TUI Blue will start into the new summer season 2020 with 97 hotels in 18 countries. Its new hotels will include hotels in long-haul destinations such as Vietnam and Zanzibar. TUI Blue is TUI Group's youngest hotel brand, targeting an international audience.

Among our hotels operated by third-party hoteliers, 57 facilities belong to our international concept brands. This brings the total number of hotels belonging to TUI Group to 411.

CRUISES

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

Cruise fleet by financing structure

	Owned	Finance Lease	Operating Lease	Total
TUI Cruises (Joint Venture)	7	–	–	7
Marella Cruises	4	2	–	6
Hapag-Lloyd Cruises	4	–	–	4

As at 30 September 2019

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

With a fleet of six ships Marella Cruises offers voyages for different segments in the British market, such as family and city cruises.

Hapag-Lloyd Cruises holds a position of leadership with its fleet of four liners in the luxury and expedition cruise segments. Its flagships Europa and Europa 2 were again the only ships to be awarded the top rating – the 5-stars-plus category – by the Berlitz Cruise Guide. In the expedition segment, Hanseatic nature was awarded the top 5-star rating as the best boutique ship, with Bremen awarded 4 stars. In October 2019, Hanseatic inspiration joined the luxury expedition segment, with Hanseatic spirit to join the fleet from 2021.

DESTINATION EXPERIENCES

The Destination Experiences segment delivers local services in the worldwide holiday destinations. TUI employs people in around 45 countries to provide tours, activities and excursions in the destinations. With the acquisition of the technology start-up Musement in FY 2019, TUI has an online platform that gives small and medium-sized companies the opportunity to offer their services in the holiday destinations following quality checks.

MARKETS & AIRLINES

With our three regions Northern, Central and Western we have well-positioned sales and marketing structures providing about 21 million customers a year with 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 flight capacity continues to play a key role in our business model. A combination of owned and third-party flying capacity enables us to offer tailor-made travel programmes for each individual source market region and to respond flexibly to changes in customer preferences. Thanks to the balanced management of flight and hotel capacity, we are able 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. In addition, the Canadian strategic venture Sunwing and the associated company TUI Russia have been included within this segment.

CENTRAL REGION

The Central Region segment is made up of the tour operator activities and airlines in Germany and the tour operator activities in Austria, Poland, Switzerland and Italy.

WESTERN REGION

The tour operator activities and airlines in Belgium and the Netherlands and tour operator activities in France are included within the Western Region segment.

ALL OTHER SEGMENTS

All other segments include our business activities for the new markets, the corporate centre functions of TUI AG and the interim holdings, as well as central touristic 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 planning and controlling processes.

Our key financial performance indicators for the development of the earnings position are turnover and EBITA adjusted for one-off effects. We define (underlying) EBITA as earnings before interest, income taxes and expenses for the measurement of interest hedges, and amortisation of goodwill.

Underlying EBITA has been adjusted for gains on disposal of investments, restructuring expenses in accordance with IAS 37, all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments, and other expenses for and income from one-off effects. The one-off items carried as adjustments are 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 one-off items include major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, profit and loss from the sale of aircraft and other material business transactions of a one-off nature.

As from FY 2020, we will be using the indicator 'Underlying EBIT', which is more common in the international sphere, for our management system. Underlying EBITA will therefore no longer be used as a KPI. We define the EBIT in underlying EBIT as earnings before interest, taxes and expenses for the measurement of the Group's interest hedges. Unlike the previous KPI EBITA, EBIT by definition includes amortisation of goodwill. Should any goodwill impairments arise in future, they would therefore be adjusted for in the reconciliation to underlying EBIT. In this respect, the amount carried for underlying EBIT will correspond to the amount previously carried for underlying EBITA.

For the development of the Group's financial position in FY 2019, we have identified net capital expenditure and financial investments and from FY 2020 onwards the Group's net debt as key performance indicator. As another financial stability ratio we monitor the Group's leverage ratio.

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

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

To track business performance in our segments in the course of the year, we also monitor other non-financial performance indicators, such as customer numbers and 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 69) and 'Environment' (page 86) and in the Report on Expected Developments (page 75).

Cost of capital

Cost of capital (WACC) FY 2019

%	Hotels	Cruises	Markets & Airlines[3]	TUI Group
Risk-free interest rate	0.10	0.10	0.10	0.10
Risk adjustement	7.04	8.55	7.16	6.88
Market risk premium	7.00	7.00	7.00	7.00
Beta factor[1]	1.01	1.22	1.02	0.98
Cost of equity after taxes	**7.14**	**8.65**	**7.26**	**6.98**
Cost of debt capital before taxes	1.42	1.42	2.28	2.28
Tax shield	75.00	98.00	77.00	81.21
Cost of debt capital after taxes	**1.06**	**1.39**	**1.76**	**1.85**
Share of equity[2]	82.90	72.00	70.43	69.94
Share of debt capital[2]	17.10	28.00	29.57	30.06
WACC after taxes	**6.10**	**6.62**	**5.64**	**5.44**
Cost of equity before taxes	**9.12**	**8.80**	**8.99**	**8.26**
Cost of debt capital before taxes	**1.42**	**1.42**	**2.28**	**2.28**
Share of equity[2]	82.90	72.00	70.43	69.94
Share of debt capital[2]	17.10	28.00	29.57	30.06
WACC before taxes	**7.80**	**6.73**	**7.01**	**6.46**

1 Segment beta based on peer group, group beta based on Capital IQ data base.
2 Segment share based on peer group, group share based on Capital IQ data base.
3 Due to insufficient statistical significance of Thomas Cook Group plc and H.I.S. Co., Ltd. shown in the standard procedure of beta regres-sion (average of 60 monthly data points over 5 years), we have performed an alternative beta regression based on average of 104 weekly data points over two years. The alternative beta regression shows statistical significance for all peer companies.

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 EBITA included in ROIC.

ROIC and Economic Value Added

ROIC is calculated as the ratio of underlying earnings before interest, taxes and amortisation of goodwill (underlying EBITA) to average invested interest-bearing capital (invested capital). In future, we will use underlying EBIT as the key performance indicator for calculating Return on Invested Capital (ROIC).

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 capital costs multiplied by interest-bearing invested capital.

For TUI Group, ROIC was 15.46 %, down by 7.75 percentage points on the previous year. With a cost of capital of 6.46 %, this yielded positive Economic Value Added of € 520.0 m (previous year € 829.2 m).

Invested Capital

€ million	Notes	**2019**	2018 adjusted
Equity		**4,165.3**	**4,275.6**
Subscribed capital	(25)	1,505.8	1,502.9
Capital reserves	(26)	4,207.5	4,200.5
Revenue reserves	(27)	– 2,259.4	– 2,062.6
Non-controlling interest	(29)	711.4	634.8
plus interest bearing financial liability items		**3,966.4**	**3,516.2**
Pension provisions and similar obigations	(30)	1,068.0	994.8
Non-current financial liabilities	(32), (40)	2,457.6	2,250.7
Current financial liabilities	(32), (40)	224.6	192.2
Derivative financial instruments	(40)	216.2	78.5
less financial assets		**1,762.8**	**2,765.0**
Derivative financial instruments	(40)	347.7	525.0
Cash and cash equivalents	(23), (40)	1,741.5	2,548.0
Other financial assets[1]		173.6	192.0
Seasonal adjustment[2]		– 500.0	– 500.0
less overfunded pension plans		**310.0**	**125.1**
Invested Capital before addition of effects from purchase price allocation		**6,058.9**	**4,901.7**
Invested Capital excluding purchase price allocation prior year		4,901.7	4,285.7
Ø Invested capital before addition of effects from purchase price allocation[3]		**5,480.3**	**4,593.7**
Invested Capital before addition of effects from purchase price allocation		**6,058.9**	**4,901.7**
plus effects from purchase price allocation		250.8	343.5
Invested Capital		**6,309.7**	**5,245.2**
Invested Capital prior year		5,245.2	4,603.2
Ø Invested Capital[2]		**5,777.5**	**4,924.2**

[1] Mainly comprises other financial assets and advances and loans
[2] Adjustment to net debt to reflect a seasonal average cash balance
[3] Average value based on balance at beginning and year-end

ROIC

€ million		Notes	2019	2018 adjusted
Underlying EBITA			**893.3**	**1,142.8**
Ø Invested Capital*			**5,777.5**	**4,924.2**
ROIC	**%**		**15.46**	**23.21**
Weighted average cost of capital (WACC)	%		6.46	6.37
Value added			**520.0**	**829.2**

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

Group performance indicators used in the Executive Board remuneration system

JEV-RELEVANT EBT ON A CONSTANT CURRENCY BASIS

Group earnings before taxes (EBT) on a constant currency basis, weighted at 50 %, are used to determine annual variable remuneration (JEV) for the Executive Board. The use of this performance indicator means that the net financial result is included in the calculation. EBT 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 taxes (EBT) on a constant currency basis developed as follows in the financial year under review:

Reconciliation EBT

€ million	2019
Earnings before income taxes	**691.4**
FX effects from translation to budget rates	0.3
EBT at budget rates	**691.1**

JEV-RELEVANT RETURN ON INVESTED CAPITAL (ROIC JEV)

The Group performance indicator ROIC is included in JEV with a weighting of 25 %. In order to establish TUI Group's ROIC for JEV purposes, reported Group EBITA and average invested interest-bearing capital for the financial year are weighted against each other. TUI Group ROIC for JEV purposes developed as follows in the financial year under review:

ROIC JEV

€ million		2019
EBITA		**768.4**
Ø Invested capital excl. purchase price allocation*		5,480.3
ROIC JEV	**%**	**14.02**

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

JEV-RELEVANT CASH FLOW

The third Group performance indicator included in JEV is the cash flow component 'cash flow to the firm', which is included in the calculation with a weighting of 25 %. For this purpose, cash flow to the firm is determined using a simplified method, based on the management cash flow calculation and covering the liquidity parameters directly controlled by the Executive Board (depreciation / amortisation, working capital, investment income and dividends, net investments) based on reported Group EBITA, which is also shown on a constant currency basis for this purpose.

The cash flow to the firm used for JEV developed as follows in the financial year under review:

Cash Flow to the firm

€ million	2019
EBITA	**768.4**
Effect from translation to budget rates	–3.6
EBITA at budget rates	**764.8**
Amortisation (+) / write-backs (–) of other intangible assets and depreciation (+) / write-backs (–) of property, plant and equipment	509.0
Delta Working Capital	–25.6
Share of result of joint ventures and assoiciates	–297.5
Dividends from joint ventures and assoiciates	244.6
Net capex and investments	–1,118.5
Cash Flow to the firm	**76.8**

Reconciliation of change in working capital according to cash flow to the firm

€ million	30 Sep 2019	30 Sep 2018 adjusted
Non-current assets	4,313.5	4,939.8
less cash and cash equivalents	– 1,741.5	– 2,548.0
less non-current liabilities	– 6,857.4	– 6,540.4
plus current financial liabilities	224.6	192.2
less current other provisions	– 361.9	– 348.3
less current net tax receivables	– 73.8	– 27.9
less / plus net current derivative financial instruments	– 146.7	– 376.1
less interest bearing receivables	– 100.7	– 55.5
plus current accrued interest	26.2	25.6
Working capital according to balance sheet	**– 4,717.7**	**– 4,738.6**
Change in working capital according to balance sheet	– 20.9	–
Exchange rate differences	– 4.7	–
Change in working capital according to cash flow to the firm	**– 25.6**	**–**

PRO FORMA UNDERLYING EARNINGS PER SHARE

In measuring the long term incentive plan (LTIP) for the Executive Board, the average development of pro forma underlying earnings per share from continuing operations (LTIP-relevant EPS) is included with a weighting of 50 %.

The table below shows TUI Group's pro forma underlying earnings per share, based on an assumed normalised Group tax rate of 18 %. The net interest expense used for the calculation was adjusted for interest portions of the reversal of a provision of € 35.0 m recognised in the financial year under review. In the prior year the net interest expense used for the calculation was adjusted for interest portions of the reversal of a provision of € 31.2 m. In addition, an adjustment was carried for non-controlling interests to reflect the normalised tax rate used in determining underlying earnings per share in the financial year under review. In the prior year a normalised Group tax rate of 20 % was assumed for the calculation. The calculation is based on subscribed capital as at the balance sheet date.

The 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	2019	2018 adjusted
Underlying EBITA	**893.3**	**1,142.8**
less: Net interest expense (adjusted)	–112.0	–119.9
Underlying profit before tax	**781.3**	**1,022.9**
Income taxes (18 % assumed tax rate; prior year 20 %)	140.6	204.6
Underlying Group profit	**640.7**	**818.3**
Minority interest	115.7	134.8
Underlying Group profit attributable to TUI shareholders of TUI AG	**525.0**	**683.5**
Numbers of shares at FY end (in million)	589.0	587.9
Underlying earnings per share	**0.89**	**1.16**

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.

The current financial year has seen further maturity of the risk management system with additional focus on ensuring the effectiveness of mitigation to manage key business area risks in addition to regular testing of key financial controls occurring across all of our larger businesses. Cohesion between all risk & control functions (Risk, Financial Control, Compliance, IT Security and Health & Safety) continues to be a priority to support an integrated assurance process between all of the second lines of defense departments. Our risk governance framework is set out below:

Risk Governance

TUI Group Risk Management Roles & Responsibilities

EXECUTIVE BOARD
Direct & Assure

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

RISK OVERSIGHT COMMITTEE (ROC)
Review & Communicate

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

GROUP RISK TEAM
Support & Report

BUSINESS & FUNCTIONS
Identify & Asses

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

RISK CHAMPION COMMUNITY

EXECUTIVE BOARD – DIRECT & ASSURE

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

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

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

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

RISK OVERSIGHT COMMITTEE – REVIEW & COMMUNICATE

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

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

Chaired by the Chief Financial Officer, senior operational and finance management as well as all of the second lines of defense functions are represented on the committee. The director of Group Audit also attends as an independent member.

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 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 the risks relevant to the pursuit of the strategy within their business area in the context of four risk types:

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

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

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

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

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% Chance*

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

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

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

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

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

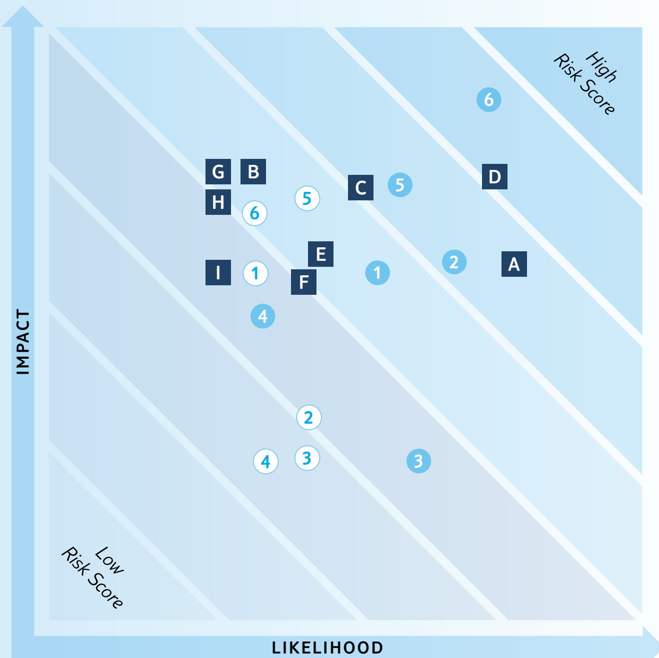
AD HOC RISK REPORTING

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

ENTITY SCOPING

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

Principal Risk Heat Map



ACTIVE RISKS

CURRENT RISK POSITION | **TARGET RISK POSITION**

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

MONITORED RISKS

CURRENT RISK POSITION

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

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

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

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

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

Principal Risks

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

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

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

In the heat map diagram, the assessment criteria used are shown on page 43.

FY 2019 Principal Risks

With the UK Government formally triggering Article 50 of the Treaty on European Union ('EU') of Lisbon on 29th March 2017, Brexit continues to remain an active principal risk. Brexit has an impact both on existing principal risks (e. g. Customer Demand and Input Cost Volatility, particularly for the UK market through the uncertainty it has introduced to prospects for future growth rates in the UK economy and the depreciation of sterling since the referendum result in 2016) as well as its own class of principal risk due to the direct potential impact it could have on specific areas of our business model.

With regard to the UK's potential exit from the EU in 2020, the main concern remains whether our airlines will continue to have access to EU airspace. We are continuing to address the importance of there being a special and comprehensive agreement for aviation between the EU and the UK post Brexit to protect consumer choice with the relevant UK and EU decision maker, and are in regular exchange with relevant regulatory authorities. We continue to develop scenarios and mitigating strategies for various outcomes, including a 'hard Brexit', depending on the political negotiations, with a focus to alleviate potential impacts from Brexit for the Group.

The estimated cost impact relating to the Boeing 737 Max aircraft remaining grounded until early 2020 as well as potentially throughout the financial year has been reflected within our FY 2020 underlying EBIT guidance, however we continue to monitor the risk of the aircraft remaining grounded beyond this period. From a principal risk perspective, the assessment remains part of the Supplier Reliance monitored risk.

With the Group's continued focus on ensuring that we have the right people in order to deliver our strategy, the Executive Board agreed to include Talent & Leadership Development as a monitored principal risk in FY 2019. Further details of the risk and the mitigation in place are included in the table below.

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

Active Principal Risks

Nature of Risk	Mitigating Factors
1. IT DEVELOPMENT & STRATEGY	
Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable topline growth. Although the Group's strategy has ensured that we are more vertically integrated, which has reduced impact of disruption by pure digital players, an ineffective IT strategy or technology development could impact on our ability to provide leading technology solutions in our markets. This would therefore impact on our competitiveness, our ability to provide a superior customer experience as well as on quality and operational efficiency. This would ultimately impact on our customer numbers, revenue and profitability.	• Developed and communicated (in conjunction with Executives, Business & IT Leadership Teams) the Group's IT Strategy which is clearly aligned to our overall business objectives and considers external factors such as the pace of technological change and internal factors such as the underlying quality required throughout IT. • Continuing to implement our online platform, moving from retail to online to mobile in order to enhance customer experience and drive higher conversion rates. • Implementing a SAP-based central customer platform to collate all information on our customers across their journey to provide a single view of the customer alongside an eCRM platform which will support strategic marketing. • Placing increased focus on ensuring continuity plans for critical IT systems are in place and regularly tested. • Cascaded clear technology standards and associated delivery roadmaps which are linked to Group wide and individual market objectives. • Adopting API, Big Data and Cloud architecture to drive improved speed, productivity and efficiency. • Using Blockchain technology to manage hotel bed allocation in all markets to be ahead of the competition.

Nature of Risk | **Mitigating Factors**

2. GROWTH STRATEGY

Nature of Risk

For FY 2020, we expect TUI Group's underlying EBIT at constant currency to total € 950 m to € 1,050 m. This includes an expected negative earnings effect of approximate € 130 m from the grounding of Boeing 737 Max jets until the end of April as well as a mid to high double-digit millions investment in our digital platform growth.

Our strategic positioning combines our own products with strong omni-channel sales capacities and is diversified across markets and destinations. In the new financial year, we will focus on enhancing our competitiveness, selec-tively expanding our holiday experiences and developing our digital platforms in new markets and destinations.

Asset utilisation of aircraft, cruise ships and hotels is critical to our financial success particularly when in a growth phase.

There is a risk that we could be unsuccessful in maximising opportunities to execute our expansion strategy. This could mean that we fail to achieve some of the initiatives we have embarked upon, which could result in us falling short against the overall growth targets we have set for the business.

Mitigating Factors

- The Executive Board is very focussed on the strategy and mindful of the risks, so there is strong direction and commitment from the top. The remuneration scheme in place for the Executive Board is designed to create incentives for the Group's sustained growth and robust financial performance (see from page 130).
- The Group's Markets and Commercial Boards plays an important role in coordinating, executing and monitoring the various growth initiatives.
- There are a number of initiatives underway to achieve growth, including the focus on our GDN-OTA sectors as well as adding scale through Destination Experiences with the new tours & activities platform which reduces the risk through diversification.
- Each of the businesses tasked with achieving an element of the growth strategy are still required to maintain sound financial discipline. The Group's investment criteria and authorization processes must still be adhered to as we are not prepared to be reckless in the pursuit of growth.
- We continue to maintain strong relationships with the providers of aircraft finance.
- Monitoring the overall market conditions continues to occur so that plans can be adapted or contingency plans invoked if required.

3. INTEGRATION & RESTRUCTURING OPPORTUNITIES

Nature of Risk

Our key strategic rationale for the Group is to act 'as one' wherever it makes sense to do so particularly through our Group Platforms and across the Markets businesses, whilst maintaining local differences where the benefit of that differentiation is greater than that of harmonisation.

There are a number of restructuring projects underway across the Group as a result to enable us to achieve these opportunities. Furthermore our continuous review of our own businesses and competitors means that we have an active programme of acquisitions (e. g. the destination management companies from Hotelbeds last year) and business disposals (e. g. Boomerang Reisen and Berge & Meer businesses) with associated integration projects.

There is an inherent risk with any large restructuring or integration programme that we face challenges in managing the complexities associated with further integrating our business, and reducing overlapping activities in order to develop a leaner and streamlined operating model.

If we are not successful in leveraging and optimizing the identified opportunities this could have a significant impact on our ability to deliver the identified benefits in line with expectations and enhance shareholder value.

Mitigating Factors

- The establishment of the Markets & Domain Transformation Board to oversee the standardization of processes across the Markets businesses.
- Strong project management structures exist for all of the major restructuring, acquisition and disposal programs, which are underway to ensure that they are managed effectively.
- Project reporting tool ensures enhanced visibility of the progress of major projects as a matter of routine.
- Regular reporting by the major projects to the Executive Board to ensure swift resolution of any issues or to enhance coordination across the Group where required.

Nature of Risk	Mitigating Factors
4. CORPORATE SOCIAL RESPONSIBILITY	
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 development in the tourism sector. Our focus is to reduce the environmental impact of our holidays 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 for people and communities and being a pioneer of sustainable tourism across the world. There is a risk that we are not successful in driving forecast 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, reduction in demand for our products and services and loss of competitive advantage. Furthermore, if the Group falls short of achieving its sustainable development targets and at the same time the objectives of the UN Paris Climate Change Agreement (December 2015) are not met, this could lead to sustained long-term damage to some of the Group's current and future destinations, which could also have a material adverse effect on demand for our products and services.	• Developed and launched in 2015 the 'Better Holidays, Better World' 2020 sustainability strategy framework which includes specific targets for key sustainability indicators. • Established a dedicated sustainability department to work closely with the business and other stakeholders to implement the sustainability strategy. • Operating one of the most carbon efficient airlines in Europe with continued investment in new, more efficient aircraft (e.g. Boeing 787 Dreamliner & 737 Max) and cruise ships (e.g. the TUI Cruises and Hapag-Lloyd Cruises new-builds). • Implemented an environmental management system with all of our airlines having achieved ISO 14001 certification. • Increased measures to influence accommodation suppliers to achieve third party sustainability certification recognized by the Global Sustainable Tourism Council (GSTC). • TUI Care Foundation expanded to focus on the achievement of it's 2020 target for charitable donations and sustainability projects, with particular emphasis empowering young people, protecting the natural environment and maximizing the economic benefits of tourism in destinations.

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

Nature of Risk	**Mitigating Factors**

Monitored Principal Risks

A. DESTINATION DISRUPTION

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

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

- 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.
- Our policy is to follow foreign office advice in each of our markets with regards to non-essential travel. This serves to minimize the exposure of our customers to turbulent regions.
- Due to our presence in all key holiday regions, when a specific destination has been impacted by an external event, we are able to offer alternative destinations to our customers and to remix our destination portfolio away from the affected area in future seasons if necessary.
- We always assume some level of destination disruption each year when setting financial plans and targets, so that we are able to cope with a 'normal' level of disruption without it jeopardizing achievement of our targets.

B. TALENT & LEADERSHIP DEVELOPMENT

Our success depends on the ability to attract, retain and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders.

There is a risk that we are unable to attract and retain key talent, build future leadership capability and maintain the commitment and trust of our employees.

Challenges in managing and maintaining our talent pipeline in order to deliver against our strategy, drive competitiveness and maximise on our operating performance, may impact on our ability to future proof the Group and the associated potential for negative impact on shareholder confidence.

- Driving high performance and engagement through our performance review, development plans and career planning process.
- Building our pipeline of leadership talent including through our International Graduate Leadership Programme which attracts, develops and retains high quality graduates to become our future senior Commercial Leaders.
- Establishing and maintaining online professional academies to provide our employees with learning offerings in specific functional areas.
- A strategically aligned leadership academy for high performing management at all levels.

Nature of Risk | **Mitigating Factors**

C. CUSTOMER DEMAND

Nature of Risk

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 of our customers, which could impact our short-term growth rates and lead to margin erosion.

Mitigating Factors

- 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.

D. INPUT COST VOLATILITY

Nature of Risk

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

There is the risk that if we do not manage adequately the volatility of exchange rates, fuel prices and other input costs, then this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets.

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

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

Mitigating Factors

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

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

Nature of Risk	Mitigating Factors
E. SEASONAL CASH FLOW PROFILE	
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.	• 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, which the Treasury department use to manage cash resources effectively. • We have implemented a financial policy which has led to an improvement in our credit rating and makes it easier to maintain financing facilities at suitable levels. • Existing financing facilities are considered to be more than sufficient for our requirements and provide ample headroom. • We continue to maintain high-quality relationships with the Group's key financiers and monitor compliance with the covenants contained within our financing facilities. • Raising additional finance from the Capital Markets, should it be required, remains an option. • Regularly reviewing ways we can continue to improve our Free Cash Flow position.
F. LEGAL & REGULATORY COMPLIANCE	
Most providers of holiday and travel services operate across a number of economies and jurisdictions, which therefore exposes them to a range of legal, tax and other regulatory laws which must be complied with. As we are operating from multiple source markets and providing holidays in more than 115 destinations, we are exposed to a range of laws and regulations with which we must comply or else risk incurring fines or other sanctions from regulatory bodies.	• Communication and strong tone from the top concerning compliance with laws and regulations. • Legal Compliance Committee established to ensure appropriate oversight, monitoring and action plans and to further drive the 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.

Nature of Risk	**Mitigating Factors**
G. HEALTH & SAFETY	
For all providers of holiday and travel services, ensuring the health and safety of customers is of paramount importance. This is especially so for us as we are a globally operating tourism group selling holidays to over 21 m Markets & Airlines customers per annum. 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.	• Health and safety functions are established in all businesses in order to ensure there is appropriate focus on health and safety processes as part of the normal course of business. • Ongoing monitoring is conducted by the Group Security, Health & Safety function to ensure compliance with minimum standards. • Appropriate insurance policies are in place for when incidents do occur.
H. SUPPLIER RELIANCE	
Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers, particularly for hotels, aircraft and cruise ships. This is heightened by the industry convention of paying hoteliers in advance ('prepayments') to secure a level of room allocation for the season as well as in areas where a single supplier is used to provide a product or service. There is the risk that we are unable to continue with our core operations in the event of a major service failure from our key suppliers.	• Using reputable and financially stable suppliers, particularly in areas where a single supplier is used to provide a service. • Regular monitoring of supplier performance against agreed terms and conditions. • Strong working relationships with all key suppliers. • Owned and joint venture partner hotels form a substantial part of our program which reduces our inherent risk in this area. • A robust prepayment authorization process is established and embedded to both limit the level of prepayments made and ensure that they are only paid to trusted, credit-worthy counterparties. • Prepayments are monitored on a timely and sufficiently granular basis to manage our financial exposure to justifiable levels.
I. JOINT VENTURE PARTNERSHIPS	
It is common for tourism groups to use joint venture partnerships in some of their operations in order to reduce the risk of new ventures or to gain access to additional expertise. There are three significant joint ventures within the Group – Riu, TUI Cruises and Sunwing. There is the risk that if we do not maintain good relations with our key partners that the ventures' objectives may not remain consistent with that of the Group which could lead to operational difficulties and jeopardize the achievement of financial targets.	• Good working relationships exist with all of our main joint venture partners and they are fully aligned with and committed to the growth strategy of the Group.

Viability Statement

In accordance with provision C2.2 of the 2016 revision of the UK Corporate Governance Code, the Executive Board has assessed the prospect of the Company over a longer period than the twelve months required by the 'Going Concern' provision. The Executive Board considers annually and on a rolling-basis a three-year strategic plan for the business, the latest was approved in December 2019 and covers the period to 30 September 2022. A three-year horizon is considered appropriate for a fast-moving competitive environment such as tourism.

It is also noted that the Group's current € 1,535.0 m revolving credit limit, which expires in July 2022, is used to manage the seasonality of the Group's cash flows and is reviewed on a timely basis. The three-year plan considers cash flows as well as the financial covenants which the credit facility requires compliance with.

Key assumptions underpinning the three year plan and the associated cash flow forecast is that aircraft and cruise ship finance will continue to be readily available, and that the terms of the UK leaving the EU are such that all of our airlines continue to have access to EU airspace as now.

The Executive Board has conducted a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. Sensitivity analysis is applied to the cash flow to model the potential effects should certain principal risks actually occur, individually or in unison. This includes modelling the effects on the cash flow of significant disruption in the event of a major service failure by a key supplier.

Taking account of the company's current position, principal risks and the aforementioned sensitivity analysis, the Executive Board has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of the assessment.

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

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

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

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

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

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

Audit Committee Report see from page 22

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

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

2. USE OF IT SYSTEMS

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

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

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

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

3. SPECIFIC RISKS RELATED TO (GROUP) ACCOUNTING

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

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

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

Controls implemented to secure proper and reliable accounting include, for instance, analysis of facts and developments on the basis of specific indicators. Separation of administrative, execution, settlement and authorisation functions and the implementation of these functions by different persons reduces the potential for fraudulent operations. Organisational measures also aim to capture any corporate or Groupwide 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 recognized 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 recognized in full and properly presented in the Group's accounts.

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

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

OVERALL ASSESSMENT BY THE EXECUTIVE BOARD AND REPORT ON EXPECTED DEVELOPMENTS

Actual business performance 2019 compared with our forecast

Our business performance in FY 2019 fell short of our original forecast, in particular due to a number of external factors in Markets & Airlines. As a result, we lowered our earnings guidance for our underlying EBITA twice in the course of FY 2019.

On 6 February 2019, TUI updated its earnings guidance for the financial year ending 30 September 2019 from the original guidance of at least 10 % CAGR in underlying EBITA at constant currency compared with rebased underlying EBITA in FY 2018.* TUI's new guidance was for underlying EBITA at constant currency to be largely flat versus FY 2018. At the same time, TUI withdrew its guidance of at least 10 % CAGR in underlying EBITA at constant currency for the three years to FY 2020. This update was primarily driven by external effects, resulting in a lower earnings guidance for Markets & Airlines.

* Rebased previous year's number adjusted for € 40 m in 2018, arising from the revaluation of Euro loan balances within Turkish hotel entities.

On 29 March 2019, TUI again adjusted its earnings guidance for the financial year ending 30 September 2019 due to the grounding of 737 Max jets. Given the uncertainty about when the grounding by the Federal Aviation Administration (FAA) and the European Aviation Safety Agency (EASA) would be lifted, TUI considered two scenarios. Assuming the resumption of flights with Boeing 737 Max jets by mid-July at the latest, a one-off effect on underlying EBITA of around € 200 m was expected to cover replacement aircraft, higher jet fuel costs, costs in connection with business disruption and the negative impact on TUI's operating business. In the event of that one-off effect, the underlying EBITA guidance for FY 2019 was lowered to around minus 17 % (previously: 'broadly stable') compared with the rebased underlying EBITA for FY 2018. In the event that the grounding was to be lifted at a later date, as eventually turned out to be the case, an additional one-off effect of up to € 100 m was expected for the period until 30 September 2019 and the underlying EBITA guidance for FY 2019 was updated to up to minus 26 % compared with the rebased underlying EBITA for FY 2018.

In FY 2019, TUI Group's underlying EBITA declined by 21.8 % to € 893.3 m. On a constant currency basis for the reporting period and the prior year reference period, this equates to a decrease of 25.6 % compared with the rebased underlying EBITA for FY 2018 of € 1,182.8 m. Our performance thus matched our updated guidance for FY 2019; however, it fell short of our original guidance. At € 124.9 m, the one-off charges adjusted for in our underlying EBITA were in line with our expectations.

Despite a difficult market environment, our Holiday Experiences business in total developed in line with expectations albeit the shift in demand from the Western to the Eastern Mediterranean impacted our Hotels & Resorts segment stronger than expected leading to a lower underlying EBITA at constant currency versus the rebased previous year's figure. By contrast, the performance of our Markets & Airlines business fell short of our original expecations. Apart from the grounding of 737 Max jets outlined above, this was above all driven by overcapacities in certain destinations and later bookings and weaker margins due to the heatwave in Summer 2018. In addition, the sustained weakness of the British pound made it difficult to improve margins on holidays sold to UK customers.

TUI Group's turnover increased by 2.7 % year-on-year on a constant currency basis. It therefore nearly matched the expected growth of around 3 % at constant currency.

TUI Group's ROIC declined by 7.75 percentage points year-on-year to 15.46 %, whereas only a slight reduction had been expected. With the cost of capital at 6.46 %, this yielded a decrease in Economic Value Added to € 520.0 m (previous year € 829.2 m).

The Group's net capex and financial investments remained within the guided target range of €1.0 to € 1.2 bn at € 1.1 bn.

At 3.0 (x), the leverage ratio carried as at the end of FY 2019 was at the upper end of the targeted bandwidth of 3.00 (x) to 2.25 (x).

Expected changes in the economic framework

Expected development of World Output

Var. %	**2020**	2019
World	**+3.4**	**+3.0**
Eurozone	+1.4	+1.2
Germany	+1.2	+0.5
France	+1.3	+1.2
UK	+1.4	+1.2
US	+2.1	+2.4
Russia	+1.9	+1.1
Japan	+0.5	+0.9
China	+5.8	+6.1
India	+7.0	+6.1

Source: International Monetary Fund (IMF), World Economic Outlook, October 2019

MACROECONOMIC SITUATION

The outlook issued by the International Monetary Fund suggests moderate growth in global manufacturing despite a subdued economic climate during the forecast horizon. In some areas, there are now increasing signs of a gradual improvement in economic sentiment, albeit at a low level. In calendar year 2020, the IMF expects the global economy to grow by 3.4 per cent (source: IMF, World Economic Outlook, October 2019).

MARKET TREND IN TOURISM

UNWTO expects international tourism to continue growing globally during the current decade. The forecast for average weighted growth in the period from 2010 to 2020 is around 3.8 % per annum (UNWTO, Tourism Highlights, 2018 edition).

In the first six months of 2019, international arrivals rose by 4.4 %. UNWTO expects growth in international arrivals of 3 % to 4 % for the full calendar year 2019 (UNWTO, World Tourism Barometer, October 2019).

EFFECTS ON TUI GROUP

As a globally operating tourism provider, TUI Group depends on the development in consumer demand in the large source markets in which we operate with our hotel, cruise and tour operator brands. Our budget is based on the assumptions used as a basis by the IMF to predict the future development of the global economy.

The expected turnover growth assumed for our tour operators in our budget for FY 2020 exceeds UNWTO's long-term forecast taking account of positive effects due to the market exit of a competitor.

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 turnover and large earnings and cash flow contributions in non-euro currencies, in particular pound sterling, US dollar and Swedish krona. Taking account of the seasonality in tourism, the value of these currencies against the euro in the course of the year therefore strongly impacts the financial indicators carried in TUI AG's consolidated financial statements.

The key financial performance indicators for our earnings position in FY 2020 are Group turnover and underlying EBIT.

Definition of underlying EBIT see Value-oriented Group management from page 35.

Key management variables used for regular value analysis are Return On Invested Capital (ROIC) and Economic Value Added. ROIC is shown against the cost of capital.

TUI Group's future development depends on demand in our source markets and customer segments, input costs and the potential impact of exogenous events beyond our control.

Below, we present TUI Group's expected development in FY 2020 at constant currency for FY 2019. The indicators shown do not comprise any effects from the initial application of the new accounting standard IFRS 16.

In our outlook, we have assumed that our Boeing 737 Max jets will resume flight from the end of April 2020. Based on the assumption that the jets will remain grounded from October 2019 to April 2020, our budget reflects a negative impact of around € 130 m on earnings. Should the grounding continue until the end of the Summer 2020 season, these costs would increase by approximately a further € 220 to 270 m.

Our budget for FY 2020 also reflects expected positive turnover and earnings effects due to the market exit of a competitor in autumn 2019. In response to that event, we have increased our planned tour operator capacity for FY 2020 by 1.7 million guests. This could result in turnover growth of € 1.0 m to € 1.3 m and a positive earnings effect based on an assumed sales margin of 2 to 3 %.

Expected development of Group turnover and underlying EBIT

€ million	2019	2020*
Turnover	18,928	medium to high growth in the single-digit percentage range
Underlying EBIT	893	€ 950 – 1,050 m
Adjustments	125	approx. € 70 – 90 m costs

* Variance year-on-year assuming constant foreign exchange rates are applied to the result in the current and prior period and based on the current Group structure; guidance relates to continuing operations. The indicators shown do not comprise any effects from the initial application of the new accounting standard IFRS 16.

TURNOVER

For FY 2020, we expect turnover to grow in the medium to high single-digit percentage range at constant currency. This includes expected turnover growth from an increase in the business volume resulting from the market exit of a competitor.

UNDERLYING EBIT

Based on our near-term strategic initiatives, we expect to deliver an underlying EBIT range of between approximately € 950 m to € 1,050 m in FY 2020, reflecting growth in Holiday Experiences and market uncertainties that continue to impact our Markets & Airlines business, and includes an approximate €130m cost impact from the Boeing 737 Max grounding, assuming a scenario whereby the Boeing Max returns to service by end of April 2020.*

* Subject to ban lift in February 2020

However, in the alternative scenario, where the ban on the Boeing 737 Max is not lifted in time for a return to service by end of April 2020 and TUI has to plan for a continued grounding for the remainder of FY 2020, the Group assumes a further cost of between approximately € 220 m to € 270 m.

Neither scenarios include any potential grounding compensation from Boeing in any form.

Our guidance range also includes a mid to high double-digit millions investment in our digitalised platform growth.

We expect an increase in underlying EBIT of around € 75 m (deviations of +/– 5 % are possible) from the initial application of IFRS 16. The expected effects of initial application on the statement of financial position are described in detail form page 272 in the Notes to the consolidated financial statements.

ADJUSTMENTS

Taking account of an expected positive gain on disposal from the divestment of our German specialist tour operators Berge & Meer and Boomerang Reisen of around € 100 m, we anticipate net adjustments totalling € 70 m to € 90 m for FY 2020. Apart from purchase price allocations, they relate in particular to the costs of efficiency enhancements and the further transformation of Markets & Airlines. If impairments of goodwill should occur, they would be adjusted in the reconciliation to underlying EBIT.

Details on Goals and Strategies from page 28; details on risks in Risk Report from page 40.

ROIC AND ECONOMIC VALUE ADDED

For FY 2020, we expect a slight decrease in ROIC and a stable Economic Value Added before the effects of the initial application of the new accounting standard IFRS 16, depending on the development of TUI Group's capital costs.

Development in the segments in FY 2020

HOTELS & RESORTS

In Hotels & Resorts, we expect to deliver normalised rates and occupancies in the Spanish destinations, in particular the Canaries, due to our diversified portfolio of destinations with continued strong demand for Turkey and North Africa in FY 2020. We also expect to see continued strong demand for our year-round destinations such as Mexico, the Caribbean and Cape Verde. We will continue to diversify our investment portfolio and selectively invest in our key hotel brands such as Riu, Robinson and Blue Diamond. By 2020, we will expand our TUI Blue brand from 10 to around 100 hotels by repositioning existing hotels in the portfolio and further expanding our brand through asset light growth.

CRUISES

In FY 2020, we will benefit from the first-time full-year operation of the three ships launched in FY 2019. Following new regulations, we expect rising fuel costs and additional costs for technical upgrades and dry docks, in particular at Marella Cruises, in FY 2020.

DESTINATION EXPERIENCES

In the Destination Experiences segment, we will continue to expand our customer base and augment bookings of tours and activities, in particular through both our Destination Management but also our digital platform Musement. In addition, we will expand distribution of own product and third-party distribution through partnerships such as Ctrip. In order to achieve these strategic goals, we will need to incur additional expenses to develop our digital platform in FY 2020.

MARKETS & AIRLINES

In the Markets & Airlines business, the consolidation driven by the insolvency of a relevant competitor is reinforcing our market position as an integrated provider of holiday experiences. We subsequently increased our planned capacity for Winter 2019/20 by 2% and for Summer 2020 by 14%. We are likewise pushing ahead with the harmonisation of business practices, in particular in relation to processes, overheads and aviation, and the delivery of benefits from digitalisation. We expect the challenging market environment to continue.

Expected development of financial position

To develop the Group's financial position in FY 2020, we have defined the Group's net capital expenditure and investments and its net debt as key performance indicators.

Expected development of Group financial position

	2019	**2020**
Net capex and investments	€ 1,118.5 m	around € 750 – 900 m
Net debt	€ 0.9 bn	around € 1.8 – 2.1 bn

NET CAPEX AND INVESTMENTS

In the light of investment decisions already taken and projects in the pipeline, we expect TUI Group's net capex and financial investments to total around € 750 m to € 900 m in FY 2020. This includes down payments on aircraft orders, with the exception of aircraft funded by outside capital or finance leases. Moreover, this includes proceeds from the sale of assets items. Capex mainly relates to the launch of new production and booking systems for our tour operators, maintenance and expansion of our hotel portfolio. The expected range shown above does not include potential hotel investments at our fully consolidated subsidiary Riu in response to opportunities.

NET DEBT

We expect the Group's net debt to increase to around € 1.8 to 2.1 bn in FY 2020.

Sustainable development

CLIMATE PROTECTION AND EMISSIONS

We have identified relative carbon emissions (in g CO_2/rpk) from our aircraft fleet as the key non-financial performance indicator. These emissions are to be reduced by 10% by 2020 versus baseline year 2014 (in 2014: 67.56 CO_2/rpk). In the Airlines segment, we will not deliver this goal by 2020. It is mainly based on efficiency enhancements and the planned fleet renewal programme. We expect to see a negative impact on target achievement as a result of the grounding of Boeing 737 Max jets and the associated delivery delays. To date, we have delivered improvements of 3.6% in CO_2 intensity versus base-line year 2014. The continued grounding of the Boeing 737 Max aircraft makes forecasting TUI Airlines' FY 2020 carbon-efficiency performance very challenging. With no confirmed return to service schedule, providing an accurate forecast is not possible. However, on the assumption that the Boeing 737 Max is operational in early 2020 this should have a slightly positive impact on TUI Airlines' carbon intensity due to the fuel-efficiency performance of the aircraft.

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

At the date of preparation of the Management Report (10 December 2019), we uphold our positive assessment of TUI Group's economic situation and outlook for FY 2020. With its finance profile, strong brand and services portfolio, TUI Group is well positioned in the market. In the first few weeks of the new FY 2020, our overall business performance has matched expectations.

In the completed FY 2019, there were a number of external challenges that also restricted our overall growth. Some of these ongoing external challenges continue to affect us and are expected to continue in FY 2020. TUI's development in this challenging market environment demonstrates the success of our transformation into an integrated provider of holiday experiences. Our strategic positioning combines our own products with strong omni-channel sales capacities and is diversified across markets and destinations. In the new financial year, we will focus on enhancing our competitiveness, selectively expanding our holiday experiences and developing our digital platforms in new markets and destinations.

For FY 2020, we expect TUI Group's underlying EBIT to total € 950 m to € 1,050 m at constant currency. This includes negative earnings effects worth € 130 m from the grounding of Boeing 737 Max jets until the end of April as well as a mid to high double-digit millions investment in our digital platform growth. We expect an increase in underlying EBIT of € 75 m from the initial application of IFRS 16. The expected impact of the initial application of the accounting standard is described in detail from page 272 of the Notes to the consolidated financial statements.

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 Destination Experiences 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 by optimising the shareholding portfolio and developing the Group structure over the long term.

Overall, TUI Group is well positioned to benefit from opportunities resulting from the main trends in its markets.

OPPORTUNITIES ARISING FROM MACROTRENDS

Should the economy perform better than expected, TUI Group and its segments would benefit from the resulting increase in demand in the travel market. Moreover, changes in the competitive environment could create opportunities for TUI Group in individual markets. No reimbursements from third parties for the impact of the Boeing 737 Max grounding have been taken into account in our planning.

CORPORATE STRATEGY OPPORTUNITIES

We see opportunities for further organic growth in particular by selectively expanding our hotel portfolio, cruise business and the offering of our Destination Experiences segment. In the medium to long term, opportunities might arise from the expansion of our digital platforms and the associated growth in our customer base as well as the further individualisation of our holiday offerings for our customers. We also intend to benefit in the long term from demographic change and the resulting expected increase in demand for high-quality travel at an attractive price / performance ratio.

OPERATIONAL OPPORTUNITIES

We intend to further improve our competitive position by offering a differentiated product portfolio and further expanding controlled distribution in the source markets, in particular through online distribution and the TUI app. We also see operational opportunities arising from stronger integration of our Destination Experiences segment and tour operation business.

BUSINESS REVIEW

Macroeconomic, industry and market framework

Macroeconomic development

Development of World Output

Var. %	2019	2018
World	**+3.0**	**+3.6**
Eurozone	+1.2	+1.9
Germany	+0.5	+1.5
France	+1.2	+1.7
UK	+1.2	+1.4
US	+2.4	+2.9
Russia	+1.1	+2.3
Japan	+0.9	+0.8
China	+6.1	+6.6
India	+6.1	+6.8

Source: International Monetary Fund (IMF), World Economic Outlook, October 2019

For calendar year 2019, the International Monetary Fund (IMF, World Economic Outlook, October 2018) expects economic growth of 3.0 %. Global production output thus delivered the lowest growth rate since the financial crisis, as rising geopolitical tension and growing trade conflicts increased uncertainty in international cooperation. Stabilising effects were created by monetary policy adjustments and a robust services sector, which supports growth in employment.

Key exchange rates and commodity prices

Exchange rate US Dollar $/€

Exchange rate Sterling £/€

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)

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

Changes in commodity prices above all affect TUI Group when procuring fuels such as aircraft fuel and bunker oil. The price of Brent oil stood at $ 60.78 per barrel as at 30 September 2019, down by around 28.5 % year-on-year in the course of FY 2019.

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

Financial Position see page 76, Risk Report see page 40, and Financial instruments see Notes page 242.

Tourism remains a stable growth sector

TUI Group is a globally operating tourism provider. The trends in the international tourism market influence all fields of Group business. According to the United Nations World Tourism Organization (UNWTO), tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. The key tourism indicators to measure market size are international tourism receipts and the number of international tourist arrivals. In 2018, international tourism receipts amounted to $ 1,451 bn, up by 4.4 % year-on-year, exceeding growth in global production output. International arrivals grew to 1.40 bn, an increase of 5.4 % year-on-year. Both indicators grew in 2018 and hence for the ninth consecutive year. (UNWTO, Tourism Highlights, 2019 edition) The growth trend continued in the first half of calendar year 2019. During that period, international tourism arrivals grew by 4 %. For 2019, growth of 3 % to 4 % year-on-year is expected (UNWTO, World Tourism Barometer, October 2019).

This growth was driven by a number of factors: the relatively stable global economy, a growing middle class in the emerging economies, technological progress, and low travel costs as well as easing of visa requirements. At 56 %, travel for holidays, recreation and other forms of leisure accounted for the majority of all international tourist arrivals. The tourism industry thus remains one of the most important sectors of the global economy: in terms of tourism exports (international tourism receipts plus passenger transport services), tourism still ranks third worldwide (UNWTO, Tourism Highlights, 2019 edition).

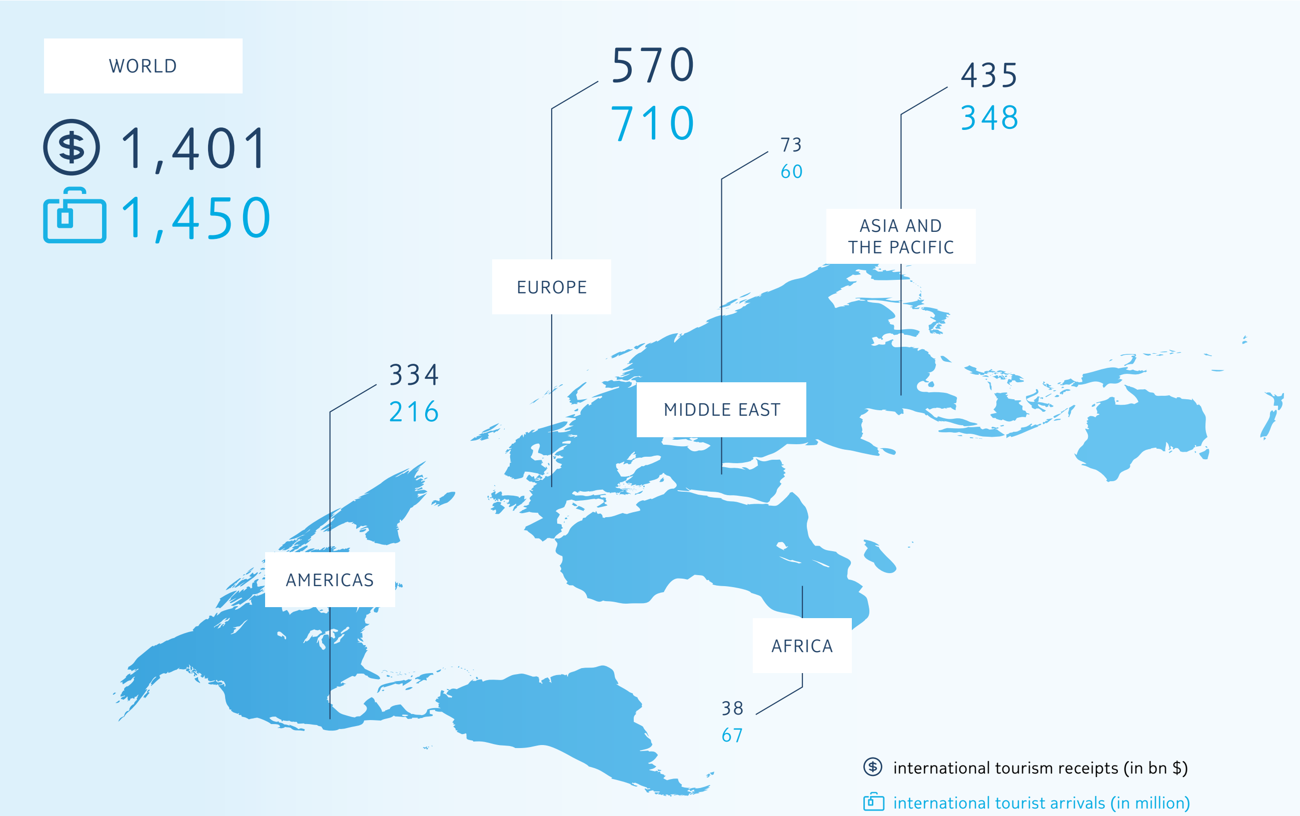
Change of international tourist arrivals vs. prior year in %

Var. %	2019*	2018
World	**+ 4.4**	**+ 5.4**
Europe	+ 4.2	+ 5.5
Asia and the Pacific	+ 6.2	+ 7.2
Americas	+ 1.8	+ 2.3
Afrika	+ 3.4	+ 7.0
Middle East	+ 8.1	+ 4.7

Source: UNWTO World Tourism Barometer, October 2019
* Period January till June

Refer to page 69 for the segmental performance.

International tourist arrivals and receipts



Source: UNWTO, Tourism Highlights, Edition 2019

Europe remained the largest and most mature tourism market in the world, accounting for 51 % of international tourist arrivals and 39 % of tourism receipts in 2018. Both indicators thus grew by 5 %. In terms of these indicators, Southern Europe and European countries bordering the Mediterranean were the world's largest tourism destinations, with some of them delivering double-digit growth rates. Five European countries – France, Spain, Italy, Germany and the United Kingdom – figured in the top ten international tourism destinations in 2018. These countries also figured in the top ten countries generating the highest international tourism receipts. The source markets display different levels of concentration in the tour operation market, with European source markets, in particular, currently undergoing a consolidation phase due to the insolvency of one of our key competitors.

HOTEL MARKET

Global hotel value sales reached € 525 bn at fixed exchange rate in 2018. Over the period 2018 – 2023, hotel value sales are expected to register a CAGR of 4 % at constant 2018 prices.

The overnight accommodation market comprises both hotels and alternative accommodation facilities such as apartments available for short-term rental. In 2019, the total market for overnight accommodation amounted to more than € 700 bn (Euromonitor International Travel, October 2019). Although the pace of growth of accommodation facilities beyond classical hotels has accelerated apace in the recent past, the hotel business continues to account for the biggest market share.

The hotel market is divided between business and leisure travel. A number of characteristics differentiate leisure travel hotels from business hotels, including longer average lengths of stay for guests in leisure hotels. Locations, amenities and service requirements also differ. From a demand perspective, the leisure hotel market in Europe is divided into several smaller sub-markets, which cater to the individual needs and preferences of tourists. These sub-markets include premium, comfort, budget, family / apartment, and club or resort-style hotels. Hotel companies may offer a variety of hotels for different sub-markets, often defined by price range, star ratings, exclusivity, or available facilities.

The upper end of the leisure hotel market is characterised by a high degree of sophistication and specialisation, with the assets managed by large international companies and investors. Luxury hotels, while only accounting for approx. 10 % of all hotels worldwide, generate nearly half of hotel revenues (Euromonitor International Travel, October 2019).

There are also many small, often family-run businesses, particularly in Europe, not quite so upscale and with fewer financial resources. Most family-owned and-operated businesses are not branded. Given the variety of models for owning and operating leisure hotels and the fragmented competition landscape which, at least in Europe, is not dominated by large hotel chains, conditions differ greatly between locations. Despite this strong fragmentation, a structural change in the hotel industry can be observed in Europe as well as in almost all regions of the world; more and more hotel companies are becoming part of a hotel chain or a cooperation.

Trends in the hotel industry include above all sustainability, digital solutions and the use of space for multiple purposes. These trends are also reflected in TUI's Hotels & Resorts segment. TUI's flagship hotel brand TUI Blue, for instance, places a big emphasis on digital features and is providing an app as digital service assistant and pioneering special booking options, such as 'Select Your Room'. TUI Hotels & Resorts is also committed to sustainability – a major proportion of the hotels in its portfolio are already certified as sustainable.

See also page 90

CRUISE MARKET

The global cruise industry generated revenues of around $ 45.6 bn in 2018, an increase of 4.6 % year-on-year. The global estimate suggests that altogether around 26.8 million guests will undertake an ocean cruise in calendar year 2019. At around 14.5 million passengers, the North American market remains the largest cruise market in the world, followed by around 6.9 million passengers from Europe (Cruise Market Watch Website, www.cruisemarketwatch.com/growth). The most frequently visited destinations are the Caribbean with a share of 34.4 % of guests and the Mediterranean with 17.3 % of guests (CLIA, 2019 Cruise Trends & Industry Outlook).

In 2018, the European cruise markets recorded penetration rates varying from country to country but overall considerably lower than North America, the most mature cruise market in the world. Germany is Europe's largest cruise market, with 2.1 million passengers in 2018. At 2.5 %, its penetration rate was lower than in the United Kingdom & Ireland. The United Kingdom & Ireland is the second largest cruise market in Europe, with approximately 2.0 million cruise passengers and Europe's strongest penetration rate of 3.0 % in 2018 (Cruise Market Watch Website, www.cruisemarketwatch.com/market-share, October 2018; CLIA, Cruise Industry Ocean Source Market Report – Australia, 2018). The European cruise sector remains an attractive industry, which will grow in line with the growth forecast for the entire tourism sector.

DESTINATION EXPERIENCES

The market for tours and activities in the destinations is the fastest-growing tourism segment (Phocuswright, Euromonitor). Currently, the market remains highly fragmented on the supplier side and is predominantly operated offline. However, due to growing consolidation and digitalisation, it is subject to rapid change. With the acquisition of the Italian tech start-up Musement in FY 2019 and the acquisition of Hotelbeds' Destination Management division in the previous year, TUI Group is well positioned in the excursions, tours and activities business in the destinations. The combination of a single customer platform and cutting-edge technology enables the Group to present tailored offerings to its customers both before and during their holiday. Our platform comprises around 150 k excursions and activities, offered online both to TUI customers and third-party customers. This year, we also agreed to cooperate with Ctrip, China's leading online travel portal, in order to be able to offer our Destination Experiences to the Ctrip customers in future.

Strong TUI master brand

Our brand with the red 'smile' – the smiling logo formed by the three letters of our brand name TUI – stands for the TUI Group aspiration to ensure consistent customer experience, digital presence and competitive strength. In recent years, in order to further leverage the appeal and strength of our core brand and tap the associated growth potential, we have created a global branding and consistent brand experience. TUI is now among the best-known travel brands in our core European countries. Local rebranding with the rollout of the TUI brand has been very successful. Two years after rebranding in the last of the source markets, the UK, TUI has matched or surpassed the unaided brand awareness of the previous brands. Seeking to leverage the appeal of our high brand and market presence for our hotel concepts, we have established TUI Blue, a fast-growing core hotel brand integrating TUI into its name.

Group earnings

Comments on the consolidated income statement

TUI Group's earnings position weakened year-on-year in FY 2019. The operating result (underlying EBITA) of TUI Group's continuing operations declined by € 249.5 m to € 893.3 m in the period under review, or by 25.6 % year-on-year on a constant currency basis. This decline was driven in particular by external challenges in Markets & Airlines such as the grounding of Boeing 737 Max jets, overcapacities for flights to Spain and the ongoing uncertainty surrounding Brexit.

Income Statement of the TUI Group for the period from 1 Oct 2018 to 30 Sep 2019

€ million	**2019**	2018 adjusted	Var. %
Turnover	**18,928.1**	**18,468.7**	**+ 2.5**
Cost of sales	17,257.4	16,465.8	+ 4.8
Gross profit	**1,670.7**	**2,002.9**	**– 16.6**
Administrative expenses	1,219.4	1,291.3	– 5.6
Other income	21.3	67.4	– 68.4
Other expenses	22.5	3.5	+ 542.9
Impairment of financial assets	4.5	20.1	– 77.6
Financial income	119.7	83.8	+ 42.8
Financial expenses	171.4	165.5	+ 3.6
Share of result of joint ventures and associates	297.5	292.1	+ 1.8
Earnings before income taxes	**691.4**	**965.8**	**– 28.4**
Income taxes	159.5	190.9	– 16.4
Result from continuing operations	**531.9**	**774.9**	**– 31.4**
Result from discontinued operations	–	38.7	n. a.
Group profit	**531.9**	**813.6**	**– 34.6**
Group profit attributable to shareholders of TUI AG	416.2	727.2	– 42.8
Group profit attributable to non-controlling interest	115.7	86.4	+ 33.9

TURNOVER AND COST OF SALES

Turnover

€ million	**2019**	2018 adjusted	Var. %
Hotels & Resorts	660.0	606.8	+ 8.8
Cruises	965.8	900.3	+ 7.3
Destination Experiences	856.2	309.7	+176.5
Holiday Experiences	2,482.0	1,816.8	+ 36.6
Northern Region	6,345.2	6,457.7	– 1.7
Central Region	6,413.0	6,222.4	+ 3.1
Western Region	3,231.9	3,328.5	– 2.9
Markets & Airlines	15,990.1	16,008.6	– 0.1
All other segments	456.0	643.3	– 29.1
TUI Group	**18,928.1**	**18,468.7**	**+ 2.5**
TUI Group at constant currency	**18,959.5**	**18,468.7**	**+ 2.7**

In FY 2019, turnover by TUI Group climbed by 2.5 % to € 18.9 bn. On a constant currency basis, turnover grew by 2.7 %. Alongside a year-on-year decrease in customer numbers of 0.6 % in the source markets, this primarily reflected capacity increases in the Cruises segment, higher average prices in the Hotels & Resorts segment and an increase in business volume due to the acquisition of Destination Management from Hotelbeds Group and of the Italian start-up Musement. In the income statement turnover is presented alongside the cost of sales, which was up by € 791.6 m in the period under review.

GROSS PROFIT

Gross profit, i.e. the difference between turnover and the cost of sales, fell by € 332.2 m year-on-year as a result of higher costs due to the grounding of Boeing 737 Max jets and the market environment in Markets & Airlines.

ADMINISTRATIVE EXPENSES

Administrative expenses declined by € 71.9 m year-on-year to € 1,219.4 m.

OTHER INCOME AND OTHER EXPENSES

In the financial year under review, other income mainly resulted from the sale of aircraft assets and buildings. In the prior year, other income had mainly resulted from the sale of three hotel companies and a hotel.

Other expenses include the loss on disposal from the sale of Corsair S. A. of € 12.0 m.

FINANCIAL RESULT

The financial result improved by € 30 m to € – 51.7 m. This was mainly driven by the reversal of provisions for interest payments in connection with the revaluation of tax obligations and by the reversal of foreign exchange hedges no longer required.

SHARE OF RESULT FROM JOINT VENTURES AND ASSOCIATES

The result from joint ventures and associates comprises the net profit for the year contributed by these companies measured at equity. In the period under review, the at equity result totalled € 297.5 m.

RESULT FROM CONTINUING OPERATIONS

The result from continuing operations declined by € 243.0 m to € 531.9 m in FY 2019.

RESULT FROM DISCONTINUED OPERATIONS

In the prior year, the result from discontinued operations derived from changes in amounts directly associated with the sale of Hotelbeds Group and Specialist Group.

GROUP PROFIT

Group profit fell year-on year-by € 281.7 m to € 531.9 m.

SHARE IN GROUP PROFIT ATTRIBUTABLE TO TUI AG SHAREHOLDERS

The share in Group profit attributable to the TUI AG shareholders decreased by € 311.0 m to € 416.2 m in FY 2019. The decrease was primarily driven by the impact of the grounding of 737 Max jets in Markets & Airlines.

NON-CONTROLLING INTERESTS

Non-controlling interests in Group profit for the year totalled € 115.7 m. They mainly related to RIUSA II Group.

EARNINGS PER SHARE

The interest in Group profit for the year attributable to TUI AG shareholders after deduction of non-controlling interests totalled € 416.2 m in FY 2019 (previous year € 727.2 m). Basic earnings per share therefore amounted to € 0.71 (previous year € 1.17) in FY 2019.

ALTERNATIVE PERFORMANCE INDICATORS

The table below shows the reconciliation of earnings before tax from continuing operations to underlying EBITA.

Reconciliation to underlying earnings from continuing operations

€ million	2019	2018 adjusted	Var. %
Earnings before income taxes from continuing operations	**691.4**	**965.8**	**– 28.4**
plus: Net Interest expense	74.1	82.3	– 10.0
plus: Expense from the measurement of interest hedges	2.9	6.4	– 54.7
EBITA from continuing operations	**768.4**	**1,054.5**	**– 27.1**
Adjustments:			
less: Gain / plus: Loss on disposal	12.0	– 2.1	n. a.
plus: Restructuring expense	52.0	34.9	+ 49.0
plus: Expense from purchase price allocation	38.8	33.3	+ 16.5
plus: Expense from other one-off items	22.1	22.2	– 0.5
Underlying EBITA from continuing operations	**893.3**	**1,142.8**	**– 21.8**

We define EBITA as earnings before interest, income taxes and goodwill impairments. EBITA includes amortisation of other intangible assets. It does not include the result from the measurement of interest hedges. TUI Group's EBITA declined by € 286.1 m to € 768.4 m due to weaker business performance in FY 2019.

EBITA

€ million	2019	2018 adjusted	Var. %
Hotels & Resorts	442.6	420.0	+ 5.4
Cruises	366.0	323.9	+ 13.0
Destination Experiences	34.7	42.6	– 18.5
Holiday Experiences	843.3	786.5	+ 7.2
Northern Region	33.0	245.3	– 86.5
Central Region	60.4	73.5	– 17.8
Western Region	– 44.4	100.0	n. a.
Markets & Airlines	49.0	418.8	– 88.3
All other segments	– 123.9	– 150.7	+ 17.8
TUI Group	**768.4**	**1,054.5**	**– 27.1**
Discontinued operations	–	38.7	n. a.
Total	**768.4**	**1,093.2**	**– 29.7**

In order to explain and evaluate the operating performance of the segments, earnings adjusted for special one-off effects (underlying EBITA) are presented below. Underlying EBITA has been adjusted for gains / losses on disposal of financial investments, restructuring expenses according to IAS 37, all effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments and other expenses for and income from one-off items.

One-off items carried here include adjustments for income and expense items which are large or frequent enough to hamper or distort an evaluation of operating profitability in the segments and the Group. These items include in particular major restructuring and integration expenses not meeting the criteria of IAS 37, material expenses for litigation, gains and losses from the sale of aircraft and other material business transactions with a one-off character.

TUI Group's underlying EBITA declined by € 249.5 m to € 893.3 m in FY 2019.

Underlying EBITA

€ million	2019	2018 adjusted	Var. %
Hotels & Resorts	451.5	420.0	+ 7.5
Cruises	366.0	323.9	+ 13.0
Destination Experiences	55.7	45.6	+ 22.1
Holiday Experiences	873.2	789.5	+ 10.6
Northern Region	56.8	278.2	– 79.6
Central Region	102.0	94.9	+ 7.5
Western Region	– 27.0	124.2	n. a.
Markets & Airlines	131.8	497.3	– 73.5
All other segments	– 111.7	– 144.0	+ 22.4
TUI Group	**893.3**	**1,142.8**	**– 21.8**
TUI Group at constant currency	**879.9**	**1,182.8***	**– 25.6**

* Rebased previous year's number adjusted for € 40 m in 2018, arising from the revaluation of Euro loan balances within Turkish hotel entities.

In FY 2019, income of € 35.5 m from the reduction of pension obligations in the United Kingdom, the sale of aircraft assets and the reversal of provisions was adjusted for. This was offset by expenses of € 38.8 m from purchase price allocations and other adjusted expenses of € 121.6 m. They mainly related to the following items and circumstances:

LOSSES ON DISPOSAL

In FY 2019, losses on disposal of financial assets worth € 12.0 m had to be adjusted for following the sale of the French airline Corsair.

RESTRUCTURING COSTS

In FY 2019, restructuring costs of € 52.0 m had to be adjusted for. They mainly resulted from restructurings in Germany and the UK.

EXPENSES FOR PURCHASE PRICE ALLOCATIONS

Expenses for purchase price allocations related in particular to scheduled amortisation of intangible assets from acquisitions made in previous years.

ONE-OFF ITEMS

Net expenses for one-off items amounted to € 22.1 m and included an amount of around € 17 m relating to Holiday Experiences. This mainly related to costs for reorganisations in the Destination Experiences segment as well as in the United Kingdom, the Nordic countries, Germany and France.

OTHER SEGMENT INDICATORS

Reconciliation to EBITDAR (continuing operations)

€ million	2019	2018 adjusted	Var. %
EBITA	**768.4**	**1,054.5**	**– 27.1**
Amortisation (+) / write-backs (–) of other intangible assets and depreciation (+) / write-backs (–) of property, plant and equipment	509.0	439.8	+ 15.7
EBITDA	**1,277.4**	**1,494.3**	**– 14.5**
Long-term rental, leasing and leasing expenses	713.0	721.5	– 1.2
EBITDAR	**1,990.4**	**2,215.8**	**– 10.2**

EBITDA and underlying EBITDA

	EBITDA			Underlying EBITDA*		
€ million	2019	2018 adjusted	Var. %	2019	2018 adjusted	Var. %
Hotels & Resorts	554.3	518.8	+ 6.8	563.3	518.9	+ 8.6
Cruises	457.6	398.3	+ 14.9	457.6	398.3	+ 14.9
Destination Experiences	62.2	53.3	+ 16.7	71.2	54.8	+ 29.9
Holiday Experiences	1,074.1	970.4	+ 10.7	1,092.1	972.0	+ 12.4
Northern Region	110.4	305.6	– 63.9	114.6	326.7	– 64.9
Central Region	84.8	101.3	– 16.3	123.7	115.9	+ 6.7
Western Region	– 18.0	122.4	n. a.	– 5.9	142.4	n. a.
Markets & Airlines	177.2	529.3	– 66.5	232.4	585.0	– 60.3
All other segments	26.1	– 5.4	n. a.	35.0	– 2.2	n. a.
TUI Group	**1,277.4**	**1,494.3**	**– 14.5**	**1,359.5**	**1,554.8**	**– 12.6**
Discontinued operations	–	38.7	n. a.	–	–	–
Total	**1,277.4**	**1,533.0**	**– 16.7**	**1,359.5**	**1,554.8**	**– 12.6**

* Adjustments according to reconciliation from page 67, excluding amortiasation and write-backs

Segmental performance

Holiday Experiences

Holiday Experiences

€ million	2019	2018 adjusted	Var. %
Turnover	2,482.0	1,816.8	+36.6
Underlying EBITA	873.2	789.5	+10.6
Underlying EBITA at constant currency*	859.1	829.5*	+3.6

* Rebased previous year's numbers adjusted for € 40 m in 2018, arising from the revaluation of Euro loan balances within Turkish hotel entities.

Hotels & Resorts

€ million	2019	2018 adjusted	Var. %
Total turnover	1,511.7	1,389.7	+8.8
Turnover	660.0	606.8	+8.8
Underlying EBITA	451.5	420.0	+7.5
Underlying EBITA at constant currency rates	437.5	460.0[1]	–4.9
Capacity hotels total[2] ('000)	**42,094**	**39,428**	**+6.8**
Riu	18,056	17,503	+3.2
Robinson	3,333	3,095	+7.7
Blue Diamond	4,379	3,638	+20.4
Occupancy rate hotels total[3] (in %, variance in % points)	**82**	**83**	**–1**
Riu	88	89	–1
Robinson	73	71	+2
Blue Diamond	77	80	–3
Average revenue per bed hotels total[4] (in €)	**66**	**63**	**4.6**
Riu	64	64	+0.2
Robinson	93	93	+0.3
Blue Diamond	118	111	+5.8

Turnover measures include fully consolidated companies, all other KPIs incl. companies measured at equity.

[1] Rebased previous year's number adjusted for € 40 m in 2018, arising from the revaluation of Euro loan balances within Turkish hotel entities.
[2] Group owned or leased hotel beds multiplied by opening days per year
[3] Occupied beds divided by capacity
[4] Arrangement revenue divided by occupied beds

- Our diversified hotel portfolio of multiple destinations delivered total earnings of € 437.5 m, down € 23 m at constant currency, against a prior year rebased underlying EBITA which included € 43 m net gain on disposal in Riu. Our industry-leading occupancy rate remained high at 82 % demonstrating the popularity of our portfolio of brands and destinations, as well as the success of our integrated model which funnels a significant proportion of our Markets & Airline customers to our owned content, underpinned by the high level of direct distribution across our markets. Average rate increased by 5 % to € 66, driven by improving rates in Turkey versus prior year.
- As anticipated, we saw demand in the year for Spain normalising with both rates and occupancies coming off record highs, which has been partly offset by better results in our Turkish and North African hotels as demand returned to these regions. Reflecting the normalisation in Spain, occupancy at Riu declined 1 % point to 88 % versus prior year, with improved occupancies in the Caribbean offset by the lower occupancies in the Canaries. Average rate remained in line with prior year at € 64.
- Robinson saw a strong operational performance across the year, driven by the addition of a new hotel in Turkey, increased demand for clubs in Turkey and North Africa in particular and the reopening of our flagship hotel Jandia Playa in Fuerteventura which was closed last year for renovation. Occupancy grew by 2 % points to 73 % with average rate in line with prior year at € 93.
- Blue Diamond earnings declined in the year from higher interest and depreciation costs of our new properties and lower occupancy rates across the portfolio, particularly from reduced demand to our Dominican Republic and Mexican properties. Occupancy rate fell 3 % points to 77 % and average rate was up 6 % including FX and flat excluding FX.
- Our Other hotel brands benefitted from a good performance in Greece during the year and strong performance across our Turkish and North African hotels, as demand returned to the two latter regions.
- In line with our growth strategy, we opened 25 hotels in the year, totaling 70 openings since merger, well ahead of the original target set. Around two thirds of our around 70 openings since merger are lower capital intensity, (operated under either a management or franchised contract or owned with JV partner).

Cruises

€ million	2019	2018 adjusted	Var. %
Turnover[1]	965.8	900.3	+7.3
Underlying EBITA	366.0	323.9	+13.0
Underlying EBITA at constant currency	366.7	323.9	+13.2
Occupancy (in %, variance in % points)			
TUI Cruises	100.7	100.8	– 0.1
Marella Cruises	100.4	100.9	– 0.5
Hapag-Lloyd Cruises	78.9	78.3	+ 0.6
Passenger days ('000)			
TUI Cruises	6,138	5,194	+18.2
Marella Cruises	3,298	2,953	+11.7
Hapag-Lloyd Cruises	332	352	– 5.7
Average daily rates[2] (in €)			
TUI Cruises	174	178	– 2.2
Marella Cruises[3] in £	149	141	+ 5.7
Hapag-Lloyd Cruises	641	615	+ 4.2

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

- FY 2019 was another strong year of growth for our Cruise segment, with underlying EBITA increasing by € 43 m to € 367 m at constant currency. Each of our three leading cruise brands in Germany and UK launched a ship in the year, delivering continued high occupancy and robust average daily rates across the fleet. The development reflected the successful and high performing joint venture structure of TUI Cruises as well as strong performances by Marella and Hapag-Lloyd Cruises, our fully-owned subsidiaries.
- TUI Cruises (our joint venture with Royal Caribbean in the German speaking market) delivered a strong result versus prior year reflecting as expected, the increased capacity of 18 % during the year (New Mein Schiff 1 launch in H2 of FY 2018 and new Mein Schiff 2 launch in February 2019). Average daily rate of € 174 was down 2 % versus prior year, reflecting in part, the early delivery of Mein Schiff 2 in low yield season, the late marketing of Mein Schiff Herz and our itinerary mix, with one further ship in the Mediterranean this year which typically commands a lower yield. Occupancy remained high at 101 %, in line with prior year, demonstrating the sustained demand for our German language, premium all-inclusive product, particularly against a German cruise market which saw significant increase in capacity during the year.
- Marella Cruises (our UK cruise brand) saw the annualisation of earnings from Marella Explorer 1 and addition of Marella Explorer 2 from May 2019, partially offset by Marella Spirit which exited the fleet in October 2018. Fleet occupancy remained high at 100 % and average daily rate increased 6 % versus prior year to £ 149, as we continued to deliver our modernisation programme and expansion in line with the UK cruise market.
- Hapag-Lloyd Cruises (our luxury and expedition brand) saw the departure of the old Hanseatic in the Autumn of 2018 and addition of Hanseatic nature in May 2019. Occupancy remained strong at 79 % in line with prior year and average daily rate increased by 4 % to € 641 reflecting the higher yield of our newer addition to the fleet.

Destination Experiences

€ million	2019	2018 adjusted	Var. %
Total turnover	1,231.4	600.3	+105.1
Turnover	856.2	309.7	+176.5
Underlying EBITA	55.7	45.6	+ 22.1
Underlying EBITA at constant currency	54.9	45.6	+ 20.4

- Destination Experiences saw the first full-year inclusion of our Destination Management and Musement businesses which were acquired in 2018. There was significant growth in customer volumes as result, particularly in North Africa, South East Asia, Australia and Caribbean with tours and excursions sold more than doubling versus prior year.

Markets & Airlines

Markets & Airlines

€ million	2019	2018 adjusted	Var. %
Turnover	15,990.1	16,008.6	–0.1
Underlying EBITA	131.8	497.3	–73.5
Underlying EBITA at constant currency	138.1	497.3	–72.2
Net Promoter Score[1] (in %, variance in % points)	53	50	+3.0
Direct distribution mix[2] (in %, variance in % points)	74	74	–
Online distribution mix[3] (in %, variance in % points)	48	48	–
Customers[4] ('000)	21,075	21,198	–0.6

1 NPS is measured in customer satisfaction questionnaires completed post-holiday. It is based on the question 'On a scale of 0 to 10 where 10 is extremely likely and 0 ist not at all likely, how likely is it that you would recommend the brand to a friend, colleague or relative?' and is calculated by taking the percentage of promoters (9s and 10s) less the percentage of detractors (0s through 6s).
2 Share of sales via own channels (retails and online)
3 Share of online sales
4 In Q1 2019, the Italian tour operators were transferred from All other segments to the Central Region. In addition, the Crystal Ski companies, which provide services in the destinations, were reclassified from Northern Region to Destination Experiences.

- During FY 2019 our Markets & Airlines business experienced a number of external challenges, most significantly from the Boeing 737 Max grounding, compounded by the continued weaker consumer confidence from ongoing Brexit uncertainty, the knock-on impact of the Summer 2018 heatwave resulting in delayed customer bookings and reduced pricing and margin pressure from airline overcapacities to Spain.
- As a result, in line with our communications during the course of the year, many of our markets saw their earnings decline in the year, with overall Markets & Airlines underlying EBITA down € 359 m at constant currency, including Boeing 737 Max impact of € 293 m. The Summer 2019 programme closed out well with bookings and capacity in line with the prior year however the average selling price increase was insufficient to cover our cost headwinds in the year. Overall customer volumes declined slightly by 0.6 % year on year with customer growth in Central Region offset by reductions in both Northern and Western regions. Both direct and online distribution mix remained stable at 74 % and 48 % respectively. There was a strong increase in our net promoter score to 53, from 50, which evidences our continued priority and focus on our customer holiday experiences as well as the strong appeal for our differentiated customer offers.
- These ongoing market challenges saw the bankruptcy of one of our key competitors at the end of Summer 2019, and in recognition of these continuing headwinds, we have set up a Markets & Domain Transformation Board to deliver our Markets Transformation Programme (MTP) to continually improve our market competiveness. The programme will be jointly led by our regional MD's and our key digital experts and will focus on delivering enhanced CRM, driving digital upselling through mass-individualisation and differentiation, harmonisation of our product and purchasing, mobile distribution and common IT platforms as well as increasing our airline efficiency, to protect and where possible, extend our strong core market positions.

Northern Region

€ million	2019	2018 adjusted	Var. %
Turnover	6,345.2	6,457.7	–1.7
Underlying EBITA	56.8	278.2	–79.6
Underlying EBITA at constant currency	63.7	278.2	–77.1
Direct distribution mix[1] (in %, variance in % points)	94	93	+1
Online distribution mix[2] (in %, variance in % points)	67	66	+1
Customers ('000)	7,428	7,566	–1.8

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

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

- In the UK, demand across the year was impacted by the factors outlined above. The grounding of the Boeing 737 Max increased costs by € 121 m and the insolvency of relevant competitor led to bad debt costs of € 10 m in the final quarter. Customer volumes declined slightly by 0.7 % on prior year, resulting in significantly lower margin for the year.
- Nordics, as flagged from the beginning of the financial year, was the most impacted by the reduced demand due to Summer 2018 heatwave, with a 6 % decline in customer volumes and load factor reduction. During the course of the year, as part of the drive for greater efficiency in aviation, the business announced plans to move short-haul air operations to external airlines at three bases in Scandinavia. The Boeing 737 Max grounding led to costs of € 33 m for the region.
- Share of earnings in Canada decreased, primarily from Boeing 737 Max grounding impact which cost € 16 m.
- These factors were partly offset by a € 29 m hedge gain which crystalised during Q1 which was no longer required.

Central Region

€ million	2019	2018 adjusted	Var. %
Turnover	6,413.0	6,222.4	+ 3.1
Underlying EBITA	102.0	94.9	+ 7.5
Underlying EBITA at constant currency	101.5	94.9	+ 7.0
Direct distribution mix[1] (in %, variance in % points)	50	50	–
Online distribution mix[2] (in %, variance in % points)	22	22	–
Customers[3] ('000)	7,830	7,778	+ 0.7

[1] Share of sales via own channels (retail and online)
[2] Share of online sales
[3] In Q1 2019, the Italian tour operators were transfered from All other segments to the Central Region. Prior-year figures were adjusted accordingly.

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

- Similarly, in Germany, demand was impacted by the factors outlined above, in particular from airline overcapacities to Spain, resulting in a decline of customer volume by 1 %. The grounding of the Boeing 737 Max increased costs by € 27 m, partially offset by the non-repeat of the Niki bankruptcy in the prior year of € 20 m, with the insolvency of relevant competitor incurring € 2 m of bad debt costs. Both direct and online distribution remained stable 50 % and 22 % respectively.
- Switzerland saw demand negatively impacted in line with our key markets. In contrast, Poland continues its growth trajectory with customer volumes growing 17 % at good margins.

Western Region

€ million	2019	2018 adjusted	Var. %
Turnover	3,231.9	3,328.5	– 2.9
Underlying EBITA	– 27.0	124.2	n. a.
Underlying EBITA at constant currency	– 27.1	124.2	n. a.
Direct distribution mix[1] (in %, variance in % points)	75	73	+ 2
Online distribution mix[2] (in %, variance in % points)	57	55	+ 2
Customers ('000)	5,816	5,854	– 0.6

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

Western Region comprises Belgium, Netherlands and France.

- In line with our other markets, Belgium and Netherlands were impacted by the factors outlined above. Customer volumes in Belgium grew 3 % largely driven by seat-only customers, with tour operator customers and underlying EBITA outside of the Boeing 737 Max impact down. Netherlands saw customer volume decline by 0.2 % with pricing and margin weak throughout the year. Boeing 737 Max impact for the two regions totalled € 96 m. Online and direct distribution continue to grow, increasing to 57 % and 75 % respectively.
- Despite our best efforts to turn around our business in France, the region saw a contracting tour operation market, reducing the impact of our rebranding campaign in the beginning of the calendar year. The knock-on impact from the extraordinarily hot Summer in the prior year continued to be a factor in FY 2019, with good weather again limiting demand in the region. Customer volumes disappointingly declined by 13 % across the year, combined with additional costs arising from the insolvency of competitor, saw a weaker result versus prior year.

All other segments

All other segments

€ million	2019	2018 adjusted	Var. %
Turnover	456.0	643.3	– 29.1
Underlying EBITA	–111.7	–144.0	+ 22.4
Underlying EBITA at constant currency	–117.3	–144.0	+ 18.5

This segment comprises the business operations for new markets and in particular the central corporate functions and interim holdings of TUI Group, as well as central tourism functions such as information technology. To better reflect airline economic benefits in their respective regions, the underlying EBITA from the inter-company leasing of aircraft from the Group's central aircraft leasing function (which sits within All other segments) has been reallocated to the respective airlines (Northern Region, Central Region and Western Region). The previous year's figures have been restated accordingly to provide a like-for-like comparison.

The segment on this new basis, saw costs decrease by € 27 m at constant currency, driven by various one-off cost savings across central group functions.

Please refer to page 191 for further details on the reallocation.

Net assets

Development of the Group's asset structure

€ million	**30 Sep 2019**	30 Sep 2018 adjusted	Var. %
Fixed assets	11,044.4	9,830.7	+12.3
Non-current receivables	913.0	820.1	+11.3
Non-current assets	11,957.4	10,650.8	+12.3
Inventories	114.7	118.5	–3.2
Current receivables	2,407.3	2,268.0	6.1
Cash and cash equivalents	1,741.5	2,548.0	–31.7
Assets held for sale	50.0	5.5	+809.1
Current assets	4,313.5	4,940.0	–12.7
Assets	**16,270.9**	**15,590.8**	**+4.4**
Equity	4,165.3	4,275.6	–2.6
Liabilities	12,105.6	11,315.2	+7.0
Equity and liabilities	**16,270.9**	**15,590.8**	**+4.4**

The Group's balance sheet total increased by 4.4 % year-on-year to € 16.3 bn.

Vertical structural indicators

Non-current assets accounted for 73.5 % of total assets, compared with 68.3 % in the previous year. The capitalisation ratio (ratio of fixed assets to total assets) increased from 63.1 % to 67.9 %.

Current assets accounted for 26.5 % of total assets, compared with 31.7 % in the previous year. The Group's cash and cash equivalents decreased by 31.7 % year-on-year to € 1,741.5 m. They thus accounted for 10.7 % of total assets, as against 16.3 % in the previous year.

Horizontal structual indicators

At the balance sheet date, the ratio of equity to non-current assets was 34.8 %, as against 40.1 % in the previous year. The ratio of equity to fixed assets was 37.7 % (previous year 43.5 %). The ratio of equity plus non-current financial liabilities to fixed assets was 60.0 %, compared with 66.4 % in the previous year.

Development of the Group's non-current assets

Structure of the Group's non-current assets

€ million	**30 Sep 2019**	30 Sep 2018 adjusted	Var. %
Goodwill	2,985.8	2,913.1	+2.5
Other intangible assets	710.6	643.2	+10.5
Property, plant and equipment	5,840.4	4,876.3	+19.8
Companies measured at equity	1,507.6	1,398.1	+7.8
Fixed assets	11,044.4	9,830.7	+12.3
Receivables and assets	711.0	592.1	+20.1
Deferred tax claims	202.0	228.0	–11.4
Non-current receivables	913.0	820.1	+11.3
Non-current assets	**11,957.4**	**10,650.8**	**+12.3**

GOODWILL

Goodwill rose by 2.5 % to € 2,985.8 m. The increase in the carrying amount is essentially due to the acquisition of Musement and the acquisition of shares in a Turkish company in the Hotel & Resort segment. An opposite effect was driven by the translation of goodwill not managed in the TUI Group's functional currency into euros. In the period under review, the performance of impairment tests did not lead to any adjustments.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased to € 5,840.4 m in the period under review, primarily due to the acquisition of the cruise ship Marella Explorer 2, investments in hotel facilities and deliveries of aircraft. Property, plant and equipment also comprised leased assets in which Group companies held economic ownership. At the balance sheet date, these finance leases had a carrying amount of € 1,424.4 m, up 10.4 % year-on-year.

Development of property, plant and equipment

€ million	30 Sep 2019	30 Sep 2018 adjusted	Var. %
Hotels incl. land	1,676.4	1,240.1	+35.2
Other buildings and land	225.0	194.0	+16.0
Aircraft	1,592.6	1,415.2	+12.5
Cruise ships	1,258.3	995.2	+26.4
Other plant, operating and office equipment	433.7	407.7	+6.4
Assets under construction, payments on accounts	654.4	624.1	+4.9
Total	**5,840.4**	**4,876.3**	**+19.8**

COMPANIES MEASURED AT EQUITY

Twenty-one associated companies and 30 joint ventures were measured at equity. At € 1,507.6 m, their value increased by 7.8 % 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 2019	30 Sep 2018 adjusted	Var. %
Inventories	114.7	118.5	−3.2
Trade accounts receivable and other financial assets[1]	1,211.4	1,282.4	−5.5
Non-financial assets[2]	1,040.2	871.5	+19.4
Current tax assets	155.7	114.1	+36.5
Cash and cash equivalents	1,741.5	2,548.0	−31.7
Assets held for sale	50.0	5.5	+809.1
Current assets	**4,313.5**	**4,940.0**	**−12.7**

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

CURRENT ASSETS

Current assets decreased by 12.7 % to € 4,313.5 m. This was mainly due to a decline of 31.7 % year-on-year in cash and cash equivalents, now totalling € 1,741.5 m.

Unrecognised assets

In the course of their business operations, Group companies used assets of which they were not the economic owner. Most of these assets were aircraft, hotel complexes or ships for which operating leases, i. e. rental, lease or charter agreements, were concluded under the terms and conditions customary in the sector.

Operating rental, lease and charter contracts

€ million	30 Sep 2019	30 Sep 2018	Var. %
Aircraft	1,418.0	1,547.1	−8.3
Hotel complexes	659.5	675.2	−2.3
Travel agencies	210.0	212.3	−1.1
Administrative buildings	227.8	244.0	−6.6
Ships, yachts and motor boats	–	1.0	n. a.
Other	145.9	131.3	+11.1
Total	**2,661.2**	**2,810.9**	**−5.3**

Further details and the structure of the remaining terms of financial liabilities from operating rental, lease and charter agreements are provided in the section Other financial liabilities in the Notes to the consolidated financial statements.

Information on other intangible, unrecognised assets such as brands, customer and supplier relationships, and organisational and process benefits is provided in the section on TUI Group Strategy, TUI Group's Corporate Profile; relationships with investors and capital markets are outlined in the section TUI Share.

TUI Group Strategy see page 28, Corporate Profile see page 32; TUI Share from page 107

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 framework of a cross-border organisation, TUI AG has outsourced some of its treasury activities to First Choice Holidays Finance Ltd, a British Group company. However, these 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 of 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 the 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 are used to finance the cash requirements of other Group companies. Bank account dispositioning is based on a monthly rolling liquidity forecast system.

LIMITING FINANCIAL RISKS

The Group companies operate worldwide. 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 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 fuel procurement such as aircraft fuel and bunker oil. These fuel price risks are largely 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 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 its interest management system.

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

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

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

See from page 40 or 242

Capital structure

Capital structure of the Group

€ million	30 Sep 2019	30 Sep 2018 adjusted	Var. %
Non-current assets	11,957.4	10,650.8	+12.3
Current assets	4,313.5	4,940.0	–12.7
Assets	**16,270.9**	**15,590.8**	**+4.4**
Subscribed capital	1,505.8	1,502.9	+0.2
Capital reserves	4,207.5	4,200.5	+0.2
Revenue reserves	–2,259.4	–2,062.6	–9.5
Non-controlling interest	711.4	634.8	+12.1
Equity	4,165.3	4,275.6	–2.6
Non-current provisions	1,810.6	1,730.3	+4.6
Current provisions	394.3	380.9	+3.5
Provisions	2,204.9	2,111.2	+4.4
Non-current financial liabilities	2,457.6	2,250.7	+9.2
Current financial liabilities	224.6	192.2	+16.9
Financial liabilities	2,682.2	2,442.9	+9.8
Other non-current liabilities	482.4	412.9	+16.8
Other current liabilities	6,633.0	6,348.2	+4.5
Other liabilities	7,115.4	6,761.1	+5.2
Debt related to assets held for sale	103.1	–	n. a.
Liabilities	**16,270.9**	**15,590.8**	**+4.4**

Capital ratios

€ million		30 Sep 2019	30 Sep 2018 adjusted	Var. %
Non-current capital		8,915.9	8,669.5	+2.8
Non-current capital in relation to balance sheet total	%	54.8	55.6	–0.8*
Equity ratio	%	25.6	27.4	–1.8*
Equity and non-current financial liabilities		6,622.9	6,526.3	+1.5
Equity and non-current financial liabilities in relation to balance sheet total	%	40.7	41.9	–1.2*

* percentage points

Overall, non-current capital increased by € 2.8 % to € 8,915.9 m. It accounted for € 54.8 % (previous year € 55.6 %) of the balance sheet total.

The equity ratio was € 25.6 % (previous year € 27.4 %). Equity and non-current financial liabilities accounted for € 40.7 % (previous year € 41.9 %) of the balance sheet total.

EQUITY

Subscribed capital and the capital reserves rose slightly year-on-year. The increase of was driven by the issue of employee shares. Revenue reserves rose by € 196.8 m to € –2,259.4 m in the financial year under review. Non-controlling interests accounted for € 711.4 m of equity.

PROVISIONS

Provisions mainly comprise provisions for pension obligations, tax provisions and provisions for typical operating risks classified as current or non-current, depending on expected occurrence. At the balance sheet date, they accounted for a total of € 2,204.9 m, up by 93.7 m or 4.4 % year-on-year.

FINANCIAL LIABILITIES

Composition of liabilities

€ million	30 Sep 2019	30 Sep 2018	Var. %
Bonds	297.8	296.8	+ 0.3
Liabilites to banks	870.0	780.5	+ 11.5
Liabilites from finance leases	1,495.2	1,342.7	+ 11.4
Other financial liabilities	19.2	22.9	– 16.2
Financial liabilities	**2,682.2**	**2,442.9**	**+ 9.8**

STRUCTURAL CHANGES IN FINANCIAL LIABILITIES

The Group's financial liabilities increased by a total of € 239.3 m to € 2,682.2 m. The main reason was the financing of a cruise ship, which is reported under liabilities to banks. In addition, liabilites from finance leases increase, primarily due to the renewal and modernisation of the aircraft fleet.

OVERVIEW OF TUI'S LISTED BONDS

The table below lists the maturity, nominal volume and annual interest coupon of the listed bond from 2016 with a nominal value of € 300.0 m and a 5-year term.

Listed bonds

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

BANK LOANS AND LIABILITIES FROM FINANCE LEASES

TUI AG did not issue any new financial instruments for the purposes of general corporate financing in the financial year under review.

The Hotels & Resorts and Cruises segments took out separate bank loans, primarily for asset finance by these companies. Most liabilities from finance leases are attributable to aircraft as well as one cruise ship. More detailed information, in particular on the remaining terms, is provided under Financial liabilities in the Notes to the consolidated financial statements.

See section on Financial liabilities in the Notes, page 231

OTHER LIABILITIES

Other liabilities totalled € 7,115.4 m, up by € 354.3 m or 5.2 % year-on-year.

Off-balance sheet financial instruments and key credit facilities

OPERATING LEASES

The development of operating rental, leasing and charter contracts is presented in the section Net assets in the Management Report.

See page 74

More detailed explanations and information on the structure of the remaining terms of the associated financial liabilities are provided in the section Other financial liabilities in the Notes to the consolidated financial statements.

SYNDICATED CREDIT FACILITY OF TUI AG

TUI AG has a syndicated credit facility worth € 1.75 bn (incl. guarantees), available for general corporate financing purposes (in particular in the winter months). It carries a floating interest rate which depends on the short-term interest rate level (EURIBOR or LIBOR) and TUI's credit rating plus a margin. At the balance sheet date, an amount of € 105.3 m from this credit facility had been taken up in the form of bank guarantees.

BILATERAL GUARANTEE FACILITIES OF TUI AG WITH INSURANCE COMPANIES AND BANKS

TUI AG has concluded several bilateral guarantee facilities with various insurance companies with a total volume of £ 139.4 m and € 130.0 m. These guarantee facilities are required for the safeguarding of pension liabilities in the UK and the delivery of tourism services in order to ensure that Group companies are able to meet, in particular, the requirements of European oversight and regulatory authorities on the provision of guarantees and warranties. The guarantees issued usually have a term of up to 18 months. They give rise to a commission in the form of a fixed percentage of the maximum guarantee amount. At the balance sheet date, amounts of £ 29.2 m and € 40.0 m from these guarantee facilities had been used.

TUI AG also concluded bilateral guarantee facilities with a total volume of € 42.5 m with banks to provide bank guarantees in the framework of ordinary business operations. Some of the guarantees have a term of several years. The guarantees granted give rise to a commission in the form of a fixed percentage of the maximum guarantee amount. At the balance sheet date, an amount of € 17.1 m from these guarantee facilities had been used.

Obligations from financing agreements

The Schuldschein worth € 425.0 m from 2018, the senior notes worth € 300.0 m from 2016 and the credit and guarantee facilities of TUI AG contain a number of obligations. TUI AG has a duty to comply with certain financial covenants (as defined in the respective contracts) from its syndicated credit facility worth € 1.75 bn (incl. guarantees) and a number of bilateral guarantee lines. These require (a) compliance with an EBITDAR-to-net interest expense ratio measuring TUI Group's relative charge from the interest result and the lease and rental expenses; and (b) compliance with a net debt-to-EBITDA ratio, calculating TUI Group's relative charge from financial liabilities. The EBITDAR-to-net interest expense ratio must have a coverage multiple of at least 1.5; net debt must not exceed 3.0 times EBITDA. The financial covenants are determined every six months. Other covenants restrict, inter alia, TUI's scope for pledging or selling assets, acquiring other companies or shareholdings, or effecting mergers.

The Schuldschein worth € 425.0 m, the bond worth € 300.0 m and the credit and guarantee facilities of TUI AG also contain additional contractual 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

	2014	2015	2016	2017	2018	**2019**	Outlook
Standard & Poor's	B+	BB–	BB–	BB	BB	BB	negative
Moody's	B2	Ba3	Ba2	Ba2	Ba2	Ba2	negative

In the light of intensified competition and the associated lowering of the earnings guidance, Moody's assigned a corporate rating of 'Ba2' with a 'stable outlook' instead of the previous 'positive outlook' in February 2019. Following the subsequent profit warning issued in April 2019 in connection with the grounding of Boeing 737 Max jets, Moody's and Standard & Poor's lowered the respective rating outlook from 'stable' to 'negative'. However, the corporate ratings of 'Ba2' and 'BB', respectively, were confirmed.

TUI AG's bond worth € 300.0 m has been assigned a 'BB' rating by Standard & Poor's and a 'Ba2' rating by Moody's. TUI AG's syndicated credit facility worth € 1.75 bn has been assigned a 'BB' rating by Standard & Poor's.

Financial stability targets

TUI considers a constant credit rating to be a prerequisite for the further development of the business. In response to the structural improvements resulting from the merger between TUI AG and TUI Travel and the operating performance observed over the past few years, combined with the strengthening of the business model despite a challenging environment, Standard & Poor's and Moody's upgraded their corporate ratings for TUI from 'B' to 'BB' and 'Ba', respectively, although both rating agencies assigned a negative outlook to their ratings due to the market environment. We consider a constant rating to be a prerequisite to ensure further access to the debt capital markets even in difficult macro-economic situations, as well as achieving advantages in financing terms and conditions. We have defined a leverage ratio as financial stability measure, based on the following basic definition:

Leverage ratio = (gross financial liabilities + discounted value of financial commitments from operating lease, rental and leasing agreements + obligations from defined-benefit pension plans) / (reported EBITDA + long-term leasing and rental expenses). These basic definitions are subject to specific adjustments in order to reflect current circumstances. In particular due to the adverse impact of the non-foreseeable Boeing 737 Max grounding, the leverage ratio was 3.0(x) in the completed financial year. We aim to achieve a leverage ratio between 3.00(x) and 2.25(x) for FY 2020.*

* This target range is based on our budget, which does not take into account the effects of the application of IFRS16. Any effects outside our sphere of influence, such as a significant extension of the Boeing 737 Max grounding, are also not taken into account.

See Note Capital management in the Notes to the consolidated financial statements on page 264.

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 currencies, the interest rate was consistently negative, with corresponding impacts on yields on money market investments but also on reference interest rates for floating-rate debt.

While quoted credit margins (CDS levels) for corporates in the sub-investment grade area remained almost flat year-on-year, quotations rose for TUI AG to an average level compared with a multi-year average. Refinancing options were available against the background of the receptive capital market environment.

Liquidity analysis

LIQUIDITY RESERVE

In the completed financial year, TUI Group's solvency was secured at all times by means of cash inflows from operating activities, liquid funds, and bilateral and syndicated credit agreements with banks.

At the balance sheet date, TUI AG, the parent company of the TUI Group, held cash and cash equivalents worth € 155.1 m.

RESTRICTIONS ON THE TRANSFER OF LIQUID FUNDS

At the balance sheet date, there were restrictions worth around € 0.2 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

Cash flow statement

Summary cash flow statement

€ million	**2019**	2018 adjusted
Net cash inflow from operating activities	+1,114.9	+1,150.9
Net cash outflow from investing activities	–1,141.4	–845.7
Net cash outflow from financing activities	–763.8	–236.9
Change in cash and cash equivalents with cash effects	**–790.3**	**+68.3**

The cash flow statement shows the flow of cash and cash equivalents on the basis of a separate presentation of cash inflows and outflows from operating, investing and financing activities. The effects of changes in the group of consolidated companies are eliminated. The previous year's cash flow statement shows the cash flows for continuing operations and the discontinued operation.

In the period under review, cash and cash equivalents decreased by € 800.4 m to € 1,747.6 m.

NET CASH INFLOW FROM OPERATING ACTIVITIES

In the period under review, the cash inflow from operating activities totalled € 1,114.9 m (previous year € 1,150.9 m). The year-on-year decrease was amongst others attributable to the decline in Group profit with higher depreciation and amortisation.

NET CASH OUTFLOW FROM INVESTING ACTIVITIES

In the completed financial year, the cash outflow from investing activities totalled € 1,141.4 m (previous year € 845.7 m). The cash outflow for capital expenditure on property, plant and equipment and intangible assets of € 987.0 m primarily related to hotels, ships and aircraft and remained largely flat year-on-year. The cash outflow of € 242.3 m for the acquisition of consolidated companies mainly related to Destination Experiences and Hotels & Resorts. On the other hand, the Group recorded cash inflows of € 182.0 m from the sale of property, plant and equipment and financial assets. The cash outflow for capital expenditure on property, plant and equipment and intangible assets and the cash inflow from corresponding sales do not match the additions and disposals shown in the development of fixed assets, as these also include non-cash investments and disposals.

NET CASH OUTFLOW FROM FINANCING ACTIVITIES

The cash outflow from financing activities totalled € 763.8 m (previous year € 236.9 m). The year-on-year decline is partly attributable to a cash inflow of € 422.9 m recorded in the previous year from the issue of a Schuldschein. The cash outflow also rose year-on-year due to higher dividend payments (€ 475.5 m; previous year € 435.3 m) and the redemption of bonds and financial liabilities (€ 232.4 m; previous year € 162.7 m).

Change in cash and cash equivalents

€ million	**2019**	2018
Cash and cash equivalents at the beginning of period	**+2,548.0**	**+2,516.1**
Changes due to changes in exchange rates	–10.1	–36.4
Cash changes	–790.3	+68.3
Cash and cash equivalents at the end of period	**+1,747.6**	**+2,548.0**

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 160 and 266

Analysis of investments

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

ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The table below lists the cash investments in intangible assets and capital expenditure in property, plant and equipment.

Net capex and investments

€ million	**2019**	2018	Var. %
Cash gross capex			
Hotels & Resorts	343.1	240.6	+42.6
Cruises	253.1	244.6	+3.5
Destination Experiences	21.2	9.5	+123.2
Holiday Experiences	617.4	494.8	+24.8
Northern Region	56.8	78.9	–28.0
Central Region	33.7	26.8	+25.7
Western Region	34.0	46.4	–26.7
Markets & Airlines	124.5	152.2	–18.3
All other segments	128.3	146.2	–12.2
TUI Group	**870.2**	**793.2**	**+9.7**
Net pre delivery payments on aircraft	–0.8	17.7	n.a.
Financial investments	278.6	164.1	+69.8
Divestments	–29.5	–148.0	+80.1
Net capex and investments	**1,118.5**	**827.0**	**+35.2**

Investments in other intangible assets and property, plant and equipment totalled € 870.2 m in the period under review, up 9.7 % year-on-year.

In the financial year under review, investments mainly related to the acquisition and renovation of Marella Explorer 2, the acquisition and construction of hotels, in particular in Turkey and the Cape Verde Islands, and the development and launch of Group-wide IT platforms. Investments were also effected for renovation and maintenance in all areas.

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	**2019**	2018
Cash gross capex	**870.2**	**793.2**
Finance leases	210.8	194.0
Advance payments	116.9	163.1
Ship debt financing	115.5	–
Additions from company acquisitions	25.4	–
Other non-cash changes	36.6	– 4.2
Additions to other intangible assets and property, plant and equipment	**1,375.5**	**1,146.1**

Investment obligations

ORDER COMMITMENTS

Due to agreements concluded in FY 2019 or in prior years, order commitments for investments totalled € 3,206.3 m as at the balance sheet date; this total included an amount of € 1,427.8 m for scheduled deliveries in FY 2019.

At the 30 September 2019 balance sheet date, firm order commitments comprised of 63 aircraft (2 x B787-9, 40 x B737-8 and 21 x B737-10), to be delivered by the end of FY 2023.

More detailed information is provided in the section Other financial liabilities in the Notes to the consolidated financial statements on page 235.

Net financial position

Net debt is defined as financial debt less cash and cash equivalents and future short-term interest-bearing investments. As expected, net debt of € 909.6 m as at 30 September 2019 reflects the full utilisation of proceeds of disposals received over the past few years and the increase in financing related to our cruise and aircraft re-fleeting programme.

Net financial position

€ million	**30 Sep 2019**	30 Sep 2018	Var. %
Financial debt	– 2,682.2	– 2,442.9	– 9.8
Cash and cash equivalents	1,741.5	2,548.0	– 31.7
Short-term interest-bearing investments	31.1	18.5	+ 68.1
Net (debt) / cash	**– 909.6**	**123.6**	**n. a.**

NON-FINANCIAL GROUP DECLARATION

pursuant to the CSR Directive Implementation Act

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

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

Within the framework of a materiality analysis we gained insight into the risks and opportunities as defined by the CSR-RUG. We did not identify any non-financial risks.

In particular, we report on our risk management system and principle risks linked with our business activities, business relations and services in our Risk Report from page 40 on.

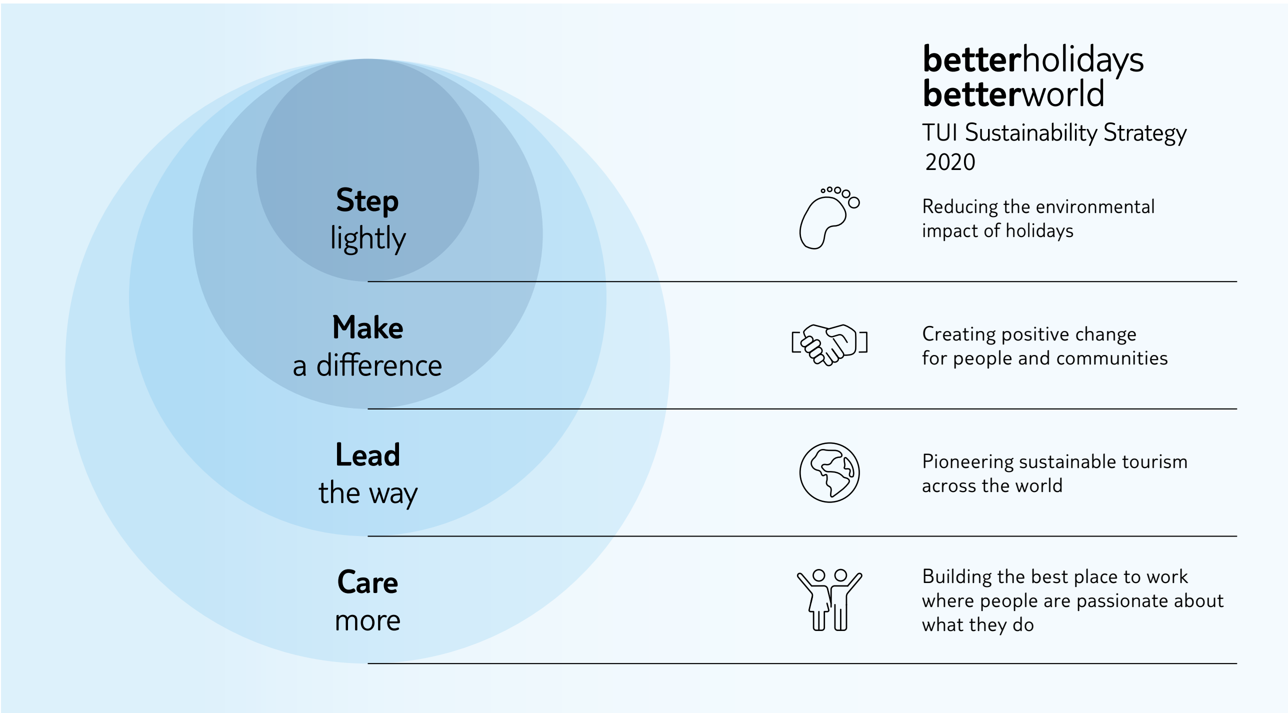
This non-financial Group statement has been reviewed by Group Audit on behalf of the Supervisory Board. Our reporting covers the United Nations Global Compact principles and furthermore we regularly review our activities against the United Nations Sustainable Development Goals (SDGs). The goals provide a useful framework with which to view the material impact of our activities, and a benchmark to assess the relevance of our initiatives. We see a special contribution towards seven of the SDGs – knowing these are also interdependent. A detailed mapping is published separately in our sustainability report.

Business model

→ *TUI Group's business model as defined in HGB section 289b is outlined from page 28 and from page 32 in the present Annual Report.*

Sustainability strategy and implementation

TUI Sustainability Strategy 2020



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

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

TUI Group remains committed to implementing its sustainability strategy. The sustainability actions and objectives adopted in 2015 address the environmental and social challenges facing the tourism sector which have been the subject of public debate in recent times. We are already working on the evolution of TUI Group's sustainability strategy up to the FY 2030, involving a large number of stakeholders.

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

MATERIALITY

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

Materiality Matrix

1 *Resource efficiency, sustainable procurement*
2 *Child protection*
3 *Local value creation & communities*
4 *Emissions & pollution*
5 *Forced labour*
6 *Creating more sustainable holidays & engaging customers*
7 *Fair business conduct*
8 *Customer well-being*
9 *Crisis management*
10 *Colleague working environment*
11 *Animal welfare & biodiversity*

MANAGING SUSTAINABILITY

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

As part of TUI's sustainability management approach, the corporate headquarters has been successfully audited against the ISO 14001:2015 environmental standard. Furthermore TUI Germany and TUI Business Services in Hannover hold ISO 14001 certifications.

Senior Management from across TUI regularly speak at a range of forums and conferences about the industry's most material issues and TUI's response to them. Furthermore sustainability is a key issue whenever we collaborate with destination governments and develop our growth strategy.

Managing sustainability-embedding

SUSTAINABILITY INDICES

TUI AG is represented on the sustainability indices FTSE4Good and Ethibel Sustainability Index (ESI). In 2019 TUI was included in the RobecoSam Sustainability Yearbook with a 'Bronze Class' distinction. TUI was recognised in the leadership band by CDP in the 2018 Climate Change assessment and participated again in the CDP Climate Change assessment 2019.

Throughout the year TUI companies have been recognized by a variety of awards. TUI Cruises was awarded with the 'CruiseCopenhagen Sustainability Award 2019'. TUI UK & Ireland were finalist in the TTG Travel Awards 2019 Responsible Travel initiative of the year category. The Robinson Club Jandia Playa became the first international hotel outside of Germany to earn the German Sustainable Business Council (DGNB) platinum certificate in 2019. TUI was ranked the most sustainable travel company in Denmark in the 2019 Sustainable Brand Index.

Environmental matters

Respecting the environment in our products, services and processes is an essential feature of our quality standards. We place priority on improving carbon and resource efficiency. 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 face additional environmental challenges at a local level. Plastic waste, for example, is having a negative impact on destinations and ecosystems, especially in our oceans. Fresh water is also likely to become increasingly scarce in the coming years in some destinations.

Tackling climate change is an urgent global challenge. The goal of the Paris Agreement to limit global warming to well below 2 °C above pre-industrial levels is ambitious and requires that every industry makes a timely transition towards an energy-efficient, lower-carbon future. As a sector leader, TUI has a responsibility to play its part. Carbon emissions are one of the most significant environmental impacts of tourism. Travel and tourism contribute some 5 %* (UNWTO & UNEP 2008) of global carbon emissions – half of which is attributable to aviation.

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

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

Carbon dioxide emissions (CO_2)

tons	2019	2018	Var. %
Airlines & Aviation	5,811,963	6,393,342	– 9.1
Cruises	959,476	850,335	+12.8
Hotels	599,310	554,666	+ 8.0
Major premises/shops	24,542	26,195	– 6.3
Ground transport	18,277	16,782	+ 8.9
Scope 3 (indirect emissions from TUI's value chain)	73,141	78,852	–7.2
Group	**7,486,709**	**7,920,172**	**– 5.5**

In FY 2019, TUI Group's total emissions decreased year-on-year in absolute terms, primarily due to the sale of the airline Corsair. Carbon emissions in Cruises increased by 12.8 % which was the result of the launch of the new Mein Schiff 2 (operated by TUI Cruises), the Hanseatic nature (operated by Hapag-Lloyd Cruises) and the Marella Explorer 2 (operated by Marella Cruises). Furthermore, the cruise ship Mein Schiff 1 was integrated into the reporting for the first full year. The increase in absolute carbon emissions in Hotels is driven by the expansion of TUI's hotel portfolio.

Emissions from offices and retail shops declined, mainly due to energy efficiency initiatives in the UK. Ground transport emissions increased due to the inclusion of an additional fleet.

Energy usage by business area

MWh	2019	2018	Var. %
Airlines & Aviation	23,694,131	26,070,988	– 9.1
Cruises	3,712,568	3,227,813	+15.0
Hotels	1,683,294	1,527,259	+10.2
Major premises/shops	85,689	88,076	– 2.7
Ground transport	73,277	67,283	+ 8.9
Total	**29,248,959**	**30,981,419**	**– 5.6**

As part of TUI's environmental reporting the breakdown of energy usage by business area shows that Airlines and Aviation represents more than 81 % of the total energy used.

CLIMATE PROTECTION AND RESOURCE EFFICIENCY BY TUI AIRLINES

We already operate one of Europe's most carbon-efficient airlines and we aim to continuously improve. TUI Airlines' comparative performance was recognised in November 2018 by the independent climate protection organisation atmosfair, which ranked TUI Airways and TUI fly Germany #1 and #4 respectively as the most carbon-efficient airlines amongst the 200 largest airlines worldwide. TUI Airlines have numerous measures in place to further enhance carbon efficiency. We have implemented the following measures to support our efficiency goals:

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

We acknowledge that we will not meet the aviation carbon intensity target of 10 % by 2020 that was set as part of our Better Holidays, Better World strategy. This was based on efficiency measures as well as fleet renewal. Unfortunately with the grounding of the Boeing 737 Max and the deliveries that were scheduled, this has significantly impacted progress against this target. Since our baseline year (2014), our airline carbon efficiency has changed favourably by 3.6 %.

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

TUI Airlines – Fuel consumption and CO_2 emissions

		2019	2018	Var. %
Specific fuel consumption	l/100 rpk*	2.59	2.56	+0.9
Carbon dioxide (CO_2) – total	t	5,241,880	5,100,849	+2.8
Carbon dioxide (CO_2) – specific	kg/100 rpk*	6.52	6.46	+0.9

* rpk=revenue passenger kilometer

TUI Airlines – Carbon intensity

		2019	2018	Var. %	g CO_2e/rpk*
TUI Airline fleet	**g CO_2/rpk***	**65.2**	**64.6**	**+0.9**	**65.8**
TUI Airways	g CO_2/rpk*	64.3	63.6	+1.1	64.9
TUI fly Belgium	g CO_2/rpk*	70.4	70.0	+0.6	71.1
TUI fly Germany	g CO_2/rpk*	64.8	64.7	+0.2	65.5
TUI fly Netherlands	g CO_2/rpk*	64.2	64.1	+0.2	64.9
TUI fly Nordic	g CO_2/rpk*	59.5	58.3	+2.1	60.1

* rpk=revenue passenger kilometre
We commissioned PwC Netherlands to provide assurance on the carbon intensity metrics for 2019 as displayed in the table 'TUI Airlines – Carbon Intensity' above.
To read our airline carbon data methodology document and PwC's Assurance report in full, please visit www.tuigroup.com/en-en/sustainability/reporting-downloads

The KPIs from 2018 have been restated due to the sale of Corsair and slight adjustments in the methodology by including intercompany TUI fleet sub-charters. Relative carbon emissions across our airlines increased by 0.9 % in the FY 2019. Main reasons for the increase are the overall reduction in load factors and the grounding of Boeing 737 Max. However, without restating our 2018 performance the TUI Airline fleet made an intensity carbon-efficiency improvement of 2.3 %, due to the sale of Corsair.

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

CLIMATE PROTECTION AND RESOURCE MANAGEMENT IN CRUISES

In 2019, TUI Cruises launched the new Mein Schiff 2. The newbuild ships in the fleet save fuel through a combination of the latest technologies. A smart energy management system, efficient air conditioning, innovative lighting controls and the use of waste heat from the engines all contribute to a significantly reduced carbon footprint. The International Maritime Organization (IMO) has defined particularly stringent NOx limit values for ship newbuilds in specified Nitrogen Emission Control Areas (NECAS) off the North American coast. Equipped with a main engine that is completely compliant with TIER III, the new Mein Schiff 2 fully meets these criteria.

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

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

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

From July 2020, Hapag-Lloyd Cruises ships worldwide will exclusively use 0.1 % low-sulphur marine gas oil. This will reduce the sulphur emissions of Hapag-Lloyd Cruises' fleet by 80 % and reduce particulates by up to 30 %. Already now, all Hapag-Lloyd Cruises ships have Tributyltin-free underwater coatings, seawater desalination systems for water treatment purposes as well as a biological sewage treatment system for wastewater. Waste is separated on board in an environmentally-friendly manner prior to disposal on land by specialized companies in accordance with international regulations (MARPOL).

Hapag-Lloyd Cruises' HANSEATIC nature, which was launched in May 2019, is also equipped with modern environmental technology. The optimisation of the hull and the use of a rudder with special propeller contribute to a reduction in fuel consumption. The ship is equipped with an SCR catalyst, which reduces nitrogen oxide emissions by almost 95 percent, and has the option of using shore power.

In the FY 2019 Marella Cruises has further developed its environmental data management systems and processes which has helped to drive environmental performance. The fleet continues to operate as efficiently as possible. This is achieved through the installation of new equipment on board such as air conditioning plant, and operating single engine running, or drifting on passage, so that the engines can run at their most efficient speed – all of which cuts energy demand. Marella Cruises also progressed its sustainability strategy with initiatives including improved laundry efficiencies, better water management and reduction of single-use plastics.

Cruises – carbon intensity, fresh water and waste

	2019	2018	Var. %
Carbon dioxide (CO_2) – relative kg/Cruise passenger night	99	101	– 2.1
Fresh water – relative l/Cruise passenger night	85	110	– 23.2
Waste – relative l/Cruise passenger night	11.7	12.7	– 8.1

In FY 2019, relative carbon emissions in Cruises decreased by 2.1 % mainly driven by the on-going re-fleeting programme, more efficient energy use and technological improvements.

Per cruise passenger night 11.7 litres of waste were measured – a reduction by 8.1 % – and 85 litres of fresh water consumed, a reduction by 23.2 %, due to fleet renewal and enhanced water desalination facilities on board.

CLIMATE PROTECTION AND RESOURCE MANAGEMENT BY HOTELS

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

We have included a sustainability clause in contracts with our accommodation suppliers outlining minimum expectations and the requirement to work towards credible sustainability certification recognized 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 January 2019, Robinson Club Jandia Playa became the first international hotel outside of Germany to earn the German Sustainable Business Council (DGNB) platinum certification. The new building of the Robinson Club on Fuerteventura in Spain's Canary Islands incorporates state-of-the-art standards and is a prime example of sustainable construction in tourism, achieving a DGNB total performance index of 82.5 %, the third highest ranking among hotels worldwide. The DGNB system considers all aspects of sustainable construction: ecology, economy, socio-cultural and functional aspects, technology, processes and location.

Due to the increasing importance, TUI has continued its engagement in reducing food waste across its hotel business. Through workshops in Gran Canaria, Turkey and Mallorca, several TUI hoteliers were trained in the use of more sustainable food as well as measures to reduce food waste.

Hotels – carbon intensity, water* and waste

	2019	2018	Var. %
Carbon dioxide (CO_2) – relative kg/guest night	9.47	9.45	+ 0.1
Water – relative l/guest night	542	556	– 2.5
Waste – relative kg/guest night	2.1	2.2	– 5.5

* Includes water for domestic, pool and irrigation purposes

Effective waste management aims to conserve resources and reduce environmental impacts and costs through recycling practices. Our owned and partner hotels implement various measures to reduce waste, for example through a stronger focus on local procurement and reducing packaging via buying in bulk. Per guest night 2.1 kg of waste was measured in FY 2019, a reduction of 5.5 %.

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

PLASTIC REDUCTION

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

In 2019, TUI signed the International Tourism Plastic Pledge along with others who recognize the urgency and the need to work together to reduce plastic pollution. TUI also rolled out Plastic Reduction Guidelines for hotels and held a dedicated workshop on the topic for TUI Hotels.

Social matters and destination collaboration

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

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

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

GREENER AND FAIRER HOLIDAYS

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

Our own hotels and hotel partners are expected to achieve credible, independent sustainability certifications to demonstrate social and environmental good practice. We encourage all our hotels to obtain certification that meets the Global Sustainable Tourism Council (GSTC) standard. To help hotels 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.

Sustainability is also incorporated into our excursion programmes. Since 2014, TUI Collection excursions have promoted unique, authentic and responsible activities. Each TUI Collection excursion must be exclusive to TUI and meet specific criteria for sustainability, demonstrating that it benefits local people and minimises environmental impact.

Greener and fairer holidays

	2019	2018	Var. %
Number of customer (millions) staying at certified hotels[1]	10.3	9.2	+12.0
Number of contracted hotels with certifications[1]	1,688	1,520	+11.1
% of TUI hotels with certifications[1] (variance in % points)	80	78	+2[2]
Number of TUI Collection excursions	1,221,908	1,177,095	+3.8

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

In FY 2019, the number of customers staying in a hotel which is certified to a GSTC-recognized standard increased year-on-year by 12.0 % to 10.3 million (exceeding our 2020 target). The number of certified hotels increased year-on-year by 11.1 % to 1,688 hotels. These increases reflect our focus on influencing and supporting hotels to make the necessary improvements to achieve certification and higher customer occupancy levels in our hotels. In 2019, our customers went on 1,221,908 TUI Collection excursions – up by 3.8 % from 2018.

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

TUI TOURS

TUI Tours are multiday tours that include flights, hotels, experiences and a tour guide to experience different countries and really connect with the area and people. Sustainability has been incorporated in the following ways:

- Tours are assessed against sustainability criteria
- Guides complete sustainability training as part of the TUI Tours academy
- Tours include sustainability highlights where guests enjoy an authentic experience such as a cooking class or handicraft workshop
- Tours include a donation to the TUI Care Foundation and in some destination include a visit to one of the projects

COMMUNICATING WITH CUSTOMERS

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

An example of an initiative is the online responsible souvenir guide launched in cooperation with the Global Nature Fund (GNF) in 2019. 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.

ACCESS FOR ALL

Travel should be enjoyed by all. We want to provide as many people as possible with accessible holidays. We are constantly innovating to develop new products and processes that make travel easier and more comfortable for everyone. In 2019 we continued to assess the services we offer and to improve the information available to customers to ease their holiday booking experience.

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 217 independent audits of animal attractions featured by TUI were conducted. Wherever possible we prefer to work with suppliers on improvement plans, however a number of venues were taken out of the programme who did not meet the standards.

LEADING THE WAY

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

Read more about TUI Care Foundation in the Magazine from page 52 and on www.tuicarefoundation.com

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

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

Investments into projects and good causes

€ million	**2019**	2018	Var. %
Amount raised for research / good causes	8.1	7.8	+ 4.1

Our businesses, colleagues and customers raised € 8.1 m in FY 2019, an increase of 4.1 % year-on-year. Additional fundraising initiatives are planned for FY 2020 to enable us to get closer to our goal.

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

The Foundation set out a strategic plan, 'Caring for a Better World' in 2017, with clear ambitions and objectives to achieve by 2020, around three fields of engagement. Progress from the first two years of the strategy is outlined below:

Fields of engagement	Ambition by 2020	Progress 2017 & 2018*
Empowering young people	We will improve the life chances of over 100,000 children and youth by 2020	59,000 children and youth reached
Protecting the natural environment	We will protect the welfare of over 1 million animals and participate in projects to save resources	Over 1.6 million animals protected
Thriving communities	We will help enhance 10,000 local livelihoods in destinations through tourism	5,400 livelihoods enhanced

* TUI Care Foundation financial year (1 January – 31 December)

The project portfolio continued to expand in 2019. Examples include:

- TUI CARES (Morocco) – Offering technical assistance and new sales opportunities for women's cooperatives producing argan oil products in rural areas
- TUI CLEAN & GREEN (Cyprus) – Reducing single-use plastic through programmes in local schools and reduction strategies for local businesses
- TRAVEL TECH 4 GOOD (Africa) – Supporting young local entrepreneurs to boost their start-ups focused on social impact and sustainability
- TUI ACADEMY (Sri Lanka) – Providing training and internships in the thriving tourism industry to fight youth unemployment

SECURITY, HEALTH & SAFETY

TUI AG's Group Security, Health & Safety (Group SHS) team operates and develops the holistic safety concept for customers and employees, the Company's reputation and its assets. Intensive and continuous dialogue with our subsidiaries and relevant Group departments provides the basis for professional security, health and safety management in line with needs and requirements.

The travel experience can be about relaxing and winding down, or about discovering and exploring something new. However, travel can also entail a wide range of risks. As far as possible, TUI Group's SHS activities aim to minimise these risks for customers and employees wherever they depart from the ordinary profile.

Group SHS takes pro-active and sustainable action to prevent intentional risks to the life and well-being of our customers (such as crime or terror) ('Security'). It continually monitors and analyses safety-critical developments in our destinations and discusses response measures with the markets. Creating security awareness as another core element was reinforced through nine visits to selected destinations (e. g. Mexico, Dominican Republic, Sri Lanka, Tunisia, Egypt, Kenya). Dialogue with hotel managers and representatives of TUI Destination Experiences as well as safety and tourism authorities provides an overall picture of the destination concerned and its challenges for TUI Group as an integrated travel business.

Where our Hotels & Resorts are operated by companies majority-owned by TUI Group, their safety standards are reviewed on an annual basis. In the reporting period, this resulted in the launch of 45 security audits and consultations. The results are presented to local and Group management and are used to deliver continuous improvements. This year, there was an additional focus on expanding our security audits to include non-Group hotels. For the first time, we were the only large tourism group to carry out trial audits in 49 hotels, including hotels in Morocco, Spain and Tunisia. The focus was on consultancy for hotel operators.

TUI Group's goal is to offer all customers a travel experience ensuring maximum 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). To that end, TUI airlines have established an unified safety management system to meet all relevant regulations across Europe. Where third parties are contracted for aviation services, they have been evaluated by internal TUI experts in the run-up to the contract. For the transfers provided by TUI Destination Experiences, the safety of both the Group's own capacity and any external providers used is subjected to a risk-based assessment. The markets carry out regular risk-based checks of hotels to ensure that they comply with standards. The Group follows up on any improvement potential identified. The risks associated with excursions offered by TUI Destination Experiences are assessed and reviewed. In FY 2019, Group SHS carried out 6,731 (4,998 audits and 1,733 self assessments).

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

TUI operates a Group-wide crisis management system. It was successfully applied, in particular, after the terrorist attacks in Sri Lanka and Hurricane Dorian in the Caribbean. Apart from aggregating data and analysing the local situation, our event management frameworks ascertain how guests and employees are affected and what support they need. 24 / 7 control centres in different source markets form the basis for fast and pertinent responses to critical events. Experienced crisis managers work with communications and insurance management experts across the Group to facilitate a fast, flexible response. Appropriate reporting and coordination by Group SHS ensure that management is updated on all key incidents and developments and can immediately take decisions if necessary. This is associated with securing or restoring 'business continuity'. To that end, Group SHS is currently drawing up a conceptual approach as a basis for reviewing and continually developing the existing plans.

Respecting human rights

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

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

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

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

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

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

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

We require our hotel suppliers to implement credible sustainability 3rd party certifications recognised or approved by the Global Sustainable Tourism Council (GSTC). Schemes approved and / or recognized by GSTC mandate the highest standards of human rights, child protection and social welfare in the tourism industry. The number of TUI customers staying in a hotel certified to a GSTC-recognised standard grew to 10.3 million and the number of hotels with certification grew to 1,688.

A key focus is raising awareness of human rights across our business. TUI Destination Experiences colleagues completed child protection training 7,849 times over the past two years and 2,639 colleagues have completed the compulsory modern slavery e-learning module in 2019. Airline crews in the UK and Nordics receive Vulnerable Children & Trafficking Training during their inductions, where they learn about how to spot trafficking and what to do. Other TUI airlines are in the process of rolling out similar training.

TUI Group supports a number of projects and partnerships to protect human rights in our destinations. We raise awareness of modern slavery at TUI hotel partner conferences and support Travelife with road shows, such as in Kenya, Montenegro and Zanzibar in 2019. TUI Care Foundation supports a number of projects which protect human rights.

In 2019, TUI Group became a founding member of the World Travel and Tourism Council's Human Trafficking Task Force to work closer with the whole tourism sector in preventing human trafficking. TUI Group also joined the Orphanage Tourism Taskforce set up by the international charity Hope and Homes for Children and ABTA – The UK Travel Association, in response to the global issue of orphanage tourism.

Employee matters

As change-makers, our employees are a crucial factor if we want to be successful as a leading tourism group in a changing market environment. The ongoing transformations in people's everyday work require all of us, including all our managers, to adopt a holistic approach, and TUI offers specific programmes to support them in this endeavour.

Given that well-qualified, committed employees are crucial to our success, HR is a key component and 'care more' a strategic pillar of TUI Group's sustainability strategy. If TUI is to implement digital transformation effectively, our employees must be empowered to change with the times (People Development & Learning). New 'change-makers' must be hired (Talent Acquisition) and measures must be launched to sustain people's engagement at a high level (People Engagement). It is the role of HR – within a triad of leadership, culture and learning – to push this development ahead within TUI by enabling people to play an active part in shaping the change and becoming more digital.

In the period under review, one big step towards digitalising the company was the introduction of web-based Office 365. Around 37,000 employees collect knowledge and can collaborate globally, across borders, anytime and independently of their hardware. Further employees will follow next year. In addition to promoting social collaboration technically as a new form of teamwork, the idea is above all on changing people's mindset. Social collaboration has been anchored in the 'newWork@TUI' paper negotiated between TUI and the Group Works Council. It sets out the framework and milestones on the path towards a digital company.

With the aim of strengthening our global networks, the focus in 2019 remained on implementing TUI People as the Group-wide cloud-based HR solution. Since FY 2018, the 'Talent' module has been gradually rolled out in the various TUI companies. The next module, 'TUI People Learning', went live in September 2019. A total of 37,000 employees were on the system at the end of the year. At the beginning of the new financial year, three more TUI People modules will successively be added to significantly enhance the efficiency of managers and HR performance through harmonised processes and to offer our employees various new opportunities: 'TUI People Recruiting', a holistic career management system with a new global career site, 'Workforce Analytics', and the 'Reward' module.

PEOPLE DEVELOPMENT & LEARNING

GREAT PLACE TO GROW

Great Place to Grow aims to ensure continuous dialogue between employees and managers, create a uniform Group-wide structure for that dialogue and anchor TUI's values more strongly in people's day-to-day work. This process has been implemented since 2019. Approximately 35,000 employees go through the process within the 'Talent' module of TUI People. Further employees will follow in the next financial year. Its core element is a structured dialogue process between employees and managers to discuss employees' development within their role and their personal performance. In addition, it entails regular dialogue about people's individual performance, professional ambitions and personal development. The process has the goal that employees receive honest feedback about their performance and potential and that the dialogue also focuses on TUI's values 'Trusted, Unique, Inspiring'.

TUI LEARNING

As part of the HR strategy 'Learning@TUI', employees and managers around the world are supported by a large number of learning contents as well as leadership and management programmes: The successive launch of the TUI People 'Learning' module has made a digital learning platform available around the world. It offers employees access to a comprehensive online learning portfolio, combining face-to-face training, virtual training, e-learning, video blogs and many other elements. Because learning paths can be so different for all our employees, the TUI Academies offer a wide range of resources for further and continuous training. Apart from the Finance, Tech and HR Academies for all employees and the new Marketing Academy, still under construction, we also run the Leadership Academy. Our different national learning and development initiatives have been combined into global programmes, including 'Horizons', 'Perspectives' and 'Global High Performance Leadership'. This year furthermore saw the introduction of our strategy implementation programme 'digital.STEP'. This is a 20-week, interactive, practical blended learning programme aiming to enable executives to drive change and strategy implementation.

SUCCESSION PLANNING

In order to ensure TUI's response capability at all times and provide staff for critical business functions and key roles, we regularly engage in succession planning and the evaluation of potential. It covers all TUI Executive Board members, the entire tier of management and defined business critical roles, and it is reviewed every six months. It reflects short-, medium- and long-term trends and is essential to the success of our Company. The status of succession planning is regularly reported to the Supervisory Board.

GLOBAL 360

As a global employer, we foster international careers within TUI and encourage people to use international development opportunities within the organisation. The Global 360 programme was initiated in 2016 in order to build that international career culture within TUI. It also aims to encourage managers to look beyond their own market when recruiting talents. In the completed financial year, 42 employees participated in the project. Since the launch of the project, a total of 150 employees have taken part in international assignments.

TALENT ACQUISITION

Recruiting the right external talent is crucial for TUI. The Group has taken the first steps to identify and win these talents. Examples include the use of Google Trends to keyword positions and adjust job titles to increase their relevance to the target group and make them easier to find. The launch of 'Talentwunder' as an AI candidate sourcing platform servs to actively identify suitable applicants. For the first time, TUI also took part in the re:publica trade fair with its own stall concept. One of the key goals was to position TUI as a technology group and employer among the 25,000 participants from the technology, e-commerce and media sectors. For young talents, an IT Graduate programme with international components has been developed and advertised. The recruitment phase will end in November. The first participants will start the programme in spring 2020.

By using video interviews in TUI Destination Experiences, specifically to recruit large volumes, TUI has enhanced accessibility and flexibility for the target group. At a Net Promoter Score of 8.09, the channel met with outstandingly high acceptance among the interview participants. TUI UK achieved a Top 25 rating on the social business network LinkedIn and leveraged that achievement to further expand its scope using flashcards.

RETAINING JUNIOR STAFF AND DIGITALISATION

Another focus for TUI is to recruit and promote junior staff. TUI currently employs 539 apprentices in Germany, with females accounting for 76.3 % of all apprentices. Apprentices make up 5.3 % of the workforce. In the financial year under review, 166 trainees successfully completed their training and around 65 % of them were taken on as permanent employees. TUI is also offering new training programmes to respond to change: For the new financial year, TUI AG is currently recruiting participants interested in enrolling in the Business Economics BA course, a sandwich programme focusing on Big Data, Artificial Intelligence, Digital Learning and Applied Statistics. TUI likewise offers training in e-commerce, with an emphasis on the new distribution channels that are emerging with digital change.

Training is the subject of a major effort, not only in Germany, but also worldwide. Our international trainee programme helps recruit junior staff for future expert and leadership roles in different Group companies. Currently, 20 employees work for the trainee programme. Since the launch of the programme, 88 % of the participants have been taken on as permanent employees. Moreover, in Northern Region, training has been fundamentally revamped. Training programmes are no longer confined to school leavers but have been opened up to include internal employees in all age brackets wishing to take their development further.

PEOPLE ENGAGEMENT

NEWWORK@TUI

TUI promotes flexible work and grants digital leeway to employees without expecting permanent availability and responsiveness. The focus is on results rather than people's physical presence at the workplace. This requires a culture of trust, as anchored in our corporate values. Our managers have a particular responsibility in this regard, and they support and develop their teams throughout the transformation process.

The work environment has been redesigned in many areas to offer flexible, attractive workplaces. Besides, it is essential in this context for TUI to carry on developing the IT landscape, as it must reflect the needs and requirements of users. TUI also promotes individual, modern lifestyle management to create flexibility for employees so that they can frame the different stages of their lives appropriately.

To establish 'newWork' firmly in the minds of employees around the world, five interactive, digital roadshows took place in five countries in 2019. Employees and managers already implementing 'newWork' in an exemplary manner engage in interactive dialogue through webcasts.

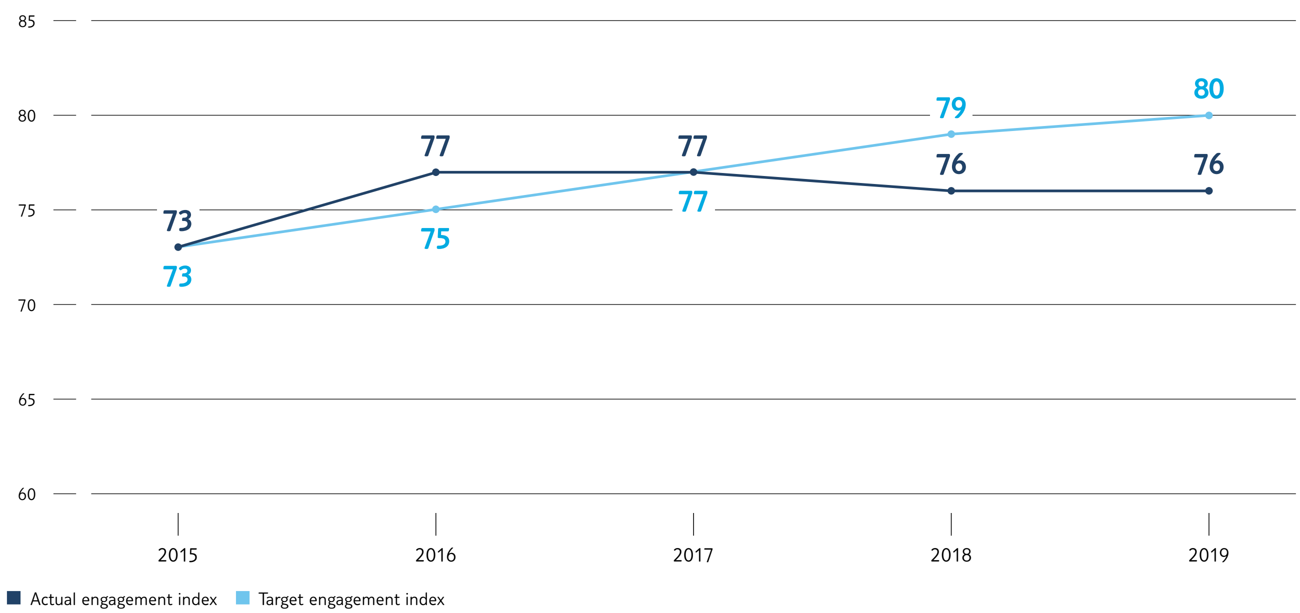
Details in the enclosed Magazine on page 48

TUIGETHER

To keep enhancing our appeal as an employer, it is important to obtain feedback from our employees. This year, a full survey was conducted, in contrast to last year's shorter Pulse survey. A detailed follow-up process is again in place, using the results for management and teams at all levels so that actions are taken bottom-up and top-down to improve efficiency and engagement throughout the Group. The group-wide action plan – designed to further enhance engagement levels across the TUI Group – focuses on improving emotional engagement and buy into the business transformation and enhancing leadership capability. This has been agreed by the GEC, and is supplemented by remit-specific targeted plans from each GEC member taking account of results for their own Market, Function and Platform as well as local team actions.

Engagement Index

in %



The overall results for TUI Group are stable again this year. The Engagement Index, which is rooted in the sustainability strategy 'care more' of 76, is two percentage points higher than the external global benchmark but four percentage points below the target index. The response rate also remained stable at 75 % evidence that the survey has established a valuable feedback culture for employees over the last five years. The VIBE (Vision, Inspire, Build Teams, Execute) analysis was again included in the questionnaire to analyse the leadership culture. The VIBE analysis has also improved by two percentage points versus 2018.

'ONESHARE' – TUI SHARE PROGRAMME

Our employee share programme launched in 2017 offers our employees the opportunity to invest in TUI shares. Two years after the launch of 'oneShare', as many as 20.1 % of all eligible employees from 25 countries participating in the scheme held TUI shares, significantly exceeding the target of 13 % for 2019 and already achieving the 20 % target announced for the next five years. Last year, employees additionally received 'Golden Shares' for the first time. Every participant received twelve additional shares on top of their investment, regardless of the amount invested.

PENSION SCHEMES

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

EMPLOYEE REPRESENTATIVES

TUI Group has a large number of co-determination bodies at national and international, company and supra-company level. They include local works councils, company works councils and the Group Works Council. Through their statutory rights to participate in decision-making and initiate proposals, they ensure that the interests of employees are represented on all issues or projects of relevance to staff members and that employees' rights are observed, e. g. during restructuring programmes.

The Group Works Council is the top-level body for representing the interests of employees in German companies in accordance with legislation on industrial relations. In FY 2019, it consisted of 27 members from 23 companies. Both the Group Works Council and the local works councils in Germany have made an important contribution to implementing the HR strategy and 'newWork@TUI' by concluding complementary works council agreements.

At a European level, TUI's Europe Forum represents the interests of employees in companies abroad, thereby performing important work in supporting these companies and integrating their employees. In FY 2019, 42 employee representatives from twelve countries were delegated to the Forum.

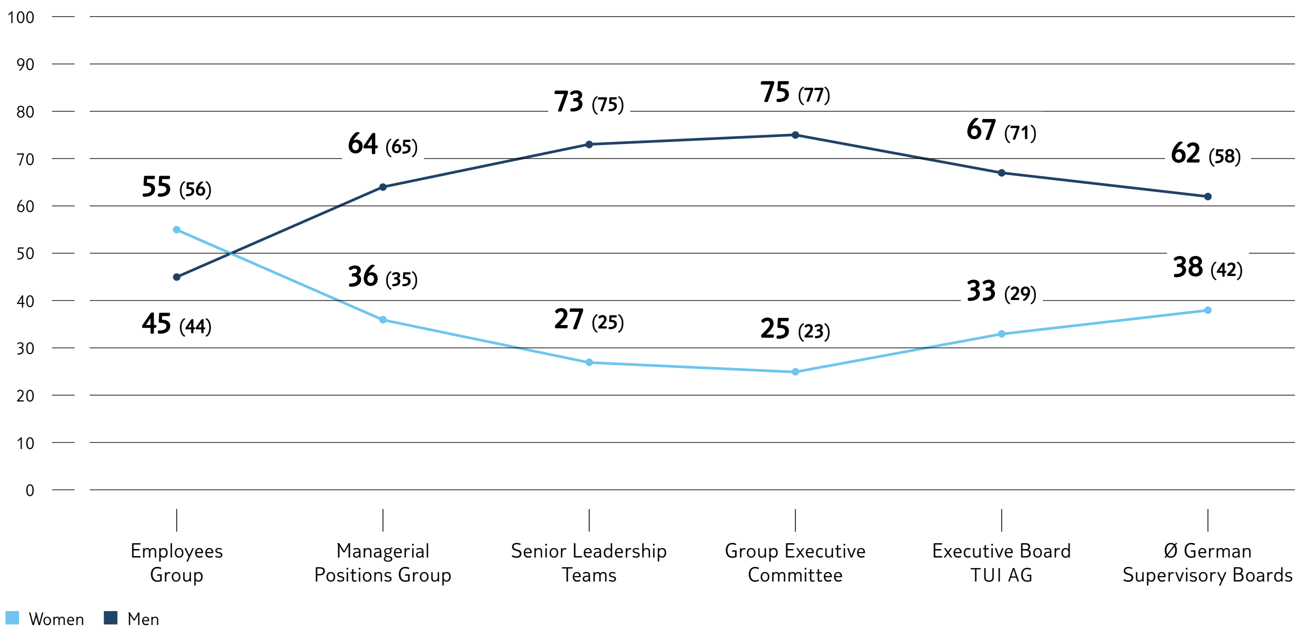
In the forthcoming financial year, the Markets & Domains Transformation programme will be a key focus of co-determination processes.

DIVERSITY AND INCLUSION

TUI promotes diversity, inclusion and equal opportunities and published the Diversity Purpose in the financial year under review. TUI is also a signatory of the UN Global Compact. We do not accept any discrimination based on national origin or ethnicity, gender, gender identity, sexual orientation, marital status, religion, world view, disability, age or social origin. The TUI Global Employment Statement constitutes another clear commitment. Decisions about hiring, salary, benefits, training opportunities, work assignments, advancement, discipline and termination must be based solely on objective reasons. In order to ensure better measurability of the progress achieved, an extended Diversity Reporting process has been initiated.

Proportion of Women

in %



In brackets: previous year

As in previous years, one of the main focus areas of our Diversity activities this year was to increase the proportion of women in managerial functions. While the proportion of women in the overall headcount declined slightly by one percentage point, women's share of managerial functions rose from 34.5 % to 35.7 %. The GEC is currently discussing long-term diversity targets up to 2030 for the proportion of women in management, internationality in the TOP 70 and the promotion of an inclusive work culture. The proportion of women on our German supervisory bodies declined slightly but it was up by four percentage points on TUI AG's Executive Board and by two percentage points on the Group Executive Committee.

For Germany (TUI AG, TUI Deutschland, TUIfly), specific targets had already been fixed in FY 2015 as part of a self-commitment mechanism provided for under the German Stock Corporation Act (AktG) and the Act on Limited Liability Companies (GmbHG). As before, nearly all targets were achieved in the period under review, and we are well on track to achieve the targets for 2020.

See Declaration in the Corporate Governance Report from page 125

Proportion of women in management positions

in %	**30 Sep 2019**	30 Sep 2018	Target 2020
TUI AG			
Supervisory Board	30	35	30
Executive Board	2 women	2 women	at least 1 women
First management level below Executive Board	24	24	20
Second management level below Executive Board	30	24	30
TUI Deutschland			
Supervisory Board	50	56	30
Executive Board	20	20	25
First management level below Executive Board	29	28	30
Second management level below Executive Board	50	48	40
TUI fly			
Supervisory Board	33	33	30
Executive Board	0	0	20
First management level below Executive Board	13	25	30
Second management level below Executive Board	45	42	40

EMPLOYEE INDICATORS

In the period under review, TUI Group's total headcount grew by 2.8 % to 71,473, primarily due to the expansion of the Holiday Experiences segment.

Personnel by segment

	30 Sep 2019	30 Sep 2018 adjusted	Var. %
Hotels & Resorts	29,898	27,643	+ 8.2
Cruises*	342	328	+ 4.3
Destination Experiences	9,565	8,469	+12.9
Holiday Experiences	39,805	36,440	+ 9.2
Northern Region	11,936	12,513	– 4.6
Central Region	10,645	10,638	+ 0.1
Western Region	6,713	6,595	+1.8
Markets & Airlines	29,294	29,746	–1.5
All other segments	2,374	3,360	– 29.3
TUI Group	**71,473**	**69,546**	**+ 2.8**

* Excludes TUI Cruises (JV) employees. Cruises employees are primarily hired by external crew management agencies.

HOTELS & RESORTS

Due to the continued delivery of the growth strategy in Hotels & Resorts, the headcount rose by 8.2 % to 29,898 employees. Riu Group reported a slight increase in its headcount of 2 % to 12,577, largely driven by an increase in staffing numbers in Tanzania. The number of employees working for Robinson grew by 18.7 % to 4,683 employees due to the launch of new destinations such as the Cape Verde Islands. The other hotels reported a slight decrease in the number of employees to 1,520. The number of employees working for Northern Hotels increased by 13.1 % to 11,118, above all due to growth in Turkey.

CRUISES

The headcount in the Cruises segment grew by 4.3 % year-on-year to 342. The increase was primarily attributable to a build-up in staff numbers working for Marella Cruises and the newbuild projects in the expedition cruise segment of Hapag-Lloyd Cruises.

TUI DESTINATION EXPERIENCES

The Destination Experiences segment reported an increase in its headcount of 12.9 % to 9,565 in the period under review. This was due to the further expansion of the Destinations Management division of the Hotelbeds Group acquired in the previous year and the acquisition of Musement. At around 55 % each, the headcount growth was particularly strong in America and Asia.

NORTHERN REGION

Northern Region recorded a year-on-year headcount decline of 4.6 % to 11,936. The decrease was mainly driven by the decline in the retail sector in the UK and in the Nordic airline.

CENTRAL REGION

The headcount in Central Region was nearly flat year-on-year at 10,645 as at the balance sheet date. While staff numbers remained constant in Germany and Italy, they declined slightly in Austria and Switzerland. Due to the opening of new shops, staff numbers rose by 12.5 % to 755, in particular in Poland.

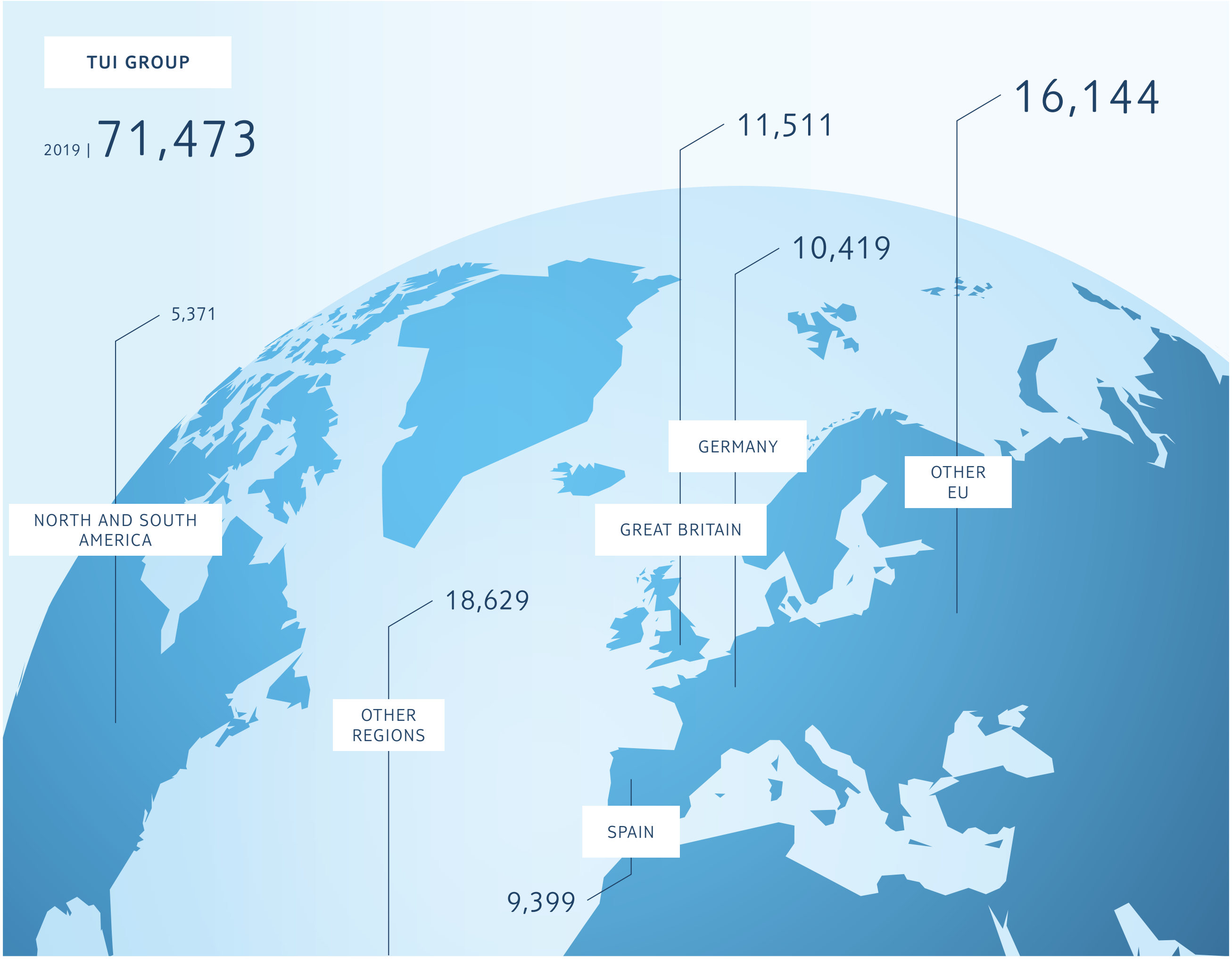
WESTERN REGION

The headcount in Western Region grew by 1.8 % year-on-year to 6,713. This was mainly driven by growth in the Dutch airline as well as in Belgium and Morocco. On the other hand, a decrease in staff numbers was recorded in France.

ALL OTHER SEGMENTS

The headcount in 'Other Segments' declined by 29.3 % year-on-year to 2,374, mainly due to the divestment of Corsair. Despite an overall decline across the entire segment, the number of employees working for the Corporate Centre rose slightly by 2.8 % to 326. This resulted partly from the build-up of new functions in Finance. The number of employees working for Head Office functions in the UK grew by 44.5 % to 432, above all due to organisational changes in teams in UK&I. The Future Markets segment, a strategic element of TUI's digital growth strategy, recorded an increase in its headcount of 17.5 % to 422. The headcount growth mainly related to Spain. The goal is to tap new customer groups in Spain, Portugal, Brazil, India, China, South East Asia and other countries through our global accommodation-only platform.

Personnel by region*

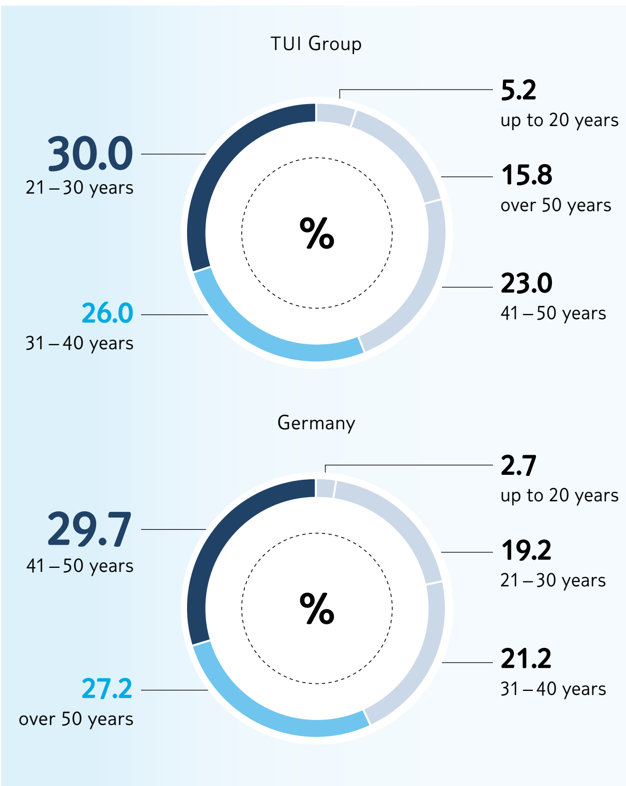


* By domicile of company

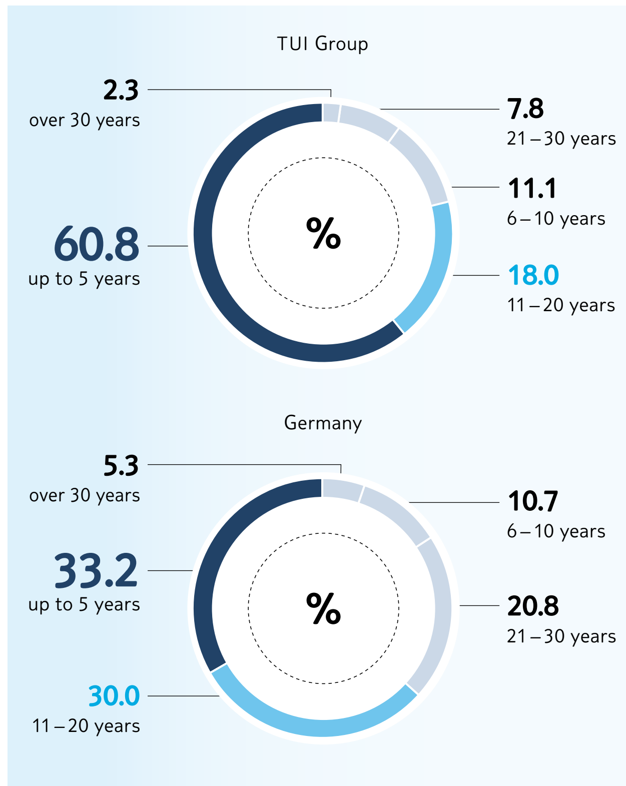
OTHER EMPLOYEE INDICATORS

More than half (61.2 %) of the Group's employees are up to 40 years. On a Group-wide level, the proportion of employees aged 50+ remained constant (previous year 15.5 %). In Germany, it rose from around 25 % to around 27 %. Around 70 % of the Group's employees have worked for TUI for up to ten years; in Germany, around 44 % of the workforce fall into that category.

Age Structure (30 SEPTEMBER 2019) in %



Seniority (30 SEPTEMBER 2019) in %



Employment structure

	TUI Group		Germany	
%	**30 Sep 2019**	30 Sep 2018	**30 Sep 2019**	30 Sep 2018
Number of employees	71,473	69,546	10,419	10,345
Employees, female	55.2	55.7	67.7	68.4
Females in management positions	35.7	34.5	33.4	35.4
Employees in part-time, total	15.5	16.4	39.1	38.8
Employees in part-time, female	24.3	25.6	49.5	49.1
Employees, fixed-term employment contract	27.5	28.4	11.9	12.7

PERSONNEL COSTS

Personnel costs

€ million	**2019**	2018	Var. %
Wages and salaries	2,019.0	1,982.3	+1.9
Social security contributions	291.6	299.7	−2.7
Pension costs	139.2	154.3	−9.8
Total	**2,449.8**	**2,436.3**	**+0.6**

The pay package offered by TUI Group is made up of various components, reflecting the framework conditions in different countries and companies. It also reflects the appropriateness of remuneration and customary market rates. Depending on the function concerned, a fixed salary may go hand in hand with variable components, used to honour individual performance and to enable employees to participate in the Company's long-term success. Moreover, senior management have share options and are thus able to benefit directly when the Company grows in value.

In the period under review, TUI Group's personnel costs increased by 0.6 % to € 2,450 m. The year-on-year increase in expenses for wages and salaries mainly resulted from higher staff numbers in operational areas as well as pay rises.

Compliance / 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 127 in the present Annual Report.

ANNUAL FINANCIAL STATEMENTS OF TUI AG

Condensed version according to German Commercial Code (HGB)

Earnings position of TUI AG

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

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

Income statement of TUI AG

€ million	2019	2018	Var. %
Turnover	141.0	122.7	+14.9
Other operating income	249.4	326.4	–23.6
Cost of materials	8.7	7.7	+13.0
Personnel costs	46.5	67.9	–31.5
Depreciation	2.0	1.3	+53.8
Other operating expenses	489.0	349.3	+40.0
Net income from investments	237.7	1,010.0	–76.5
Write-downs of investments	40.6	128.8	–68.5
Net interest	–0.1	5.2	n.a.
Taxes on income and profit	–73.7	–67.2	–9.7
Profit after taxes	**114.9**	**976.5**	**–88.2**
Other taxes	–5.1	–6.9	+26.1
Net profit for the year	**120.0**	**983.4**	**–87.8**

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.

TURNOVER AND OTHER OPERATING INCOME

The increase in turnover in the financial year under review mainly resulted from higher licensing revenue. The decline in other operating income was primarily attributable to a year-on-year decline in gains on exchange and lower reversals of provisions. This income was offset by expenses for exchange losses of a similar amount, carried in other operating expenses. Apart from the gains on exchange, other operating income primarily included income from the elimination of intercompany services, carried alongside expenses passed on to TUI AG from other Group companies, carried in other operating expenses.

EXPENSES

Personnel costs declined versus FY 2018. Pension expenses decreased primarily due to lower transfers to pension provisions. The decrease in personnel costs was mainly driven by the decline in bonus payments and share options from multi-year remuneration models for members of the Boards.

Other operating expenses mainly comprised the cost of financial and monetary transactions, charges, fees, services, transfers to impairments, other administrative costs as well as expenses for exchange losses and the intercompany elimination of services. Lower expenses from exchange losses were offset by receivable write-downs which totals in an increase in the other operating expenses.

NET INCOME FROM INVESTMENTS

In the previous year, net income from investments was mainly driven by a distribution of profits by TUI Travel Holdings via TUI Travel Ltd in the framework of the acquisition of TUI Nordic Holding AB. Net income in the year under review was mainly driven by distribution of profits by TUI Cruises GmbH. Net income from investments also included income from profit transfers from hotel and companies allocable to central operations. It also comprised expenses for loss transfers from Group companies, resulting in a corresponding reduction in net income from investments. Loss transfers decreased year-on-year, while profit transfers slightly increased.

WRITE-DOWNS OF INVESTMENTS

In the period under review, write-downs of investments mainly related to write-downs of a subsidiary allocated to central operations as well as an investment in a hotel company.

INTEREST RESULT
The decline in the interest result was mainly attributable to an increase in interest expenses due to the utilisation of current liabilities.

TAXES
The income from taxes on income as well as the income from other taxes totaling € 78.8 m resulted from the reversal of provisions for taxes within the financial year. They did not include any deferred taxes.

NET PROFIT FOR THE YEAR
For FY 2019, TUI AG posted a net profit for the year of € 120.0 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. The balance sheet total remained at the previous year's level of € 10.4 bn.

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

€ million	**30 Sep 2019**	30 Sep 2018	Var. %
Intangible assets/property, plant and equipment	49.3	21.9	+125.1
Investments	8,596.2	7,998.8	+7.5
Fixed assets	8,645.5	8,020.7	+7.8
Receivables	1,554.2	1,470.5	+5.7
Cash and cash equivalents	155.1	889.3	–82.6
Current assets	1,709.3	2,359.8	–27.6
Prepaid expenses	0.4	0.5	–20.0
Assets	**10,355.2**	**10,381.0**	**–0.2**
Equity	5,508.1	5,801.5	–5.1
Special non-taxed items	0.1	0.1	–
Provisions	289.7	361.9	–20.0
Bonds	300.0	300.0	–
Other liabilities	4,257.3	3,917.4	+8.7
Liabilities	4,557.3	4,217.4	+8.1
Liabilities	**10,355.2**	**10,381.0**	**–0.2**

FIXED ASSETS
At the balance sheet date, fixed assets almost exclusively consisted of investments. The increase in investments was mainly attributable to capital increases by TUI Travel Ltd and by other subsidiaries. The increase in property, plant and equipment resulted from the addition of a building due to a merger.

CURRENT ASSETS
The decrease in current assets of 27.6 % to € 1,709.3 m was mainly driven by the decline in cash and cash equivalents, partly offset by the increase in receivables / securities. The decline in cash and cash equivalents resulted from the distribution of profits in the previous year, the issue of loans to subsidiaries and the capital increases carried out at subsidiaries in the year under review.

TUI AG's capital structure

EQUITY
TUI AG's equity decreased by € 293.4 m to € 5,508.1 m. The reason for this decline was the dividend payout of € 423.3 m, which was only partially offset by the current net profit of € 120.0 m. The subscribed capital of TUI AG consists of no-par value shares, each representing an equal portion in the capital stock. The proportionate share in the capital stock per share is around € 2.56. At the end of FY 2019, the subscribed capital of TUI AG rose due to the issue of employee shares. At the end of the financial year under review, subscribed capital comprised 589,020,588 shares. In accordance with section 71 (1) no. 2 of the German Stock Corporation Act, TUI AG acquired 44,088 own shares in August 2019 to be issued to employees in the framework of the employee share plan. The volume of acquired shares totalled € 0.4 m.

In FY 2019, capital reserves rose by € 7.0 m due to the issue of employee shares and share-based payments. Revenue reserves exclusively consisted of other revenue reserves. The Articles of Association do not contain any provisions concerning the formation of reserves.

The profit for the year amounted to € 120.0 m. Taking account of the profit carried forward of € 1,374.1 m, net profit available for distribution totalled € 1,494.1 m. A proposal will be submitted to the Annual General Meeting to use the net profit available for distribution for the financial year under review to distribute a dividend of € 0.54 per no-par value share and to carry the amount of € 1,176.0 m, remaining after deduction of the dividend total of € 318.1 m, forward on new account. The equity ratio declined to 53.2 % (previous year 55.9 %) in FY 2019.

PROVISIONS
Provisions decreased by € 72.2 m to € 289.7 m. They consisted of pension provisions worth € 151.8 m (previous year € 144.5 m), tax provisions worth € 34.9 m (previous year € 122.6 m) and other provisions worth € 103.0 m (previous year € 94.8 m).

Pension provisions and provisions for onerous contracts rose in the FY 2019. Contrary the personal provision and tax provision decreased significant. In the framework of recent case law by the Federal Court of Finance and company audits completed, the tax positions were reassessed in the financial year under review, resulting in the reversal of a provision totaling 76.4 m.

LIABILITIES

TUI AG's liabilities totalled € 4,557.3 m, up by € 339.9 m or 8.1 %.

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

The increase in liabilities was mainly driven by the transactions of TUI AG's subsidiaries included in the cash pool.

TUI's net financial position (cash and cash equivalents and marketable securities less bonds and Schuldschein) declined year-on-year, amounting to € – 569.9 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.

INFORMATION REQUIRED UNDER TAKEOVER LAW

Pursuant to sections 289a (1) and 315a (1) of the German Commercial Code (HGB) and explanatory report

Subscribed capital

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

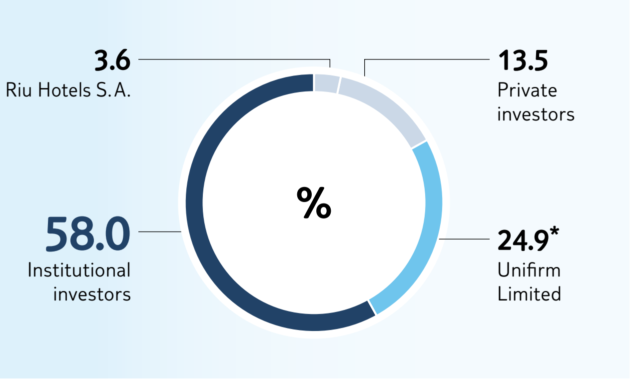
The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, consisted of 589,020,588 shares at the end of FY 2019 (previous year 587,901,304 shares) and totalled € 1,505,807,222.51. Each share confers one vote at the Annual General 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:

Unifirm Limited, Cyprus, held 24.95 % of the voting shares in TUI AG as at 30 September 2019. According to a voting rights notification dated 21 June 2019, Unifirm Limited is controlled by KN-Holding Limited Liability Company, Cherepovets, Russian Federation.

Shareholder structure (30 SEPTEMBER 2019) in %



* 24.95 %

At the end of FY 2019, around 75 % of TUI shares were in free float. Around 13 % of all TUI shares were held by private shareholders, 58 % by institutional investors and financial institutes, and around 29 % by strategic investors.

Shares with special rights conferring powers of control

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

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

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

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

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

Powers of the Executive Board to issue or buy back shares

The Annual General Meeting of 12 February 2019 authorised TUI AG's Executive Board to acquire own shares according to section 71 (1), clause 8 of the German Stock Corporation Act, of up to 5 % of the capital stock. The authorisation will expire on 11 August 2020. To date, this option to acquire own shares has not been used.

The Annual General Meeting of 13 February 2018 adopted a resolution to create authorised capital for the issue of employee shares worth € 30.0 m. The Executive Board of TUI AG is authorised to use this authorised capital by 12 February 2023 in one or several transactions by issuing employee shares against cash contribution. In the completed financial year, 1,119,284 new employee shares were issued, so that the authorised capital totalled around € 25.8 m at the balance sheet date.

The Annual General Meeting of 9 February 2016 adopted a resolution to create conditional capital of € 150.0 m for the issue of bonds. The authorisation to issue bonds with conversion options or warrants as well as profit-sharing rights and income bonds (with or without fixed terms) of up to a nominal amount of € 2.0 bn will expire on 8 February 2021.

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

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

To date, the authorisations approved in 2016 have not been used.

See Note (23) Subscribed capital in the Notes to the consolidated financial statements on page 220 and Note Subscribed capital in the annual financial statements of TUI AG (Information pursuant to section 160 (1) sentence 2 of the German Stock Corporation Act).

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

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

In the event of a change of control, the holders of the Schuldschein worth € 425.0 m and of the fixed-interest senior bond worth € 300.0 m must be offered a buyback. For the syndicated credit line worth € 1.75 bn (including guarantees), of which € 105.3 m had been used via bank guarantees as at the balance sheet date, a right of termination by the lenders has been agreed in the event of a change of control. This also applies to several bilateral guarantee lines with a total volume of £ 139.4 m, concluded with various insurance companies. At the balance sheet date, an amount of £ 29.2 m had been used.

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

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

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

TUI SHARE

In the past five years, overall performance of the TUI share has been positive. The share's Total Shareholder Return (TSR) has increased by 13 % since the announcement of the merger with TUI Travel in June 2014; however, it falls short of the FTSE 100 (+ 35 %) and DAX 30 (+ 25 %) indices. Positive drivers in this context were the delivery of the announced merger synergies, the company's transformation into a leading provider of holiday products and the launch of important digitalisation initiatives. The weaker performance of TUI share compared with the indices was mainly attributable to FY 2019, which brought numerous external challenges within the Markets & Airlines business.

External factors weigh on TUI share in FY 2019

TUI share started off the financial year at a price of € 16.56. From the start of the financial year, the market environment was characterised by numerous announcements by tourism companies lowering their earnings guidance. During the course of the year, a significant share price correction resulted from TUI's adjustment of its earnings guidance on 6 February 2019. It was mainly driven by three sector headwinds: The negative impact of the Summer 2018 heatwave resulted in later bookings and weaker margins in the Markets & Airlines business. Moreover, a shift in demand from the Western to the Eastern Mediterranean resulted in over-capacities for certain destinations, particularly the Canaries. In addition, the UK market was adversely impacted by the sustained weakness of the British pound following the Brexit debate, which made it difficult to pass on higher costs and improve margins.

From mid-March 2019, the TUI share price was additionally impacted by the grounding of the Boeing 737 Max, resulted in a further adjustment of the guidance for the underlying EBITA. Due to the grounding of the jets, TUI had launched measures to secure its customers' holidays. A recovery in the share price was hampered by uncertainty about regulatory re-approval of the jets and the uncertainty resulting time and again from the ongoing Brexit debate.

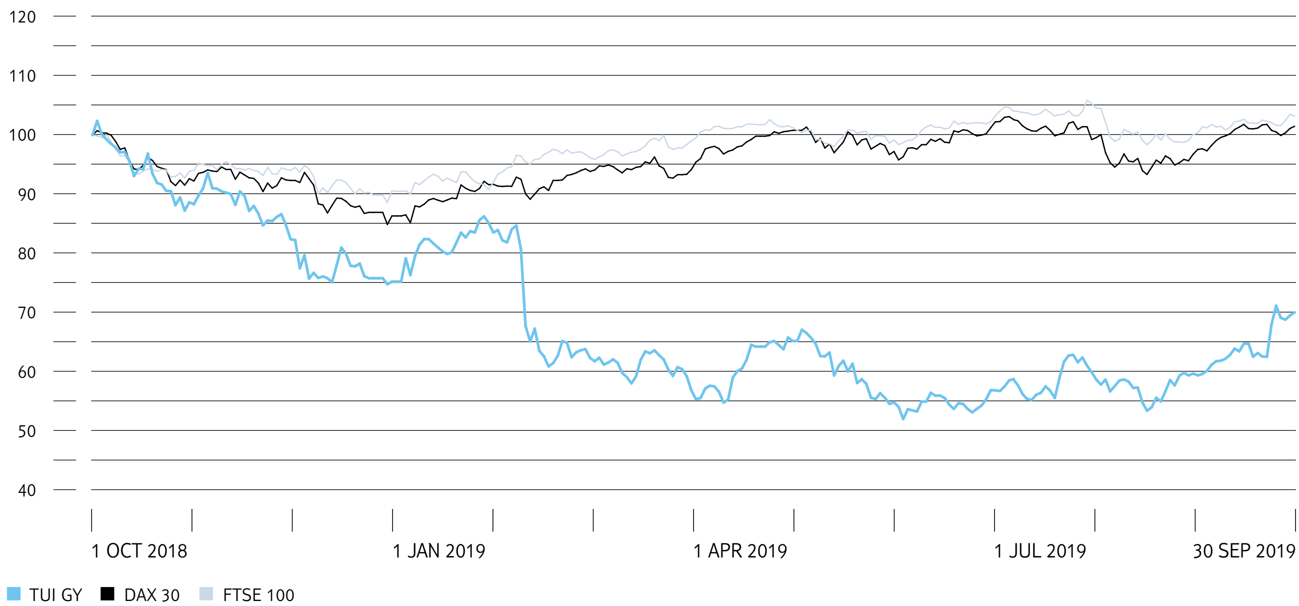
Towards the end of the financial year, the share turned positive again, benefiting from the exit of a key market competitor, and the reiteration of TUI Group's operating result guidance for the FY 2019 on a constant currency basis in September 2019 in our pre-close trading update. In an environment dominated by external challenges, the Summer season had been successful and in line with expectations. The Holiday Experiences recorded a strong set of results, and performance once again demonstrated the resilience of our vertically integrated business model.

TUI share data

30 September 2019		
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	€	1,505,807,223
Number of shares		589,020,588
Market capitalisation	bn €	6.3
Market capitalisation	bn £	5.6

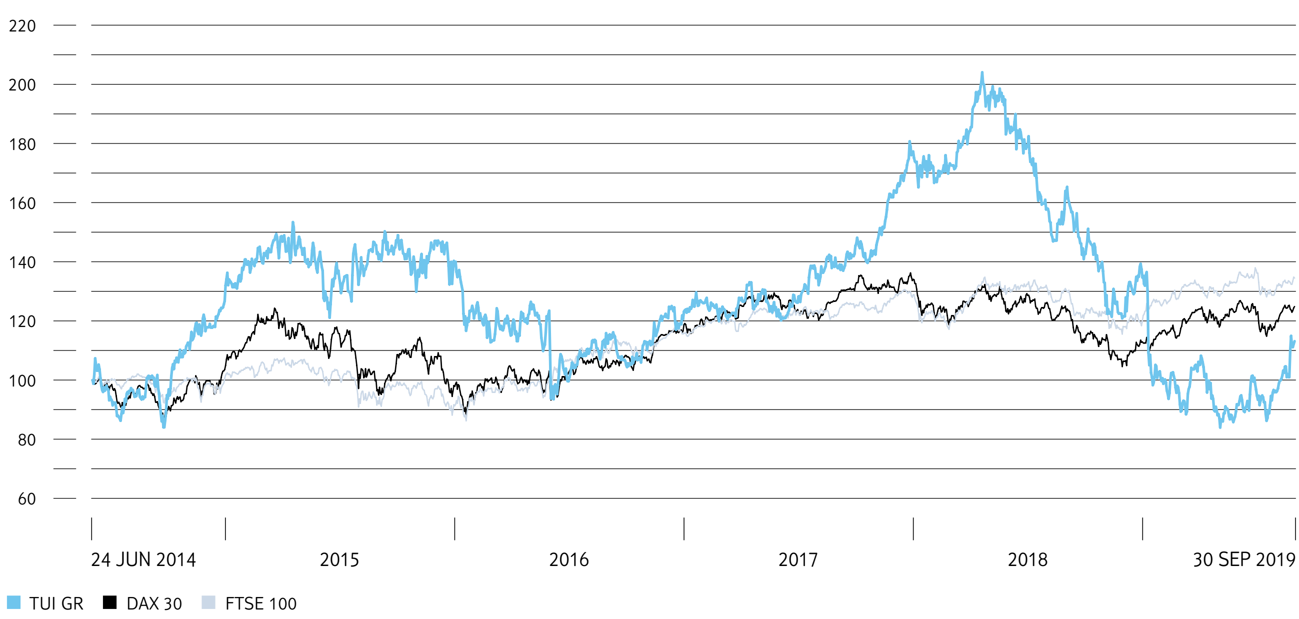
TUI share price (FY 2019)

in %



TUI Share price since the merger announcement of TUI AG with TUI Travel PLC

in %



Long-term development of the TUI share (Xetra)

€	2015	2016	2017	2018	**2019**
High	17.71	17.21	14.90	20.66	16.56
Low	9.84	10.17	11.46	14.34	7.87
Year-end share price	16.35	12.69	14.38	16.56	10.67

Quotations, indices and trading

The TUI share 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 including FTSE 100, the UK's major share index. It also has a secondary listing in the electronic trading system Xetra and at the Hanover Stock Exchange.

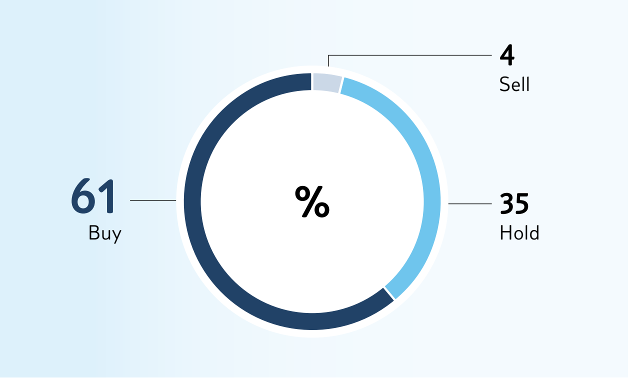
As TUI shares are also admitted to trading in a regulated market in Germany in addition to their listing in the London Stock Exchange, TUI falls within the scope of the German Securities and Takeover Act and is solely monitored by the Federal Financial Supervisory Authority in this respect.

TUI is also listed in the sustainability index FTSE4Good and in the Ethibel Sustainability Index (ESI). In 2019, TUI was included in the RobecoSAM Sustainability Yearbook with a 'Bronze Class' award. In the 2018 CDP Climate Change rating TUI was one of the highest scoring companies, and in 2019 it participated in the CDP Climate Change survey again.

In FY 2019, the average daily trading volume at the London Stock Exchange was around 1.9 million shares, while about 1.5 million shares were traded on Xetra. Across all trading platforms, the daily trading volume in the UK amounted to around 4.2 million shares, with around 2.4 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.

Analysts' recommendations

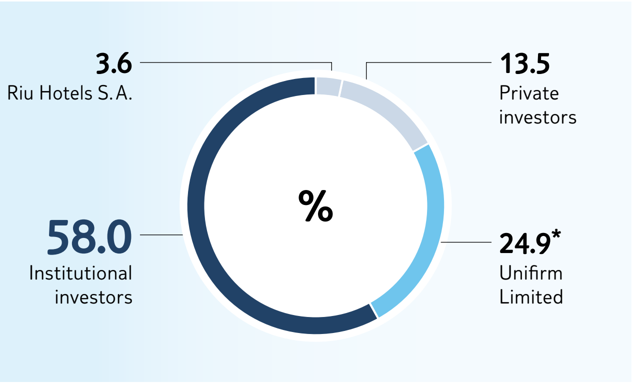
Analysts' Recommendations (30 SEPTEMBER 2019) in %



Analysis and recommendations by financial analysts are key decision-making factors for institutional and private investors. In the financial year under review, more than 20 analysts regularly published studies on TUI Group. In September 2019, 61 % of analysts issued a recommendation to 'buy' the TUI share, with 35 % recommending 'hold'. One analyst recommended 'sell'.

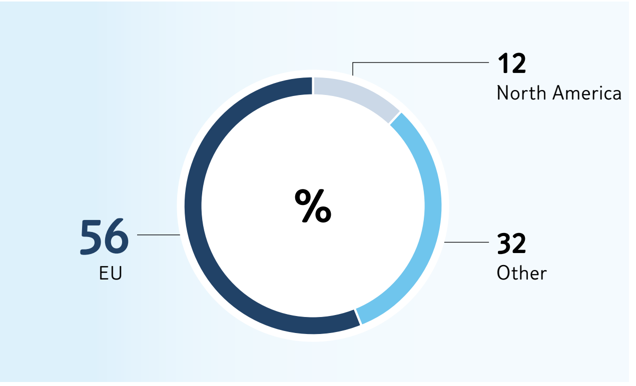
Shareholder structure

Shareholder structure (30 SEPTEMBER 2019) in %



*24.95 %

Geographical shareholder structure (30 SEPTEMBER 2019) in %



At the end of FY 2019, approximately 75 % of TUI shares were in free float. Around 13 % of all TUI shares were held by private shareholders, around 58 % by institutional investors and financial institutes, and around 29 % by strategic investors.

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

€	2015	2016	2017	2018	**2019**
Earnings per share	+ 0.64	+ 1.78	+ 1.10	+ 1.25	+ 0.71
Dividend	0.56	0.63	0.65	0.72	0.54

In FY 2019, TUI continued to pursue the dividend policy defined during the merger with TUI Travel, which states that the dividend will increase in line with growth in underlying EBITA at constant currency. A proposal will therefore be submitted to the Annual General Meeting to distribute a dividend of € 0.54 per no-par value share to shareholders for FY 2019.

Investor Relations*

Open and continuous dialogue and transparent communication form the basis for our Investor Relations engagement with our private shareholders, institutional investors, equity and credit analysts and lenders. In the completed financial year, many discussions were held, centering on the growth strategy and business performance in the individual segments, enabling stakeholders to make a balanced and informed assessment of the future performance of the TUI share.

In FY 2019, dialogue with investors primarily focused on the following topics:

- TUI Group's four strategic initiatives: expansion of the vertically integrated hotel and cruise business to increase the return on investment; the safeguarding and possibly expansion of our strong positions in the Markets & Airlines sector; the delivery of further economies of scale in new markets through the new GDN-OTA platform, and the generation of further economies of scale in Destination Experiences through the new platform for excursions & activities.
- Operational development in Holiday Experiences and Markets & Airlines. Whilst stakeholders recognised the successful strategic transformation of the Group to an integrated tourism company with a strong performance in Hotels & Resorts, Cruises and Destination Experiences, their questions in this challenging market and competitive environment focused above all on the Markets & Airlines sector.
- The current status of the grounding of Boeing 737 Max jets with the associated consequences on our earnings guidance and the status of discussions with Boeing and the relevant aviation authorities.
- The impact of sustainability debates on our business model and consumer demand; the development of customer satisfaction and the NPS scores.

As usual, TUI's management team sought dialogue with investors at roadshows and conferences in London, Frankfurt, Berlin, Munich, Hamburg, Warsaw, Zurich, Vienna, Milan, Lugano, Madrid, Amsterdam, Brussels, Paris, Oslo, Copenhagen, Tokyo, Sydney and New York.

TUI's Investor Relations team also makes every effort to engage in direct contact with private investors. TUI Group's IR team sought dialogue with this target group on many occasions, such as events organised by shareholder associations, where the team answered questions from this target group. Another key platform for exchanges with private shareholders was the IR stall at TUI's Annual General Meeting. TUI also offers a broad range of information for analysts, investors and private shareholders on its website. All conference calls on the Group's results were streamed live.

* This text was not part of the audit.

Cruises have their critics, and yet demand is growing. TUI Cruises has the most climate-friendly fleet of all. There's a reason for that: 'Our most important critics are among us all the time: our holidaymakers,' says Lucienne Damm, Senior Environmental Manager at TUI Cruises.
» In 'Shipshape' in our magazine 'moments', she navigates us through a host of environment measures big and small – as well as the challenges.

2

CORPORATE GOVERNANCE

SUPERVISORY BOARD AND EXECUTIVE BOARD

TUI AG Supervisory Board

Name	Function / Occupation	Location
Dr Dieter Zetsche	Chairman of the Supervisory Board of TUI AG	Stuttgart
Frank Jakobi[1]	Deputy Chairman of the Supervisory Board of TUI AG	Hamburg
	Travel Agent	
Peter Long	Deputy Chairman of the Supervisory Board of TUI AG	Kent
	Chairman Countrywide PLC	
Andreas Barczewski[1]	Aircraft Captain	Hanover
Peter Bremme[1]	Regional Head of the Special Service Division	Hamburg
	of ver.di – Vereinte Dienstleistungsgewerkschaft	
Prof. Dr Edgar Ernst	President of Deutsche Prüfstelle für Rechnungslegung	Bonn
Wolfgang Flintermann	Group Director Financial Accounting & Reporting, TUI AG	Großburgwedel
Angelika Gifford	Supervisory Board Member and Technology Executive	Kranzberg
Valerie Francis Gooding	Member of supervisory bodies in different companies	London
Dr Dierk Hirschel[1]	Business unit manager of the trade union ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin
Janis Kong	Member of supervisory bodies in different companies	London
Vladimir Lukin	Special Advisor des CEO Severgroup	Moscow
Prof. Dr Klaus Mangold	Chairmain of the Supervisory Board of TUI AG	Stuttgart
	Chairman of the Supervisory Board of Rothschild GmbH	
	Chairman of the Supervisory Board of Knorr-Bremse AG	
Coline Mc Conville	Member of supervisory bodies in different companies	London
Alexey Mordashov	Chairman Board of Directors of PAO Severstal	Moscow
Michael Pönipp[1]	Hotel Manager	Hanover
Carmen Riu Güell	Managing Director RIUSA II S.A.	Palma de Mallorca
Carola Schwirn[1]	Department Coordinator in the Transportation Division	Berlin
	of ver.di – Vereinte Dienstleistungsgewerkschaft	
Anette Strempel[1]	Travel Agent	Hemmingen
Ortwin Strubelt[1]	Travel Agent	Hamburg
Joan Trían Riu	Executive Board Member of Riu Hotels & Resorts	Palma de Mallorca
Stefan Weinhofer[1]	International Employee Relations Coordinator at TUI AG	Vienna

[1] Representative of the employees
[2] Information refers to 30 September 2019 or date of resignation from the Supervisory Board of TUI AG in FY 2019.
[3] Chairman
[4] Deputy Chairman

a) Membership in other supervisory boards required by law
b) Membership in comparable German and non-German bodies of companies

Initial Appointments	Appointed until AGM	Other Board Memberships[2]		Number of TUI AG shares (direct and indirect)[2]
13 Feb 2018	2023		b) Veta Health LLC	105,000
15 Aug 2007	2021			1,194
9 Feb 2016	2021		b) Countrywide PLC[3]	10,317
10 May 2006	2021	a) TUIfly GmbH[4]		0
2 Jul 2014	2021	a) TÜV Nord AG		0
9 Feb 2011	2021	a) Metro AG		0
		Vonovia SE[4]		
13 Jun 2016	2021	a) Deutscher Reisepreis-Sicherungsverein VVaG		2,507
26 Mar 2012	2021	a) ProSiebenSat1 Media SE	b) Rothschild & Co	4,100
11 Dec 2014	2020		b) Vodafone Group PLC	994
			Aviva Insurance Ltd.	
			Aviva Life Holdings Ltd.	
16 Jan 2015	2021	a) DZ Bank AG		0
11 Dec 2014	2020		b) Bristol Airport Ltd.	5,985
			Copenhagen Airport	
			Portmeirion Group PLC	
			South West Airports Ltd.	
			Roadis Transportation Holding S. L. U	
5 Jun 2019	2020			0
7 Jan 2010	23 May 2019	a) Knorr-Bremse AG[3]	b) Alstom S. A.	30,000
			Baiterek Holding JSC	
			Rothschild GmbH[3]	
11 Dec 2014	2020		b) Fevertree Drinks PLC	0
			Travis Perkins PLC	
			3i Group PLC	
9 Feb 2016	2021		b) AO 'Severstal Management'[3]	0
			PJSC 'Power Machines'[3]	
			Nord Gold S. E.	
			Lenta Ltd.[3]	
17 Apr 2013	2021	a) TUI Deutschland GmbH		768
		MER-Pensionskasse VVaG		
14 Feb 2005	12 Feb 2019		b) Riu Hotels S. A.	20,954,616
			RIUSA II S. A.	
1 Aug 2014	2021			0
2 Jan 2009	2021			2,104
3 Apr 2009	2021			2,946
12 Feb 2019	2024		b) RIUSA II S. A.	0
			Ahungalla Resorts Ltd.	
9 Feb 2016	2021	b) TUI Austria Holding GmbH		0

TUI AG Executive Board

Name	Department	Other Board Memberships		Number of TUI AG shares (direct and indirect)[1]
Friedrich Joussen (Age 56) Member of the Executive Board since October 2012 CEO since February 2013 Joint-CEO since December 2014 CEO since February 2016 current appointment until October 2020	Chairman	a) Sixt SE[2] TUI Deutschland GmbH[2] TUIfly GmbH[2]	b) RIUSA II S.A.[2]	803,294
Birgit Conix (Age 54) Member of the Executive Board since July 2018 Current appointment until July 2021	CFO		b) Sunwing Travel Group Inc.	0
David Burling (Age 51) Member of the Executive Board since June 2015 Current appointment until May 2021	CEO Markets & Airlines	a) TUIfly GmbH TUI Deutschland GmbH	b) TUI Travel Holdings Ltd. TUI Travel Ltd. First Choice Holidays Ltd. First Choice Holidays & Flights Ltd. Sunwing Travel Group Inc. First Choice Olympic Ltd. TUI Sverige AB TUI Travel Holdings Sweden AB TUI Nordic Holdings Sweden AB Thomson Travel Group (Holdings) Ltd TUI Travel Overseas Holdings Ltd. TUI Canada Holdings Inc. TUI Northern Europe Ltd. TUI Travel Group Management Services Ltd. TUI UK Transport Ltd.	16,300
Sebastian Ebel (Age 56) Member of the Executive Board since December 2014 Current appointment until November 2020	CEO Hotels & Resorts, Cruises, Destination Experiences	a) BRW Beteiligungs AG Eintracht Braunschweig GmbH & Co. KGaA[2]	b) RIUSA II S.A. TUI Spain S.A.	12,750
Dr Elke Eller (Age 57) Member of the Executive Board since October 2015 Current appointment until October 2021	CHRO / Labour Director	a) TUIfly GmbH TUI Deutschland GmbH K+S AG	b) TUI Belgium N.V. TUI Nederland N.V.	22,545
Frank Rosenberger (Age 51) Member of the Executive Board since January 2017 Current appointment until December 2021	CIO & New Markets	a) TUI Deutschland GmbH Peakwork AG		5,000

1 Information refers to 30 Sep 2019
2 Chairman

a) Membership in Supervisory Boards required by law
b) Membership in comparable Boards of domestic and foreign companies

CORPORATE GOVERNANCE REPORT

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

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

The Executive Board and the Supervisory Board comprehensively discussed Corporate Governance issues in FY 2019. In this chapter, the Executive Board and the Supervisory Board provide their report on Corporate Governance in the Company pursuant to subsection 3.10 of the German Corporate Governance Code (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.

1. 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 2019

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

Since the last annual declaration of compliance was submitted in December 2018, the recommendations of the German Corporate Governance Code in the version dated 7 February 2017 have been and will be fully observed.'

Place of publication:

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

2. 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). At the time of the merger TUI AG had announced it would comply with the UK Code to the extent practicable.

https://www.frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UK-Corporate-Governance-Code-April-2016.pdf

In many respects, the requirements of the DCGK and the UK Code are similar. However, there are certain aspects which are not compatible (in some cases due to the different legal regimes in Germany und the UK). 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 122). 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.

WORDING OF THE UK CORPORATE GOVERNANCE STATEMENT 2019

'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 April 2016, including its main principles, except as set out and explained below.'

Place of publication:

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

IDENTIFICATION OF SENIOR INDEPENDENT DIRECTOR (A1.2, A4.1)

Under German law and the German Code, there is no concept of a 'Senior Independent Director'. Instead, shareholders may raise any issues at the Annual General Meeting (AGM). In this forum, the Executive Board and the Chairman of the Supervisory Board are available to address any issues and are legally obliged to provide adequate responses.

Outside the AGM, shareholders may approach the Executive Board, in particular the CEO or the CFO, or, for topics relating to Supervisory Board matters, the Chairman of the Supervisory Board or any of his Deputies. Peter Long, who was Chief Executive Officer of TUI Travel PLC before the merger, was elected as additional Deputy Chairman of the Supervisory Board of TUI AG in February 2018 alongside Frank Jakobi (First Deputy Chairman who, under the German Co-Determination Act, must be an Employee Representative).

DIVISION OF RESPONSIBILITIES – CHAIRMAN & CHIEF EXECUTIVE (A2.1)

The separation of the roles of the Chairman of the Supervisory Board (Dr Dieter Zetsche) and the CEO (Friedrich Joussen) is clearly defined under German law as part of the two-tier board structure. Therefore, no further division of responsibilities is required or even possible and both 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 (B1.1)

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: Prof. Edgar Ernst, Angelika Gifford, Valerie Gooding, Janis Kong and 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 January 2018).

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

In reaching its determination, the Supervisory Board has considered, in particular, the factors set out below.

SHAREHOLDER AND EMPLOYEE REPRESENTATIVES

The Supervisory Board of TUI AG consists of ten members who are elected by shareholders at AGM (the 'Shareholder Representatives') and ten members who represent the employees of TUI AG (the 'Employee Representatives'). This differs from UK practice where only those board members representing major shareholders are typically referred to as 'Shareholder Representatives' and are not considered independent under the UK Code because of their link to a significant shareholder.

At TUI AG, only the shareholder representatives Joan Trían Riu (Riu-Hotels, approx. 3.6 % of the voting rights) and Alexey Mordashov (indirectly linked to major shareholders or shareholders at the same time via his share in Unifirm Ltd, which is controlled by TUI AG and K+N Holding Ltd. for the rest by approx. 24.998 % of the voting rights) are linked to major shareholders or shareholders. In addition, TUI AG has joint ventures with Riu Hotels S.A. and TUI Russia & CIS (the latter being indirectly associated with Mr Mordashov via his stake in Unifirm Ltd.) (for further details, see page 105 of the Annual Report). Until his election to the Supervisory Board in February 2016, Peter Long was Joint-CEO of TUI AG from December 2014 to February 2016. Prior to that, he was a member of the Executive Board of TUI AG from 2007 and CEO of TUI Travel PLC. Therefore, neither Mr Mordashov nor Mr Long, Mr Lukin and Mr Trían Riu are considered independent for the purposes of the UK Code.

Seven of the ten employee representatives of the Supervisory Board are elected by the employees of TUI Group entitled to vote. Three employee representatives are nominated by a German trade union (ver.di).

Under the UK Code, directors who are or have been employees of the Group in the last five years or who participate in the Group's pension arrangements would generally not be considered independent. In the UK, directors with an employment relationship are normally current or former executives. By contrast, under German law, employee representatives of the Supervisory Board must be employees of the Group, and must be elected by the employees without any involvement of the Executive or Supervisory Boards. Furthermore, the employment contract of employee representatives may only be terminated in exceptional cases.

The employee representatives may also participate in Group pension schemes as is normal for employees and in their capacity as employees.

Trade union representatives are nominated, and employed by, the trade union but are still classified as employee representatives. They can only be removed from the Supervisory Board by their respective union and neither the Executive nor the Supervisory Board has any role in their appointment or removal.

HALF THE BOARD SHOULD BE INDEPENDENT NON-EXECUTIVE DIRECTORS (B1.2)

Since, for the purpose of the UK Code, only the shareholder representatives on the Supervisory Board are taken into account, with five independent members (excluding the Chairman of the Supervisory Board) more than half of its members are considered independent.

NOMINATION COMMITTEE – COMPOSITION AND RESPONSIBILITIES (B2.1)

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 Rules of Procedure 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.

However, as is common practice in Germany, at each AGM shareholders are asked to decide whether they approve the actions of the Executive Board and Supervisory Board members during the past financial year. Since the AGM 2015, in the light of UK practice, TUI AG has changed its procedure to allow a separate vote on each individual Executive Board and Supervisory Board member, as it is customary in the UK.

TUI AG intends to continue this practice. Accordingly, the Supervisory Board considers that TUI AG lives up to the spirit and meaning of the UK Code to the extent practicable.

There is no requirement under German law or the German Corporate Governance Code for the majority of the Nomination Committee members to be independent. One of the now three members of the Nomination Committee is a major shareholder or affiliated with it (Alexey Mordashov) and therefore not independent in the sense of the UK CGC. Until his election to the Supervisory Board in February 2016, Peter Long was Co-Chairman of the Executive Board of TUI AG from December 2014 to February 2016. On 12 February 2019, Ms Carmen Riu Güell retired as a member of the Nomination Committee, so that only Dr Dieter Zetsche is independent within the meaning of the UK CGC. Therefore TUI AG is not compliant with the UK Code which requires a majority of the Nomination Committee to be independent. However, TUI AG considers that the current membership of the Nomination Committee provides a strong and experienced pre-selection of Supervisory Board shareholder representation members, while keeping the Committee to a manageable size.

A publication of the Rules of Procedure for the Supervisory Board, its committees (including the Audit Committee) and for the Executive Board is not provided for under German law and the German Corporate Governance Code. Therefore TUI AG is not compliant with this provision of the UK Code.

NOMINATION COMMITTEESECTION IN THE ANNUAL REPORT & ACCOUNTS (B2.4)

For the activities of the Nomination Committee, see page 19 which is part of the Chairman's letter to shareholders.

Succession planning for management levels below Executive Board is carried out by the Executive Board. The Presiding Committee is responsible for succession planning for the Executive Board.

TERMS & CONDITIONS OF APPOINTMENTS OF NON-EXECUTIVE DIRECTORS (B3.2)

The terms and conditions of Supervisory Board members' appointments follow the provisions of the German Stock Corporation Act and the Articles of Association of TUI AG. The Articles of Association are available on the website at www.tuigroup.com/en-en/investors/corporate-governance.

ADVICE AND SERVICE S OF THE COMPANY SECRETARY (B5.2)

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 or 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, the CEO, the CFO and the Chairmen of the Audit Committee and the Strategy Committee. 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.

BOARD PERFORMANCE EVALUATION (B6)

The performance of each individual Executive Board member is evaluated annually by the Supervisory Board for the annual performance- based remuneration. In this context, the Supervisory Board also reviews the individual member's overall performance as part of the Executive Board. However, no external performance evaluation is done for the Executive Board.

It is not customary to conduct annual reviews of the Supervisory Board's efficiency. Each Supervisory Board member can give feedback to the Chairman, the Deputy Chairmen or the Supervisory Board as a whole as and when appropriate or required.

External evaluation, which includes the work of the Chairman of the Supervisory Board, is performed by means of individual interviews and anonymous reviews. Executive Board members are invited to contribute to the process. Consolidated results are shared with the entire Supervisory Board and appropriate actions are suggested and discussed as appropriate. The last external review of the Supervisory Board was undertaken in 2015 by Board Consultants International. Board Consultants International has no other connection with TUI AG. Due to the forthcoming change in the chairmanship of the Supervisory Board, an internal efficiency audit was conducted at the end of 2018, which was accompanied by a notary of GÖHMANN Rechtsanwälte und Notare to ensure anonymity. At its last meeting on 12 September 2019, the Supervisory Board, now chaired by Dr Dieter Zetsche, dealt with the measures derived from the results of the efficiency audit. Due to the change in the chairmanship of the Supervisory Board, no efficiency review was planned for 2019. Rather, the Supervisory Board concentrated on implementing the measures derived from the efficiency review. The Supervisory Board discussed this issue and decided to return to the subject of external efficiency audits in spring 2020, after an appropriate number of meetings had been held under the chairmanship of Dr Dieter Zetsche.

ANNUAL RE-ELECTION BY SHAREHOLDERS AT THE AGM (B7.1)

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 114. Current curricula vitae of all Executive and Supervisory Board members are published at www.tuigroup.com/en-en/investors/corporate-governance.

FAIR, BALANCED AND UNDERSTANDABLE ANNUAL REPORT AND ACCOUNTS (C1.1)

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 (C3.4), the Executive Board is convinced that this ARA satisfies both requirements.

ESTABLISHMENT AND OPERATION OF REMUNERATION COMMI TTEE (D2) , REMUNERATION (D1)

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 Rules of Procedure, as referred to above.

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

There are no clawback or malus provisions in the service contracts of Executive Board members. Such provisions are not yet widespread in Germany and, depending on their design, are difficult to enforce. However, there are different contractual and statutory provisions that may allow for a reduction or forfeiture of remuneration components or allow TUI AG to claim damages from Executive Board members. First, the service contracts of Executive Board members provide for forfeiture of the annual bonus and the LTIP if TUI AG terminates the service contract for cause without notice before the end of the one year performance period in the case of the annual bonus or before the end of the respective performance period of the LTIP. Second, according to section 87 (2) German Stock Corporation Act (AktG) the Supervisory Board may, under certain exceptional circumstances, reduce Executive Board compensation in case of a deterioration of the economic situation of TUI AG. Third, Executive Board members may be liable for damages under the German Stock Corporation Act in case of a breach of their duties of care or fiduciary duties.

See the Directors' Remuneration Report from page 130 for full details on Executive and Supervisory Board member´s remuneration.

NOTICE PERIODS FOR EXECUTIVE D IRECTORS (D1.5)

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 contract extension of one member of the Executive Board was extended by two years in FY 2019. 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 130.

DIALOGUE WITH SHAREHOLDERS (E1)

It was not common practice in German companies for Supervisory Board members to make themselves available for meetings with major shareholders. However, the German Corporate Governance Code in the version dated 7 February 2017 now stipulates in section 5.2 that the Chairman of the Supervisory Board should be willing to meet with investors in an appropriate manner to discuss Supervisory Board matters. Shareholders made no use of this option in FY 2019.

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 2018	FY 2018 Results Presentation	FJ, BC
	Roadshow UK	FJ, BC
January 2019	UniCredit / Kepler Cheuvreux German Corporate Conference	BC
February 2019	FY 2019 Q1 Results Presentation	FJ, BC
	AGM 2019	FJ, BC
April 2019	Investor Day London	BC
May 2019	FY 2019 H1 Results Presentation	FJ. BC
	Roadshow UK	FJ, BC
	Roadshow Frankfurt	FJ, BC
June 2019	Roadshow Paris	BC
August 2019	FY 2019 Q3 Results Presentation	FJ. BC
	MainFirst Transportation Conference	BC
	Commerzbank Sector Conference	BC
September 2019	Morgan Stanley Investor Call	FJ, BC
	Citi Growth Conference	BC
	Berenberg & Goldman Sachs German Corporate Conference	BC
	Bernstein Strategic Decision Conference	FJ, BC

Key: Friedrich Joussen (FJ), Birgit Conix (BC)

Key topics discussed at appointments between shareholders and Executive Board members included:

- Exogenous impacts on the business model
- Growth strategy of the integrated tourism group
- Business development in the individual company sectors

The Supervisory Board receives feedback from the Chairman and Deputy Chairman (shareholder representative) and Executive Board members following meetings with major shareholders or investors. Additionally, a monthly Investor Relations Report and event-driven assessments of brokers are forwarded to the Executive Board and the Supervisory Board. They contain updates on the share price development, analyses of the shareholder structure as well as purchases and sales of shares and feedback and assessments from investors.The Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code.

AGM RESOLUTION ON FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS (E2.1)

It is not common practice in Germany to pass a resolution at the AGM to approve the financial statements and consolidated financial statements. Therefore, this was not done at the AGM in 2019 and it is not intended to do so at the AGM in 2020. However, as required by German law, the first item on the agenda of TUI AG's AGM is the presentation of the financial statements and consolidated financial statements to the AGM. Under this item, the Executive Board will explain the financial statements and consolidated financial statements and the Chairman will explain, in particular, the report of the Supervisory Board (including this UK Corporate Governance

Statement). Shareholders will have the opportunity to raise questions. Questions are typically raised, as is normal in the AGMs of German companies, and, as a general rule, answers must be provided under German law.

This is the standard practice for a German company and is in full compliance with the German Code. While the lack of a resolution to approve the Annual Report & Accounts is not in compliance with the UK Code, TUI AG considers that the arrangements afford shareholders with sufficient opportunity to raise any questions or concerns that they may have in relation to the Annual Report & Accounts, and to receive answers, in the AGM. Accordingly, the Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code to the extent practicable.

CIRCULATION OF AGM DOCUMENTATION TO SHAREHOLDERS (E2.4)

The 2019 AGM of TUI AG was held on 12 February 2019. As required by German law, the notice convening TUI AG's 2019 AGM (including the agenda and the voting proposals of the Executive Board and the Supervisory Board) was published in the Federal Gazette in Germany on 3 January 2019. Shareholders then had the right under German law to request additional agenda items at any time up to 30 days before the AGM. In accordance with German practice, once this deadline had expired, the combined invitation and explanatory notes relating to the AGM were sent to shareholders on 17 January 2019, which was less than the 20 working days before the AGM recommended in the UK Code (but more than the 21 days' notice required by German law). However, in addition to the original publication of the Invitation in the Federal Gazette in Germany, the combined invitation and explanatory notes relating to the AGM was published on TUI AG's website on 3 January 2019.

As no additional agenda items were requested by shareholders, this was in the same form as the final combined invitation and explanatory notes relating to the AGM later sent to shareholders. Furthermore, TUI AG´s Annual Report and Accounts for the financial year ending 30 September 2018 was published on 13 December 2018, significantly more than 20 working days before the 2019 AGM. Accordingly, the Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code requirements. A similar timetable will be followed in relation to the 2020 AGM."

3. 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 2019. The Executive Board is responsible for managing the Company's business operations in the interests of the Company. 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 114 et seq.

In accordance with the law and the Articles of Association, the Supervisory Board had 20 members at the balance sheet date, i. e. 30 September 2019. The Supervisory Board advises and oversees the Executive Board in the management of the Company. It 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. In the run-up to the Supervisory Board meetings, the representatives of shareholders and employees meet separately.

The Executive Board provides the Supervisory Board at regular meetings and in writing with comprehensive, up-to-date information about the strategy, the budget, business performance and the situation of the Group, including risk management and compliance.

The Executive Board works on the basis of terms of reference issued by the Supervisory Board.

TUI AG has taken out a D & O insurance policy with an appropriate deductible for all members of the Executive Board and Supervisory Board. The deductible amounts to 10 % of the loss up to the amount of one and a half times the fixed annual compensation.

COMPOSITION OF THE SUPERVISORY BOARD

As at the balance sheet date, 30 September 2019, the Supervisory Board of TUI AG comprised 20 members. The composition of the Supervisory Board in FY 2019 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 125 of this report).

Twelve members of the Supervisory Board had considerable international experience. Due to the different professional experiences of its members, the composition of the Supervisory Board overall reflects a great diversity of relevant experience, ability and industry knowhow. None of the shareholder representatives on the Supervisory Board had any commercial or personal relationship with the Company, its Executive Board or third parties that might cause a material clash of interests. Seven shareholder representatives are independent (including the Chairman of the Supervisory Board, who can be included in the count according to the German Corporate Governance Code). The seven independent members were Prof. Dr Edgar Ernst, Ms Angelika Gifford, Ms Valerie Gooding, Ms Janis Kong, Mr Peter Long, Ms Coline McConville and Dr Dieter Zetsche.

In accordance with the recommendations of the German Corporate Governance Code, the original shareholder representatives were individually elected for five-year terms of office during elections to the Supervisory Board at the relevant General Meetings (October 2014, February 2016, February 2018, February 2019). When he was elected as a member of the Supervisory Board, only Prof. Dr Klaus Mangold, who retired from the Supervisory Board this year, was older than 68. In his case, the Supervisory Board considered it necessary to deviate from the regular age limit. The Supervisory Board regarded the extensive experience of Prof. Dr Klaus Mangold as helpful in completing the integration and ensuring continuity in the work of the Supervisory Board.

COMMITTEES OF THE SUPERVISORY BOARD AND THEIR COMPOSITION

At 30 September 2019, the balance sheet date, the Supervisory Board had established four committees from among its members to support its work: the Presiding Committee, the Audit Committee, the Nomination Committee and the Strategy Committee. In addition, in accordance with section 27 (3) of the German Co-Determination Act, the Mediation Committee was furthermore established.

The Presiding Committee and Audit Committee have eight members each, with an equal number of shareholder representatives (including the respective chairpersons of the committees) and employee representatives. The Presiding Committee prepares, in particular, the appointment of Executive Board members, including the terms and conditions of service contracts and remuneration proposals. The Audit Committee's task is to support the Supervisory Board in exercising its oversight function. The Chairman of the Audit Committee is an independent financial expert and has particular knowledge and experience in the application of accounting principles and internal control methods from his own professional practice.

The Nomination Committee consists exclusively of shareholder representatives, in keeping with the recommendation in the German Corporate Governance Code. The task of its three members is to suggest suitable candidates for the Supervisory Board to propose to the Annual General Meeting.

The Strategy Committee began its work after the Annual General Meeting 2016. Its task is to comprehensively advise and oversee the Executive Board in developing and implementing the corporate strategy. It prepares the annual strategy offsite meeting for the Supervisory Board, but does not have a mandate to take any decisions on behalf of the Supervisory Board. It comprises six shareholder representatives and one employee representative.

CONFLICTS OF INTEREST

Executive and Supervisory Board members have a duty to act in TUI AG's best interests. In the completed FY 2019, there were no conflicts of interest requiring disclosure to the Supervisory Board. None of the Executive Board or Supervisory Board members has a board role or a consultancy contract with one of TUI's competitors.

SPECIFICATIONS PURSUANT TO SECTIONS 76 (4), 111 (5) OF THE GERMAN STOCK CORPORATION ACT

At least 30 % of the Supervisory Board members were women and at least 30 % were men at the balance sheet date. The Supervisory Board was therefore compliant with section 96 (2) sentence 1 of the German Stock Corporation Act. Neither the shareholder nor the employee representatives on the Supervisory Board objected to overall compliance in accordance with section 96 (2) sentence 2 of the German Stock Corporation Act.

The Supervisory Board resolved, in keeping with section 111 (5) of the German Stock Corporation Act, that until 31 October 2020 one woman is required to be a member of the Executive Board. This goal was achieved in the reporting period with Dr Elke Eller's membership in the Executive Board and was exceeded since 15 July 2018 with the appointment of Ms Birgit Conix.

In turn, the Executive Board resolved, in keeping with section 76 (4) of the German Stock Corporation Act, that women should account for 20 % of executives at the level immediately below the Executive Board and 30 % at the level below this. Both targets are to be achieved by 30 September 2020. For this reason, TUI AG has implemented various measures over the past years aimed at increasing the proportion of women on a long-term and sustainable basis. This includes, among other things, the promotion of women in talent programmes and specifically addressing them in the recruitment process. In addition, at least one woman should always be on the shortlist in the recruitment process for positions in the Senior Leadership Team. As a result of these measures, the proportion of women at TUI AG at the first management level below the Executive Board increased from 24 % to 27 % and thus exceeded the target of 20 %. At the second management level below the Executive Board, the proportion of women increased from 24 % to 31 %, thus also exceeding the target of 30 %. Although fluctuation at these levels is generally low, the proportion of women is increasing steadily. Despite all the measures taken, the suitability and qualification of candidates for filling vacant positions are still of primary importance.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

TUI AG shareholders exercise their co-determination and monitoring rights at the Annual General Meeting, which takes place at least once a year. The AGM takes decisions on all statutory matters, and these are binding on all shareholders and the Company. For voting on resolutions, each share confers one vote.

All shareholders registering in due time are entitled to participate in the Annual General Meeting. Shareholders who are not able to attend the AGM in person are entitled to have their voting rights exercised by a bank, a shareholder association, one of the representatives provided by TUI AG and acting on the shareholders' behalf in accordance with their instructions, or some other proxy of their own choosing. Shareholders also have the opportunity of authorising the representative provided by TUI AG via the web in the run-up to the AGM. Shareholders can, moreover, register for electronic dispatch of the AGM documents.

The invitation to the AGM and the reports and information required for voting are published in accordance with the provisions of the German Stock Corporation Act and provided in German and English on TUI AG's website. During the AGM, the presentations by the chairman of the Supervisory Board and the Executive Board members can be followed live over the Internet.

RISK MANAGEMENT

Good corporate governance entails the responsible handling of commercial risks. The Executive Board of TUI AG and the management of the TUI Group have comprehensive general and company-specific reporting and monitoring systems available to identify, assess and manage these risks. These systems are continually developed, adjusted to match changes in overall conditions and reviewed by the auditors. The Executive Board regularly informs the Supervisory Board about existing risks and changes to these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the effectiveness of the internal control and risk management systems and the internal auditing system, compliance and audit of the annual financial statements.

More detailed information about risk management in the TUI Group is presented in the Risk Report. It also contains the report on the accounting-related internal control and risk management system required in accordance with the German Commercial Code (sections 289 (5), 315 (2) no. 5 HGB).

→ *Risk Report see page 40.*

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 Dr Elke Eller, Sebastian Ebel, Wolfgang Flintermann, Frank Jakobi, Friedrich Joussen, Prof. Klaus Mangold, Alexey Mordashov (via Unifirm Ltd.), Joan Trían Riu (via Unifirm Limited), Frank Rosenberger, Ortwin Strubelt 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 FY 2019. 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 Board prior to publication. The consolidated financial statements and the financial statements of TUI AG were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hannover, the auditors elected by the 2019 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 9.8.10R was carried out.

→ *See audit opinion by the auditors on page 283.*

The condensed consolidated interim financial statement and management report as at 31 March 2019 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 of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. There were no grounds to provide such information in the framework of the audit of FY 2019.

Diversity concepts for the composition of the Executive Board and Supervisory Boards

DIVERSITY CONCEPT FOR THE COMPOSITION OF THE EXECUTIVE BOARD

The diversity concept for the composition of the Executive Board takes into account the following diversity aspects:

(a) Age
As a rule, the employment contracts of members of the Executive Board end once the standard retirement age for statutory retirement insurance has been reached (currently 67).

(b) Gender
The Executive Board should include one woman.

(c) Educational / professional background
The necessity for a variety of educational and professional backgrounds already arises from the obligation to manage the company in accordance with the law, the company's articles of association and its terms of reference. In addition, the Executive Board as a whole, through its individual members, should possess the following essential background qualities:

- management experience, some of which ideally has been acquired abroad, and intercultural competence for successful management and motivation of global teams;
- in-depth practical experience in stakeholder dialogue (i.e. with managers and employees, including their representative bodies, with shareholders and the public);
- experience in IT management and an understanding of digitalisation of vertically integrated value chains;
- profound experience in value-driven, KPI-based strategy development and implementation and corporate governance;
- profound knowledge of the intricacies and requirements of the capital market (shareholder management);
- knowledge of accounting and financial management (controlling, financing);
- in-depth understanding of and experience with change management.

GOALS OF THE DIVERSITY CONCEPT FOR THE COMPOSITION OF THE EXECUTIVE BOARD

The standard retirement age on the one hand enables incumbent members of the Executive Board to contribute their professional and life experience for the good of the company for as long a time as possible. On the other hand, adherence to the standard retirement age is intended to promote regular rejuvenation of the board.

Inclusion of both genders in Executive Board work is on the one hand an expression of the conviction of the Supervisory Board that mixed-gender teams lead to the same or better outcomes as teams with representation from only one gender. But it is also the logical continuation of the gender diversity measures implemented by the Executive Board within the wider company, which aim to increase the proportion of women in leadership roles. These measures are only to be applied and implemented in a credible manner if the Executive Board does not consist solely of male members ('proof of concept').

A variety of professional and educational backgrounds is necessary on the one hand to properly address the tasks and obligations of the law, the company's articles of association and its terms of reference. In addition, it is the view of the Supervisory Board that they are a guarantee of ensuring diverse perspectives on the challenges and associated approaches to overcoming them that are faced in the day-to-day work of the company. International management experience is of particular importance. Without such skill and experience with integrating, leading and motivating global teams, it is impossible to take into consideration the different cultural backgrounds of managerial staff and the workforce as a whole.

METHOD OF IMPLEMENTATION OF THE DIVERSITY CONCEPT FOR THE COMPOSITION OF THE EXECUTIVE BOARD

A key aspect of applying the diversity concept to the composition of the Executive Board is inclusion of the Supervisory Board within the corporate organisation, as is prescribed by law, the company's articles of association and its terms of reference. This ensures the Supervisory Board is familiar with the strategic, economic and actual situation of the company.

In its role as overseer of the management of the Executive Board, the Supervisory Board of TUI AG makes decisions on the allocation of business responsibilities within the Executive Board, appointments to the Executive Board and thus also workforce and succession planning within the Executive Board. As part of that workforce and succession planning, the Presiding Committee or the Supervisory Board itself regularly meets with the Executive Board or its members to discuss suitable internal succession candidates for Executive Board positions (emergency, medium-term and long-term scenarios). As part of these Supervisory Board and Committee meetings, or in preparation for them, members of the Supervisory Board have the opportunity to meet up with so-called high potentials within the Group in a professional and personal setting. The Presiding Committee and Supervisory Board make their own deliberations about these matters and also discuss them in the absence of the Executive Board. This includes evaluation and possible inclusion of external candidates for Executive Board positions in the selection process. In all of these deliberations, the above-mentioned diversity aspects of Executive Board appointments play a part in the decision-making of the Supervisory Board. The Supervisory Board also asks the Executive Board to report twice a year on current progress and implementation of family-friendly concepts (e.g. flexible work times and locations via, for instance, video-conferencing, part-time options, cultural change) and concrete measures for promotion of women (e.g. at least one woman on the final shortlist for any new or replacement appointments to roles within the senior leadership team).

RESULTS ACHIEVED IN FY 2019

With effect from 15. July 2018, Ms Birgit Conix was appointed member of the Executive Board as second female Executive Board member. The target set by the Supervisory Board that at least one woman should be a member of the Executive Board has thus been exceeded. In addition, the appointments of Dr Elke Eller and Mr David Burling were extended for a further three years each by the respective Supervisory Board resolutions and the signing of the corresponding contracts in December 2017 (see overview of the Executive Board on page 114). It is the view of the Supervisory Board that Ms Conix. Dr Eller and Mr Burling 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. Furthermore, the Supervisory Board has determined a standard limit for membership of the Supervisory Board in accordance with the recommendation in point 5.4.1.(3) of the DCGK. 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. 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 2019

In the current financial year, no changes have been made to the diversity concept or the composition of the Supervisory Board. In accordance with the recommendation in point 5.4.1 (2) of the German Corporate Governance Code (version dated 7 February 2017) the Supervisory Board in its resolution of 14 September 2017 issued a competency profile for the composition of the board as a whole.

Since his election to the Supervisory Board at the 2018 Annual General Meeting, Dr Dieter Zetsche has made a very valuable contribution to the diversity of the Supervisory Board thanks to his extensive international experience and his extensive experience in the management of a major global corporation. He now contributes his knowledge and skills as Chairman of the Supervisory Board. From the point of view of the Supervisory Board, there is currently no further need for action in relation to diversity. On the shareholder side, both genders are nearly balanced represented, (4 female, 6 male), and in terms of the board as whole, the proportion of women of 30 % is in line with the statutory quota. With six different nationalities represented on the Supervisory Board, its composition can be described as international. The diversity of professional and educational backgrounds of the individual members of the board is also evident from the yearly updated CVs of Supervisory Board members published on the corporate website.

Compliance / Anti-corruption and anti-bribery

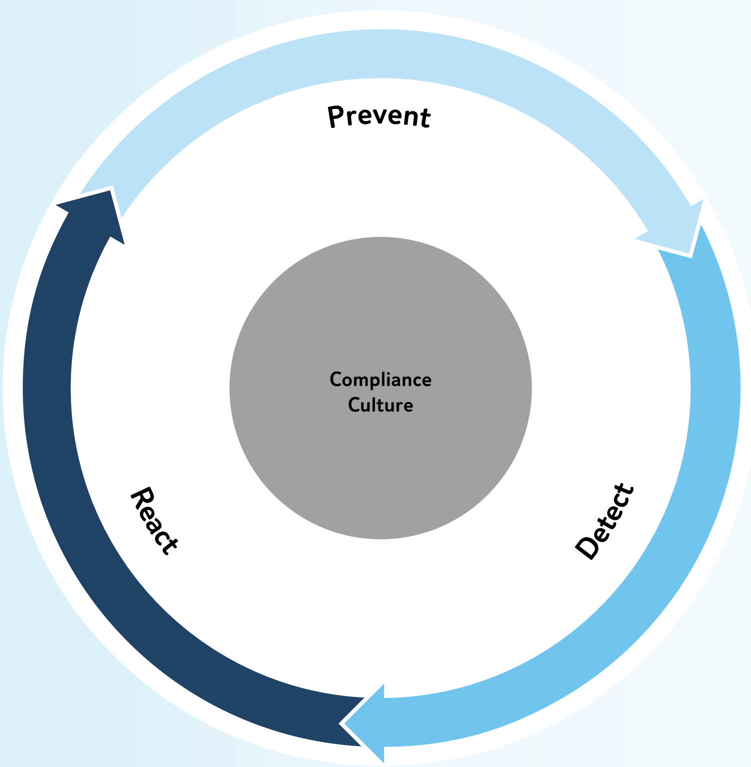
TUI Group's Compliance Management System is a fundamental component in our commitment to entrepreneurial, environmental and socially responsible operations and management. It forms an indispensable part of TUI Group's corporate culture and our corporate governance activities.

The strategic goal of TUI Group's Compliance Management System is to prevent misconduct and avoid liability risks for the Company, its legal representatives, executives and employees and thereby also to protect the reputation of the Company.

COMPLIANCE MANAGEMENT SYSTEM

TUI Group's Compliance Management System is based on a risk management approach and is based on the systematics of prevention, detection and reactions, which, in turn, comprise a large number of internal measures and processes:

TUI Compliance Management System



1 **PREVENT**

- *Compliance Risk Assessment*
- *Training and Communication*
- *Compliance Policies & Procedures*
- *Compliance advice and consulting*

2 **DETECT**

- *Whistleblowing system: SpeakUp Line*
- *Yearly Conflict of Interest Checks*
- *Monitoring of business relationships*
- *Compliance breach investigations*

3 **REACT**

- *Consequences of misconduct*
- *Continuous improvement of processes*
- *Group-wide case management*

TUI Group's Compliance Management System focuses on the legal sub-areas anti-corruption, competition and anti-trust law, data protection and trade sanctions. It defines the related pilot and standard the pilot and standard operation of the Compliance Management System and the documentation of roles, responsibilities and processes in these areas.

The Compliance Management System applies to TUI AG and all German and foreign companies in which TUI AG directly or indirectly holds an interest of more than 50 % as well as other stakes in companies directly or indirectly controlled by TUI AG ('managed Group companies'). Implementation of the Compliance Management System is recommended for investments not controlled by TUI AG ('non-managed Group companies'). The Compliance Management System has been designed to meet the requirements of Auditing Standard PS 980 of the German Institute of Auditors.

COMPLIANCE STRUCTURE

TUI Group's Compliance structure supports those responsible in their task of communicating values and rules and anchoring them in the Group. It ensures that Compliance requirements are implemented throughout the Group in different countries and cultures. TUI Group's decentralised Compliance structure includes Head Compliance Officers, whose role is to implement and support the requirements of the Integrity & Compliance team. Under the aegis of the Chief Compliance Officer, the Integrity & Compliance team works with the decentralised Compliance Officers to perform the following tasks at different management levels:

- Raising awareness of Integrity & Compliance and the allocated technical issues
- Achieving the goals of the Integrity Passport – TUI's Code of Conduct and the Compliance Rules
- Providing training
- Advising managers and employees
- Securing the necessary exchange of information
- Monitoring national and international legislation initiatives
- Providing regular, quarterly reports to the Board and annual reports to the Audit Committee of the Supervisory Board

In addition, the Group has a Compliance Committee headed by the CFO and consisting of the HR Director, the Heads of Group External Affairs and Communications, Chief Compliance Officer, Group Audit and representatives of the Group Works Council and the TUI Europe Forum. The committee meets on a regular (quarterly) basis as well as at short notice in the event of severe infringements of Compliance rules in order to monitor implementation of the Compliance Management System and obtain reports about the key indicators in this area.

THE INTEGRITY AND COMPLIANCE CULTURE

The Integrity and Compliance culture influences people's behaviour and compliance with the applicable rules. It forms the basis for the effectiveness of the Compliance Management System. It reflects management's fundamental attitude and conduct and the role of the supervisory body, the ‚tone from the top'. It is expressed, inter alia, in our corporate value 'Trusted', appealing to our employees' personal responsibility and their honesty and sincerity in handling customers, stakeholders and fellow employees.

INTEGRITY PASSPORT – TUI'S NEW CODE OF CONDUCT

The Integrity and Compliance culture is also shaped by TUI's Code of Conduct. In the completed financial year, a new Code of Conduct, the Integrity Passport, was introduced and rolled out across the Group in a comprehensive communication campaign. It is binding for all employees, from Board members to trainees, and all managed Group companies. The new version of the Code of Conduct after 10 years and its designation as, the Integrity Passport, should signal a change in the Company's Compliance culture: away from a purely rule-based understanding of Compliance towards a culture of integrity values. It provides a definition of the term integrity: Integrity to us is doing the right thing even if no one is watching. This is an expression of our Compliance culture and serves as the guiding principle and serves as a guiding principle for Board members, executives, senior management and employees alike. The Integrity Passport defines minimum standards that provide guidance in people's daily work and in conflict situations. It governs fair competition, no bribery and corruption, appropriate gifts and hospitality, protecting our business secrets, ensuring data protection, dealing with conflicts of interest, no insider trading, accurate books and records, preventing money laundering, trade restrictions, treating each other with respect, sustainability, and public communications relating to TUI.

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 legal and social basis.

COMPLIANCE POLICIES AND PROCEDURES

The principles defined in the Intergrity Passport are additionally supported in various policies and guidelines reflecting the legal requirements. This is supported by our Group-wide policy management, developing the standards for Group-wide policies and coordinating incorporation of the relevant internal stakeholder groups, e. g. other departments and the works council. This approach is designed to provide TUI Group with a set of policies which are as complete and comprehensible as possible without seeking over-regulation. TUI Group's Compliance Policy offers guidance on appropriate conduct regarding gifts and hospitality, data protection and compliance with trade sanctions. Competition law is very broad and has a major impact on TUI Group's day-to-day business. For that reason, it was decided to establish a Group Policy on Fair Competition to meet any pitfalls which potentially reside in contacts with competitors (e. g. within trade associations or at industry events), sourcing and distribution agreements and many other business activities. It entered into force in May 2019 and was rolled out to the local companies in subsequent months.

All groups of employees have thus been acquainted with policies of relevance to their everyday work.

COMPLIANCE-RISK ASSESSMENT

In the areas of data protection, protecting free and fair competition, anti-corruption and the handling of trade sanctions, a risk assessment based on the TUI Group companies' self-disclosures is carried out annually with the aid of a software. As an initial step, it includes an automated evaluation of risks according to likelihood of occurrence and potential damage (including reputational damage). The results of the self-assessment are discussed with the companies affected and are included in a Group-wide risk assessment process. The results of the compliance risk identification process are used to derive corresponding risk-minimising measures, which are included in the annual plan of Integrity & Compliance and agreed with the relevant bodies. The implementation of the measures is monitored.

Risk analysis and prevention also includes the annual survey among 1,452 legal representatives and executives of TUI Group to identify potential conflicts of interest. Through the survey they have to provide information on any interests held in TUI Group competitors or key business partners as well as other issues of relevance to Compliance. The survey carried out in the financial year under review was completed by 100 % of the respondents. The evaluation showed that 2 % of the respondents had conflicts of interest that required further investigation. These conflicts of interest were subsequently eliminated or approved so that the required transparency was created.

DATA PROTECTION

Data protection continued to be one of TUI Group's priority issues. In FY 2019, TUI introduced indicators to be able to measure compliance with data protection regulations. The indicators measured are observance of the 30-day deadline to respond to data access requests (as at September 2019: 97 %) and the proportion of data privacy complaints which turn out to be legitimate (as at September 2019: 21 %). These indicators are now reported to the extended Board on a quarterly basis.

TRAINING

Integrity & Compliance trainings are a key element of TUI's Compliance Management System, with its focus on preventing misconduct, and a crucial component of TUI Group's 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. This enables all our executives and employees to acquaint themselves with Compliance and the underlying corporate values, regardless of their position in the company hierarchy and their geographical location. In the completed financial year, the local companies underwent an online training on the Integrity Passport. This online training is mandatory for new hires. TUI also provides mandatory online trainings on data protection for new employees in TUI Group's companies. The Compliance Management System was rolled out in the form of face-to-face trainings in the Future Markets. Moreover, individual companies and segments within TUI offered training schemes with their own specific focus, e. g. on anti-corruption, competition law and the appropriate handling of gifts and hospitalities, in order to raise awareness to the challenges they might face in a risk-oriented manner.

WHISTLEBLOWING SYSTEM: SPEAKUP LINE

In agreement with various stakeholder groups 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 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. Infringements are fully investigated in the interests of all stakeholder groups and the Company itself.

In the completed financial year, a total of 83 reports (in 2017 / 18 70 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. A further 21 reports (in 2017 / 18 13 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 104 reports (in 2017 / 18 83 reports) submitted in total, 32 cases (in 2017 / 18 24 reports) initially presented prima facie indications of a Compliance infringement, leading to further investigations which in two cases (in 2017 / 18 4 cases) resulted in disciplinary measures.

In the financial year under review, there were no infringements of a severe nature that would have given rise to a publication.

MONITORING OF BUSINESS RELATIONSHIPS (DUE DILIGENCE PROCESS)

The risk analysis carried out by Compliance shows that 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 similar listing cannot be ruled out.

The Integrity & Compliance team therefore performs software-based screenings of selected business partners at regular intervals. The process involves checking the names of business partners against international sanctions, terrorist and wanted persons lists. In the event of a match, we launch a range of measures, in extreme cases terminating the business relationship.

In FY 2019, this process was used in particular to check business partners of Group Purchasing (hotel partners as the key business partner group) and other business partners in countries with a sanction or corruption risk against Compliance criteria. In critical cases, the business organisations cooperating with the business partners in question were briefed about the results of the review, enabling them to implement further precautionary measures.

Remuneration Report (as part of the Management Report)

The remuneration report outlines the remuneration of the members of the Executive Board of TUI AG as well as the remuneration of the members of its Supervisory Board in accordance with the articles of association. The remuneration report is based, in particular, on the recommendations of the German Corporate Governance Code (GCGC), the requirements of the German Commercial Code (Handelsgesetzbuch) and, to the extent practicable, the requirements of the UK Corporate Governance Code (UK CGC).

TUI AG is a German stock corporation that is also listed on the London Stock Exchange (LSE). Where mandatory provisions regarding the governance of or legal requirements for a German stock corporation are affected, these are disclosed in this report and placed in context with the UK CGC, as required.

Remuneration of the Executive Board

SHAREHOLDERS' APPROVAL OF THE REMUNERATION SYSTEM

In FY 2018 a new remuneration system for the members of the Executive Board has been established and approved with retroactive effect from the beginning of FY 2018 by the shareholders at the Annual General Meeting on 13 February 2018. In addition to the legal requirements and specifications of the GCGC, the recommendations of the UK CGC as well as a diverging UK market practice are included respectively in the position described. Considering that and in view of the latest developments of the arrangement of the remuneration in Germany it has been decided to establish a remuneration system that takes into account both perspectives. The defined performance indicators aim to take into account the interests of all stakeholders and to create value for our providers of equity and external funding.

Thereby the new remuneration system completely waives the previous possibility of the Supervisory Board of granting an additional bonus subject to its discretion and not linked to any targets or financial indicators. In fact, the variable remuneration components are subject of specific target sets which are closely oriented towards the forecast for the financial markets, which has been published within the Annual Report and Accounts and is if necessary, updated during the year.

Although this is common practice in many companies applying the UK CGC, TUI AG is not obliged under the Aktiengesetz to an annual 'say on pay', i.e. the shareholders' vote on the remuneration system. However, in order to meet the wishes of our domestic and foreign shareholders, TUI put the approval of its remuneration model on a voluntary basis to the vote at the 2019 Annual General Meeting and received 87.27 % of the votes. In the following remuneration report, the targets to be achieved retroactively for the past FY 2019 are explained in more detail in order to enable stakeholders to gain an understanding of the underlying target achievements in the framework of the new remuneration system.

GENERAL PRINCIPLES

Following a recommendation from the Presiding Committee, the Supervisory Board determines in accordance with section 87(1) sentence 1 German Stock Corporation Act the remuneration of the individual Executive Board members. It also regularly reviews the remuneration system for the Executive Board.

For further remits of the Presiding Committee, please see the report of the Supervisory Board page 16.

The following principles, in particular, are taken into account in this regard:

- Clarity and transparency
- Economic position, performance and sustainable development of the company
- Tying shareholder interest to value increase and distribution of profits (e.g. total shareholder return indicator) with corresponding incentives for Executive Board members
- Ability to be competitive on the market for highly qualified Executive Board members
- Appropriateness and conformity with tasks, responsibilities and success of each individual Executive Board member, including in the relevant environment of comparable international firms, and taking into account standard practice at other major German companies
- Tying a material portion of total remuneration to the achievement of ambitious, long-term performance targets
- Appropriate correlation between the levels of fixed remuneration and performance-based remuneration

- Appropriateness in horizontal and vertical comparison (see page 149)

The remuneration system does not contain malus or clawback clauses. From the perspective of the Supervisory Board malus and clawback clauses which allow for a retroactive correction of variable remuneration are first of all an understandable request of stakeholders. However, in the German jurisdiction such clauses are still widely uncommon. Only for certain financial institutes they have recently become legally binding. It has thus not yet been clarified by the highest court, on which principles (eg. transparency and appropriateness of malus and clawback) malus and clawback clauses are based in order to be effective and enforceable. Consequently, the Supervisory Board has abstained to include malus and clawback clauses in the service agreements of the members of the Executive Board in the course of the revision of the remuneration system. However, it has to be expressively stressed that the German law, especially the German Stock Corporation Act, does provide sufficient possibilities to enforce compensation claims towards members of the Executive Board who disregard their duties of acting in good faith.

REMUNERATION OF THE EXECUTIVE BOARD IN FY 2019

In FY 2019, the remuneration for the members of the Executive Board comprises: (1) a fixed remuneration; (2) an annual performance-based remuneration (Jahreserfolgsvergütung – JEV); (3) virtual shares of TUI AG in accordance with the Long Term Incentive Plan (LTIP); (4) fringe benefits and (5) pension entitlements.

Details are set out below:

1. FIXED REMUNERATION

Purpose and link to company strategy

Highly-qualified Executive Board members who are needed to develop and implement company strategy are to be attracted and retained.

The remuneration should be commensurate with the abilities, experience and tasks of the individual Executive Board member.

Procedure

In determining the fixed remuneration the Supervisory Board takes into account, in particular, the relevant and aforementioned general principles.

The fixed remuneration is paid in twelve equal instalments at the end of each month. If the service agreement begins or ends in the course of the financial year relevant for payment of the remuneration, the fixed annual remuneration will be paid pro rata for that year.

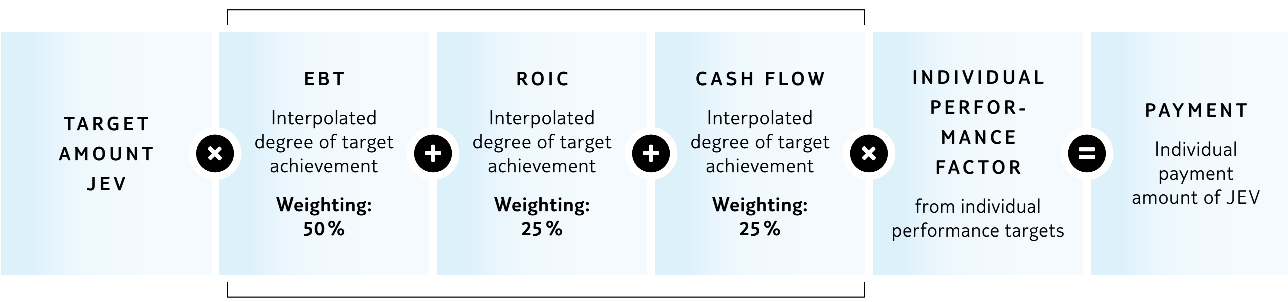
The remuneration is generally reviewed when service agreements of Executive Board members are extended, and can be adjusted or revised for the term of the new service agreement. A review of the remuneration can also take place during the term of a service agreement in particular if there is a change with respect to the tasks or responsibility of an Executive Board member.

2. ANNUAL PERFORMANCE-BASED REMUNERATION (JEV)

Purpose and link to company strategy

The JEV is intended to motivate Executive Board members to achieve ambitious and challenging financial, operational and strategic targets throughout the financial year. The targets are reflective of the company strategy and aimed at increasing corporate value.

Discription



Procedure

The JEV is calculated on the base of three group performance indicators and the individual performance of the member of the Executive Board. The performance period is the financial year of TUI AG.

An individual target amount (Target Amount) is agreed for each Executive Board member in their service agreement. Performance targets are Earnings Before Taxes (EBT) at constant currency, Return on Invested Capital (ROIC) and the Cash flow to the firm (Cash flow) retroactively as of 1 October 2017. The target values for the one-year performance period for the EBT, ROIC and Cash flow are set by Supervisory Board at the beginning of each financial year for the respective financial year.

The target achievement is calculated as follows:

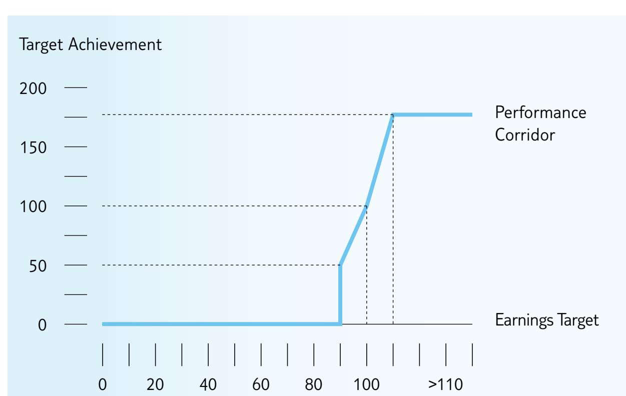
2.1 EARNINGS BEFORE TAXES (EBT)

The EBT is calculated on constant currency basis and is taken into account with a weighting of 50 %. This change in group performance indicators permits inclusion of the net financial result in the calculation. The adjustment for currency effects makes it possible to measure the actual management performance without distortion from currency-induced translation effects.

- The EBT component of the JEV must reach a threshold of at least 90 % of the earnings target (on a constant currency basis) (equals target achievement of 50 %), in order to be relevant for bonus purposes.
- The achievement of an earnings target of 100 % equals a target achievement of 100 %.
- Anything in excess of 110 % (on a constant currency basis) of the earnings target (corresponds to a target achievement of 180 %) is not included.

In the event of a quotient between 90 % and 100 %, linear interpolation will be used to determine the target achievement between 50 % and 100 %, and in the event of a quotient between 100 % and 110 %, linear interpolation will be used to determine the target achievement between 100 % and 180 %. The target achievement will be rounded to two decimal figures, as is customary in commercial practice.

Performance Corridor EBT in %



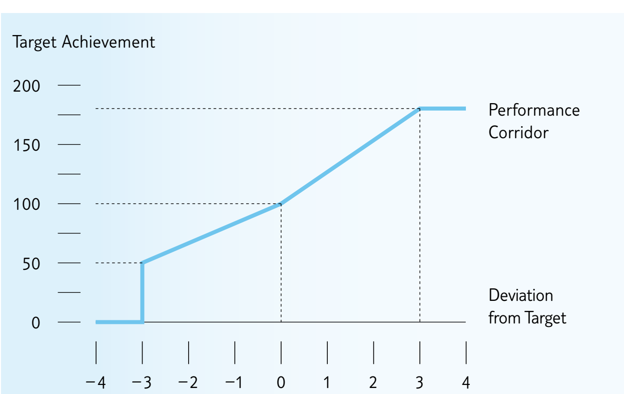
2.2 RETURN ON INVESTED CAPITAL (ROIC)

The group performance indicator ROIC is included in the JEV with a weighting of 25 %. The Group EBITA and the average invested interest-bearing capital for the financial year will be weighed against each other to establish the ROIC of the TUI Group used to calculate the JEV. The average invested interest-bearing capital is calculated as the average value based on the invested capital balance at the beginning and end of the year. The invested capital is calculated as the equity (including non-controlling interests) plus interest-bearing liabilities, minus interest-bearing assets, plus a seasonal adjustment. By applying the average assessment previously used in the Annual Report, seasonal fluctuations and differences in capital intensity of the business model specific segments of TUI AG can be taken into account and a return on equity target can be included in the annual variable remuneration.

- The ROIC component of the JEV will only be included in the JEV where the return on investment is no more than 3 % points below the defined target (corresponds to a target achievement of 50 %).
- If the return on investment corresponds to the defined target, the target achievement is 100 %.
- In order to reach maximum target achievement of 180 % the target must be exceeded by 3 % points or more.

In the event of a deviation between – 3 % points and 0 % points, linear interpolation will be used to determine the target achievement between 50 % and 100 %, and in the event of a deviation between 0 % points and 3 % points, linear interpolation will be used to determine the target achievement between 100 % and 180 %. The target achievement will be rounded to two decimal figures, as is customary in commercial practice.

Performance Corridor ROIC in %



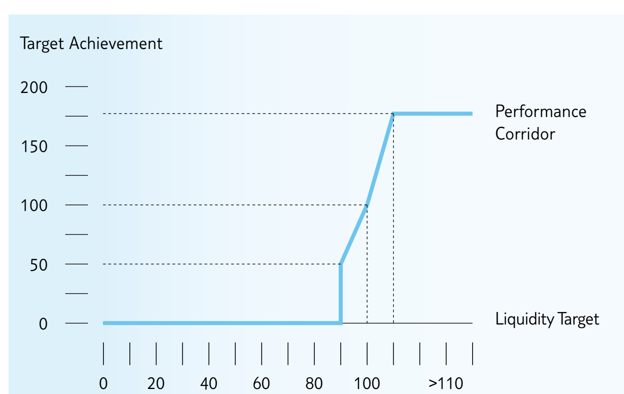
2.3 CASH FLOW

A cash flow is also included in the calculation as a third group performance indicator with a weighting of 25 %. For this purpose The cash flow is calculated based on the unadjusted earnings before interest, taxes and amortisation of goodwill reported in the approved and audited consolidated accounts of the TUI Group (EBITA according to the approved and audited consolidated accounts of the TUI Group) on a constant currency basis plus the difference between amortisations and write-backs, plus the change to the so-called Working Capital, minus the earnings from companies measured according to the equity method, plus the dividends received by TUI AG from participating interests and minus net capex and investments. Working Capital includes short-term assets and liabilities that are not cash or cash equivalents ('cash'), income tax receivables or liabilities or derivative financial instruments. Furthermore, interest-bearing assets and liabilities as well as short-term provisions for pensions are not included.

- The cash flow component of the JEV must reach a threshold of at least 90 % of the liquidity target (adjusted for foreign exchange effects) (corresponds to a target achievement of 50 %), in order to be relevant for bonus purposes.
- The achievement of a liquidity target of 100 % equals a target achievement of 100 %.
- Anything in excess of 110 % of the liquidity target (corresponds to a target achievement of 180 %) is not included.

In the event of a quotient between 90 % and 100 %, linear interpolation will be used to determine the target achievement between 50 % and 100 %, and in the event of a quotient between 100 % and 110 %, linear interpolation will be used to determine the target achievement between 100 % and 180 %. The target achievement will be rounded to two decimal figures, as is customary in commercial practice.

Performance Corridor Cash Flow to the Firm in %



As before, the JEV depends on an individual performance factor in addition to the target achievements of the aforementioned group performance indicators. Under the new remuneration system the

Supervisory Board shall determine the individual performance factor for the JEV (0.8 to 1.2) for each Executive Board member based on the achievement of three target categories: In addition to individual performance targets, this includes targets for the overall performance of the Executive Board and stakeholder targets. The Supervisory Board will establish the targets from these three categories and their relative weighting for each Executive Board member and financial year.

The value resulting from the multiplication of the target amount by the degree of target achievement for the EBT, the ROIC, the Cash flow and the individual performance factor will be paid out in the month of the approval and audit of the consolidated accounts of the TUI Group for the relevant financial year. If the service agreement begins or ends in the course of the relevant financial year, the claims for payment of the JEV will generally be pro rata.

Cap

The JEV will be capped at a maximum of 180 % of the individual target, prior to the consideration of the individual performance factor. As a result, there is an annual cap for the JEV and an individual cap for each member of the Executive Board, which is shown in the table on page 141.

In accordance with section 87(1) sentence 3 German Stock Corporation Act, the Supervisory Board is entitled to limit the amount of the JEV to allow for extraordinary circumstances (e. g. takeover of the company, sale of parts of the company, uncovering of hidden reserves, external influences).

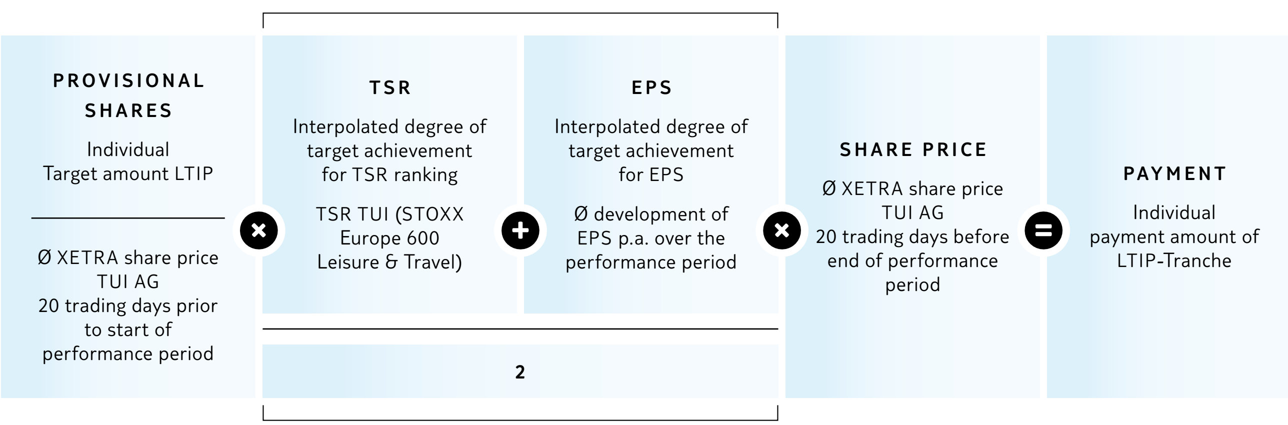
3. VIRTUAL SHARES ACCORDING TO THE LONG TERM INCENTIVE PLAN (LTIP)

3.1 FUNCTIONING OF THE NEW LONG TERM INCENTIVE PLAN (LTIP)

Purpose and link to company strategy

The long-term objective is to increase corporate and shareholder value by defining ambitious goals that are closely linked to the company's earnings, share price performance and dividends.

Discription



Procedure

The LTIP is a performance share plan based on virtual shares and is assessed over a period of four years (Performance Reference Period). Virtual shares are granted in annual tranches.

For Executive Board members, an individual target amount (Target Amount) is agreed in the service agreement. At the beginning of each financial year a provisional number of virtual shares, commensurate with the target amount, will be set. This will constitute the basis for the determination of the final performance-based payment for the tranche in question at the end of the respective performance reference period. To set this number, the target amount will be divided by the average Xetra price of TUI AG shares over the 20 trading days prior to the beginning of the performance reference period (1 October of each year). The claim to a payment only arises upon expiry of the performance reference period and depends on whether or not the respective performance target is achieved.

3.1.1 TOTAL SHAREHOLDER RETURN (TSR)

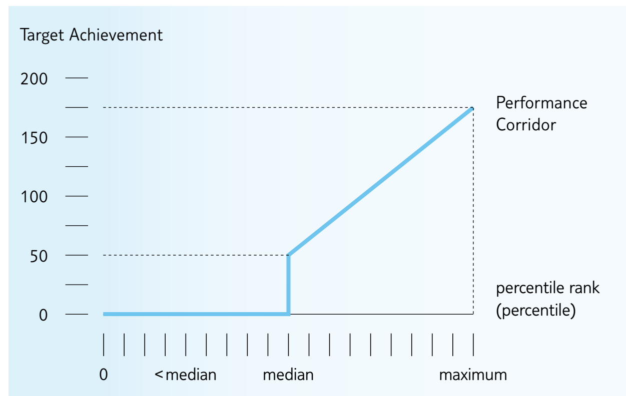
The relevant performance target for determining the amount of the payout after the performance reference period is the development of the Total Shareholder Return (TSR) of TUI AG in relation to the development of the TSR of the STOXX Europe 600 Travel & Leisure Index (Index). The relative TSR is being considered with a weighting of 50 %. The degree of target achievement is being determined depending on the TSR-value of TUI AG compared to the TSR-value of the companies belonging to the Index over the performance reference period. To determine the relative TSR of TUI AG the respective established TSR-value and those of the comparable companies are sorted in descending order. The relative TSR of TUI AG is expressed as a percentile (percentile rank).

Thereby the TSR is the aggregate of all share price increases plus the gross dividends paid over the performance reference period. The Data for the observation of the development of the TSR-values of TUI AG and the Index is provided by a reputable data provider (eg. Bloomberg, Thomson Reuters). The reference to determine the ranking is the composition of the Index on the last day of the respective performance reference period. The values for companies that were not listed over the entire performance reference period will be factored in on a pro rata basis. he level of target achievement (in percent) for the relative TSR of TUI AG based on the percentile is calculated as follows:

- A percentile below the median corresponds, unlike the remuneration system removed with effect from 1 October 2017, to a target achievement of 0 %.
- A percentile equivalent to the median corresponds to a target achievement of 100 %.
- A percentile equivalent to the maximum value corresponds to a target achievement of 175 %.

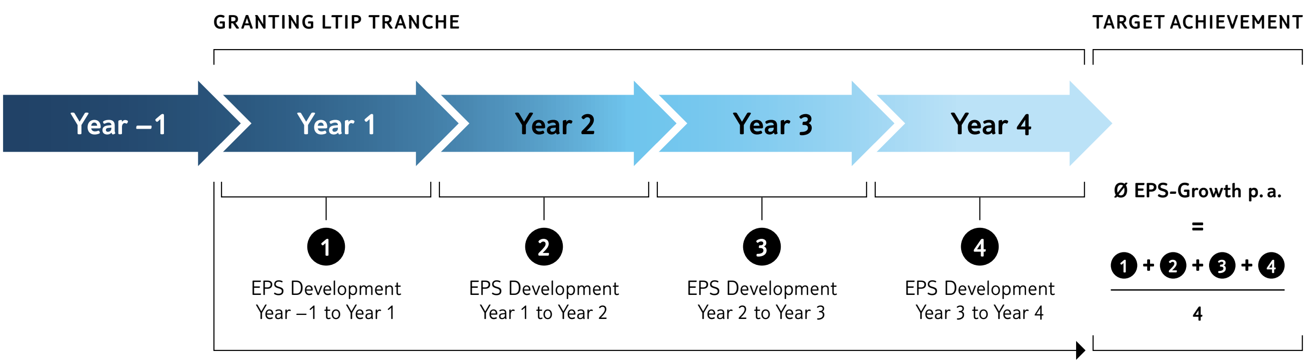
In the event of a percentile between the median and the maximum value, linear interpolation will be used to determine the target achievement between 100 % and 175 %. The target achievement will be rounded to two decimal figures as is customary in commercial practice.

Performance Corridor TSR in %



3.1.2 EARNINGS PER SHARE (EPS) AS ADDITIONAL GROUP PERFORMANCE INDICATOR

Furthermore the average development of the Earnings per Share (EPS) p.a. as additional group performance indicator with a weighting of 50 % is taken into account for the LTIP. The average over the four years performance reference period is based on the pro forma underlying earnings per share from continuing operations as they are being published in the Annual Report and Accounts already.

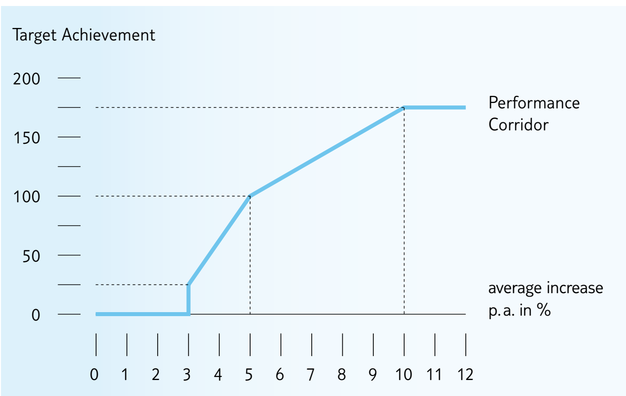


The target achievement for the average development of the EPS p.a. based on the annual amounts is calculated as follows:

- An average increase p.a. of less than 3 % corresponds to a target achievement of 0 %.
- An average increase p.a. of 3 % corresponds to a target achievement of 25 %.
- An average increase p.a. of 5 % corresponds to a target achievement of 100 %.
- An average increase p.a. of 10 % or more corresponds to a target achievement of 175 %.

In the event of an average increase p.a. between 3 % and 5 % linear interpolation will be used to determine the target achievement between 25 % and 100 % and in the event of an average increase p.a. between 5 % and 10 % or more, linear interpolation will be used to determine the target achievement between 100 % and 175 %. The target achievement will be rounded as well to two decimal figures as is customary in commercial practice.

Performance Corridor EPS in %



If the previous year's EPS is below € 0.50 the Supervisory Board will, for each subsequent financial year, redefine absolute target values for the EPS as well as minimum and maximum values for determining the percentage target achievement.

The degree of target achievement (in percent) is calculated as the average of the respective target achievements for the performance targets relative TSR of TUI AG and EPS. To determine the final number of virtual shares the degree of target achievement at the date of the expiry of the performance reference period is being multiplied with the provisional number of virtual shares. The payout is obtained by the multiplication of the final number of virtual shares with the average XETRA price of TUI AG shares over the last 20 trading days in the respective performance reference period (until 30 September of every year). The amount will be paid out in the month of the approval and audit of the consolidated accounts of the TUI Group. If the service agreement begins or ends during the financial year relevant for the granting of the LTIP the claim to payout of the LTIP is in general calculated on a pro rata basis.

In the event of a capital increase from company funds, the provisional number of virtual shares shall increase to the same extent as the total nominal amount of the share capital. In the event of a capital reduction without repayment of contributions, the provisional number of virtual shares shall decrease to the same extent as the total nominal amount of the share capital. If TUI AG performs a capital increase against contributions, a capital reduction with repayment of contributions or any other capital or structural measure affecting the share capital and resulting in a not negligible influence on the value of the TUI share, the provisional number of virtual shares shall be adapted accordingly. The supervisory board shall decide on the adaption at its equitable discretion in order to neutralize positive and negative effects of the capital or structural measure on the value of the virtual shares in a reasonable manner. These provisions apply accordingly if the payment of an unusually high surplus dividend has influence on the share price.

Cap

The maximum LTIP-payout is capped at 240 % of the individual target amount for each performance reference period. As a result, there is an annual cap for the LTIP and an individual cap for each member of the Executive Board, which is shown in the table on page 141.

3.2 LONG TERM INCENTIVE PLAN ACCORDING TO PREVIOUS REMUNERATION SYSTEM

For those members of the Executive Board whose service agreements already existed prior to FY 2018, the replaced remuneration system will initially continue to apply in parallel with respect to the LTIP. This relates only to the tranches granted before FY 2018 but not yet included in the remuneration paid due to the 4 year performance period.

Discription

PROVISIONAL SHARES

Individual Target amount LTIP

Ø XETRA share price TUI AG 20 trading days prior to start of performance period

×

TSR

Interpolated degree of target achievement for TSR ranking

TSR TUI (Stoxx Europe 600 Leisure & Travel)

×

SHARE PRICE

Ø XETRA share price TUI AG 20 trading days before end of performance period

=

PAYMENT

Individual payment amount of LTIP-Tranche

Procedure

The LTIP is a performance share plan based on virtual shares and is assessed over a period of four years (Performance Reference Period). Virtual shares are granted in annual tranches.

For Executive Board members, an individual target amount (Target Amount) is agreed in the service agreement. At the beginning of each financial year a provisional number of virtual shares, commensurate with the target amount, will be set. This will constitute the basis for the determination of the final performance-based payment for the tranche in question at the end of the respective performance reference period. To set this number, the target amount will be divided by the average Xetra price of TUI AG shares over the 20 trading days prior to the beginning of the performance reference period (1 October of each year). The claim to a payment only arises upon expiry of the performance reference period and depends on whether or not the respective performance target is achieved.

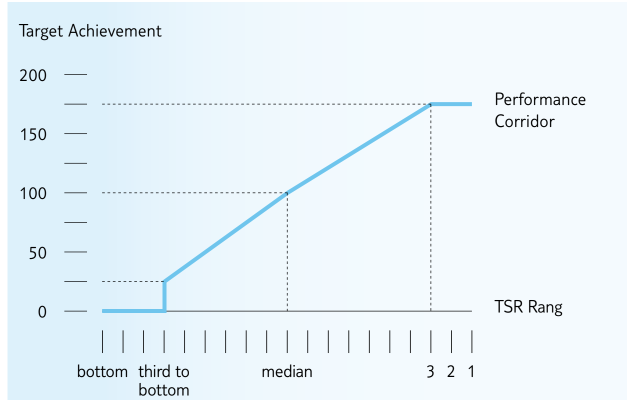
The performance target for determining the amount of the final payout at the end of the performance reference period is the development of the total shareholder return (TSR) of TUI AG relative to the development of the TSR of the STOXX Europe 600 Travel & Leisure (Index), whereby the ranking of the TUI AG TSR in relation to the index companies will be 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 reputable data provider (e.g. Bloomberg, Thomson Reuters) will be used for the purpose of establishing the TSR values for TUI AG and the index. The reference for the purpose of determining the rankings 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 will be factored in on a pro rata basis. The level of target achievement is established as follows depending on the ranking of the TSR of TUI AG relative to the TSR values of the index companies over the performance reference period:

- TSR value of TUI AG equivalent to the bottom and second to bottom value of the index corresponds to a target achievement of 0 %.
- TSR value of TUI AG equivalent to the third to bottom value of the index corresponds to a target achievement of 25 %.
- TSR value of TUI AG equivalent to the median of the index corresponds to a target achievement of 100 %.
- TSR value of TUI AG equivalent to the third to top, second to top or top value of the index corresponds to a target achievement of 175 %.

For performance between the third to bottom and the third to top rank, linear interpolation will be used to determine the level of target achievement at between 25 % and 175 %. The degree of target achievement will be rounded to two decimal places, as is customary in commercial practice.

Performance Corridor TSR (former LTIP)

in %



To determine the final number of virtual shares, the degree of target achievement will be multiplied by the provisional number of virtual shares on the final day of the performance reference period. The payout is determined by multiplying the final number of virtual shares by the average Xetra price of TUI AG shares over the 20 trading days prior to the end of the performance reference period (30 September of each year). The payout which is calculated in this way will be due in the month of the approval of the annual accounts of TUI AG for the fourth financial year of the performance reference period and is paid out in cash. If the service agreement begins or ends in the course of the financial year relevant for the grant of the LTIP, the claims for payment of the same will generally be pro rata.

3.3 DEVELOPMENT OF AGGREGATE VIRTUAL SHARES OF CURRENT EXECUTIVE BOARD MEMBERS IN FY 2019

	Number
Granting in FY 2019	
Friedrich Joussen	118,370.0
David Burling	59,508.0
Birgit Conix	59,508.0
Sebastian Ebel	59,508.0
Dr Elke Eller	56,274.0
Frank Rosenberger	49,483.0
Decrease in FY 2019*	
Friedrich Joussen	90,134.0
David Burling	30,451.0
Sebastian Ebel	30,451.0
Dr Elke Eller	24,610.0

* Decrease corresponds to the number of virtual shares granted for the tranche.

3.4 EXPENDITURE OF AWARDING VIRTUAL SHARES FOR THE LTIP IN FY 2019 TO CURRENT EXECUTIVE BOARD MEMBERS ACCORDING TO IFRS 2

Expenditure for granting of virtual shares in FY 2019 acc. to IFRS 2

€ '000	**Part of total expenditure FY 2019**	Part of total expenditure FY 2018
Friedrich Joussen	–2,777.4	2,815.0
David Burling	–695.8	1,139.0
Birgit Conix	29.0	313.4
Sebastian Ebel	–751.6	1,161.7
Dr Elke Eller	–529.0	897.5
Frank Rosenberger	–151.6	502.5
Total	**–4,876.4**	**6,829.1***

* Previous-year figure € 7,919.4 k including € 1,090.3 k for Horst Baier, resigned from the Management Board at the close of 30 September 2018.

The table shows the individual amounts of the total expenditure arising from the addition to the provisions to be formed pro rata according to IFRS 2 for all of the LTIP tranches to be granted during the term of the respective service agreements. According to IFRS 2, there are provisions totaling € 5,877.4 k (previous year: € 12,425.4 k* including € 1,671.8 k for Horst Baier, retired from the Executive Board at the end of 30 September 2018) to cover entitlements under TUI AG's LTIP for current Executive Board members.

* Adjusted to previous year.

There are liabilities in accordance with IFRS totaling € 0.0 k (previous year: € 4,079.0 k including € 1,010.8 k for Horst Baier, retired from the Executive Board at the end of 30 September 2018).

4. FRINGE BENEFITS

Purpose and link to company strategy

Fringe benefits offered should be competitive on the market for highly qualified Executive Board members.

Procedure

Executive Board members receive the following fringe benefits:

- Reimbursement of business travel expenses in accordance with TUI AG's general business travel guidelines; if applicable.
- Twice each financial year, the reimbursement of substantiated (e.g. by invoices) costs of a trip or individual components of a trip that take place at essentially the same time (flight, transfer in destination area, accommodation including holiday houses and apartments, cruise, rental car, round trip), from the ranges of a provider in which TUI AG holds a majority participation (section 16 German Stock Corporation Act), without any limitation as to type of holiday, category or price. Accompanying spouses / partners shall be granted a 50 % discount for these benefits, whereas accompanying own children and accompanying children of spouses / partners shall be granted a 100 % discount on the regular price of the aforementioned vacations until they no longer have a claim to a child allowance or a comparable state benefit pursuant to a foreign legal order. A discount of 75 % (50 % for accompanying spouses / partners, accompanying children meeting the requirements mentioned before) will be granted for flights (seat-only business of an airline in which TUI AG holds a majority participation pursuant to section 16 German Stock Corporation Act) that are not part of a trip.
- A suitable company car with driver or alternatively a car allowance of € 1.5 k gross per month.
- Insurance cover is provided in line with the agreements applicable in Germany and the United Kingdom. This is offered as follows:

TUI AG provides an accident insurance for Mr Joussen, Ms Conix, Mr Ebel, Dr Eller and Mr Rosenberger to the customary extend and pays the respective insurance contributions for the term of the service agreements. The coverage amounts to € 1,500 k for death and € 3,000 k for full disablement. Furthermore TUI AG pays an allowance towards health and long-term care insurance in the amount that would be payable for an employee but no more than half of the respective insurance premium for Mr Joussen, Mr Baier, Ms Conix, Mr Ebel, Dr Eller and Mr Rosenberger.

Insofar as this is permitted by law, Mr Burling remains a beneficiary of the UK term life, vocational disability and health insurance programs at the expense of TUI AG.

TUI AG also takes out criminal law protection insurance that provides cover for the Executive Board members regarding criminal and misdemeanor proceedings, if these proceedings are based on an act or a failure to act in the exercise of their duties for TUI AG. TUI AG also takes out a suitable financial liability insurance policy (D&O insurance) coverage for the Executive Board members to cover possible claims brought under private law on the basis of statutory liability provisions against one or more of the Executive Board members by a third party or the company for damages for a breach of duty committed in the exercise of their duties. The D&O insurance provides for a deductible of 10 % of the damage up to 150 % of the fixed annual remuneration.

Amount

The value of the company car, free holidays and insurance benefits which every member of the Executive Board receives annually is taken into account within the scope of the maximum remuneration listed on page 141 as fringe benefits.

5. PENSION BENEFITS

Purpose and link to company strategy

Highly-qualified Executive Board members who are needed to develop and implement company strategy are to be acquired and retained. The pension benefits should be competitive on the market for highly qualified Executive Board members and should provide them with a corresponding level of benefits in their retirement.

Procedure

Benefits in the form of pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. The Executive Board members are not entitled to receive transition payments upon leaving the Executive Board, with the exception of Mr Ebel who has an acquired right to receive transition payments under a legacy contract.

With regard to pension entitlements, different principles apply to Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenberger on the one hand and Ms Conix and Mr Burling on the other hand due to the legacy systems in Germany, Belgium and the UK.

Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenberger are entitled to pensions according to the pension commitments granted to Executive Board members of TUI AG (TUI AG Pension Scheme). These Executive Board members receive, on an annual basis, a contractually agreed amount that is paid into an existing pension account for the respective Executive Board member. The contributions to the company pension scheme of Mr Joussen, Mr Ebel and Dr Eller carry an interest rate established in the pension commitment. The interest rate stands at 5 % p. a. The annual interest for Mr Rosenberger's contributions to the company pension scheme is established by the company at its reasonable discretion in such a way that it does not exceed 5 % p. a. The beneficiary may choose between a one-off payment, payment by instalments or pension payments. The amounts agreed on in the service agreements of the aforementioned Executive Board members are:

- Mr Joussen: € 454.5 k per year. Mr Joussen becomes eligible for payment of the pension upon reaching the age of 62.
- Mr Ebel: € 207.0 k per year. Mr Ebel becomes eligible for payment of the pension upon reaching the age of 62.
- Dr Eller: € 230.0 k per year. Dr Eller becomes eligible for payment of the pension upon reaching the age of 63.
- Mr Rosenberger: € 230.0 k per year. Mr Rosenberger becomes eligible for payment of the pension upon reaching the age of 63.

Should Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenberger retire from TUI AG before the normal retirement date due to an ongoing occupational disability, they will receive an occupational disability pension until they are able to work again, but at most until they reach the normal retirement date.

Under certain circumstances, spouses, partners or cohabitants of the Executive Board members will, should the respective Executive Board member die, receive a survivor's pension worth 60 % of the pension for their lifetime or until remarriage. Children of Executive Board members will, should the respective Executive Board member die, receive an orphan's pension, paid no longer than until they reach the age of 27 at the latest. Children who have lost one parent will receive 20 % of the pension, and those who have lost both parents will receive 25 %. This claim is subject to the prerequisite that the child meets the requirements set out in section 32(3), (4), sentence 1 nos. 1 to 3 and (5) German Income Tax Act (Einkommensteuergesetz).

Mr Burling receives a fixed annual amount of € 225.0 k paid out in cash for his pension.

Ms Conix receives a fixed annual amount of € 230.0 k paid out in cash for her pension.

6. PENSION PROVISIONS FOR THE CURRENT EXECUTIVE BOARD MEMBERS UNDER THE TUI AG PENSION COMMITMENTS

At 30 September 2019, pension obligations for current Executive Board members totaled € 16,226.0 k (previous year balance sheet date: € 22,061.9 k including € 10,190.7 k for Horst Baier, retired from the Executive Board at the end of 30 September 2018) according to IAS 19. This includes € 6,085.8 k (previous year balance sheet date: € 4,624.3 k) for claims earned by Mr Ebel during the course of his work for the TUI Group up until 31 August 2006. The remaining claims can be broken down as follows:

Pension of current Executive Board members below TUI AG Pension scheme

	Addition to / reversal from pension provisions		Net present value	
€ '000	**2019**	2018	**30 Sep 2019**	30 Sep 2018
Friedrich Joussen	1,182.4	343.5	4,732.7	3,550.3
Sebastian Ebel	506.8	164.3	2,065.2	1,558.4
Dr Elke Eller	505.2	313.5	1,531.9	1,026.7
Frank Rosenberger	698.9	305.6	1,810.4	1,111.5
Total	**2,893.3**	**1,126.9**	**10,140.2**	**7,246.9**

According to commercial law provisions, the pension obligations for current Executive Board members amounted to € 11,158.1 k (previous year balance sheet date: € 18,508.4 k including € 9,471.9 k for Horst Baier, retired from the Executive Board at the end of 30 September 2018); this includes € 3,693.9 k (previous year balance sheet date: € 3,263.2 k) for claims earned by Mr Ebel during the course of his work for the TUI Group up until 31 August 2006.

Where the above table shows a corresponding amount, the pension obligations for beneficiaries are funded via the conclusion of pledged reinsurance policies.

7. REMUNERATION CAPS

The following caps apply to the remuneration (remuneration components and total remuneration) payable to Executive Board members for a financial year. It has to be noted that if the contractually agreed cap of the total remuneration is exceeded, the LTIP will be reduced accordingly.

Remuneration caps

€ '000	Fixed remuneration[1]	JEV	LTIP	Maximum total remuneration[2]
Friedrich Joussen	1,100.0	2,743.2	4,392.0	7,500.0
David Burling	680.0	1,080.0	2,208.0	3,500.0
Birgit Conix	680.0	1,188.0	2,208.0	3,500.0
Sebastian Ebel	680.0	1,080.0	2,208.0	3,500.0
Dr Elke Eller	680.0	1,177.2	2,088.0	3,500.0
Frank Rosenberger	600.0	1,004.4	1,836.0	3,500.0

[1] Fixed amount, no cap applied
[2] Contractually agreed cap for total remuneration (incl. fixed remuneration, JEV, LTIP, pension, additional remuneration and fringe benefits). In case the cap of total remuneration is exceeded, the LTIP is reduced accordingly.

8. PAYMENTS IN CASE OF PREMATURE DEPARTURE OF AN EXECUTIVE BOARD MEMBER

The payments to be made to a member of the Executive Board on the premature termination of his or her service agreement without good cause are in principle limited in the service agreement of Mr Joussen to an amount equal twice their annual remuneration. In the service agreements of Ms Conix and Mr Rosenberger it has been agreed that payments in the event of premature termination without good cause may not – in case of premature termination during the first year after the coming into force of the service agreement – exceed the amount equal twice their annual remuneration and – in case of premature termination after the end of the first year of the service agreement – exceed the amount on an annual remuneration (severance pay cap).

In the service agreements of Mr Burling, Mr Ebel and Dr Eller is has been agreed that payments due to premature termination of the respective service agreement without good cause shall not exceed the amount of an annual remuneration (severance pay cap).

For any member of the Executive Board, payments upon premature termination shall not cover more than the remaining term of the service agreement. The severance payment is calculated based on the target direct remuneration (fixed remuneration, target amount for JEV and target amount for LTIP) of the expired financial year and, if relevant, the expected target remuneration for the current financial year, provided that the application of 4.2.3. paragraph 4 sentence 3 GCGC does not result in a lesser sum. If the service agreement is terminated extraordinarily without notice no payments will be made to the members of the Executive Board.

In cases of premature termination of the service agreement, the annual performance-based remuneration (JEV) and payments according to the LTIP will be managed as follows:

- JEV
  - If the company terminates the service agreement without notice before the end of the one-year performance reference period for good cause attributable to the beneficiary or if the beneficiary terminates the service agreement without good cause, the claim to the JEV for the performance reference period in question will be forfeited and no alternative remuneration or compensation will be paid.
  - In all other cases of premature termination of the service agreement before the end of the one-year performance reference period, the JEV will be paid on a pro rata basis.

- LTIP:
  - If the company terminates the service agreement without notice before the end of the respective performance reference period for good cause attributable to the Executive Board member, or if the Executive Board member terminates the service agreement without good cause, all claims under the LTIP will lapse for all tranches not yet paid and no alternative remuneration or compensation will be paid.
  - If the service agreement ends before the expiry of the performance reference period for other reasons, the claims under the LTIP will be maintained for tranches not yet paid. The tranche of the current financial year will be reduced on a pro rata basis. The payout will be calculated in the same way as in the case of a continuation of the service agreement.

In connection with a termination of an Executive Board Member's service agreement, in particular subsequent to a termination of the service agreement, regardless of by which party, or the conclusion of a termination agreement, TUI AG shall be entitled to release the respective Executive Board Member in full or in part from his or her obligation to perform work subject to continued payment of the remuneration. Such release shall initially be irrevocable for the period of any still outstanding holiday entitlement, which shall hereby be deemed exhausted. The release shall subsequently be maintained until the service agreement ends. The release shall be revocable in the event that questions exist in connection with the winding-up of the service relationship or temporary work becomes necessary for business reasons. This shall not affect the remainder of the service agreement.

The service agreements of the Executive Board members do not contain change of control clauses.

9. OTHER PAYMENTS / BENEFITS FOR EXECUTIVE BOARD MEMBERS WHO LEFT THE BOARD IN FY 2019

No Executive Board Member has left the board in FY 2019.

10. PENSION PAYMENTS MADE TO PAST EXECUTIVE BOARD MEMBERS

In FY 2019, the pension payments to former Executive Board members and their surviving dependents totaled €6,016.0k (previous year: €4,963.6k). Pension provisions for former members of the Executive Board and their dependents amounted as at the balance sheet date to €79,767.9k (previous year: €63,738.2k) as measured according to IAS 19, not including Mr Ebel's claims in the amount of €6,085.8k (previous year: €4,624.3k) which he earned before 31 August 2006 during the course of his work for the TUI Group.

According to commercial law provisions, the pension obligations for former members of the Executive Board and their dependents amounted to €67,102.1k (previous year: €56,021.4k), not including Mr Ebel's claims in the amount of €3,692.9k (previous year: €3,263.2k) which he earned before 31 August 2006 during the course of his work for the TUI Group.

OVERVIEW: INDIVIDUAL REMUNERATION OF EXECUTIVE BOARD MEMBERS

1. INDIVIDUAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD MEMBERS FOR FY 2019 PURSUANT TO SECTION 314(1), NO. 6 (A) GERMAN COMMERCIAL CODE)

The amount for the LTIP shown in the following table corresponds to the fair value of the LTIP tranches of the respective member of the Executive Board at the grant date in accordance with the provisions of the German Commercial Code (HGB) covering the entire term of the respective service agreement. The values of the fixed remuneration and the JEV, on the other hand, reflect the remuneration paid for FY 2019.

Remuneration of individual Executive Board members granted by TUI AG for FY 2019 (acc. to section 314, paragraph 6 lit a of the German Commercial Code)

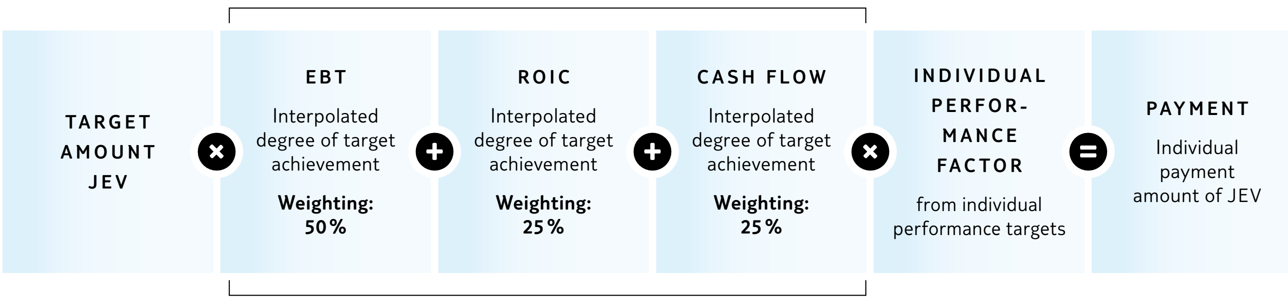
€ '000	Fixed remuneration[1]	JEV	LTIP[2]	**Total 2019**	Total 2018
Friedrich Joussen	1,134.8	0.0	0.0	1,134.8	7,185.4
David Burling	709.1	0.0	0.0	709.1	5,077.9
Birgt Conix	682.1	0.0	0.0	682.1	3,119.7
Sebastian Ebel	680.0	0.0	0.0	680.0	4,172.0
Dr Elke Eller	717.4	0.0	3,250.5	3,967.9	5,545.9
Frank Rosenberger	669.4	0.0	0.0	669.4	3,674.3
Total	**4,592.8**	**0.0**	**3,250.5**	**7,843.3**	
Previous year[3]	4,736.6	6,278.6	20,456.1	31,471.3	

1 Incl. firnge benefits (without insurances under Group coverage).
2 Based on the price of TUI AG share as of 1 October 2018 this corresponds for Dr Eller to a number of 196,286 virtual shares.
3 Including €795.0k fixed remuneration, €965.3k JEV and €935.8k LTIP for Horst Baier, retired from the Executive Board at the end of 30 September 2018.

2. TARGET ACHIEVEMENT

The multiplication of the target amounts by the weighted degrees of target achievement for EBT, ROIC together with Cash Flow and the individual performance factor results in the amount paid to member of the Executive Board as JEV.*

* In the management report, EBT is defined as EBT at planned rates, ROIC as ROIC JEV and cash flow as cash flow to the firm.



The targets set by the Supervisory Board for EBT, ROIC and Cash Flow are based on the annual operating plan and are in line with the financial communication.

Due to the very challenges in FY 2019 and in particular due to the considerable financial impact in connection with the grounding of the Boeing 737 Max aircraft already in service but also scheduled for delivery during the financial year, none of the performance targets could be achieved, resulting in a target achievement of 0 % in each case. This target achievement is based on an EBT of € 691.1 m, a ROIC of 14.0 % and a cash flow of € 76.8 m.

The ambitious targets for FY 2019, which went beyond the key financial figures, covered both the individual performance of the members of the Executive Board and the performance of the Executive Board as a whole as well as the stakeholder targets. These targets, like the individual performance criteria, were largely based on the Company's current strategic planning. Even at the definition stage, care is taken to ensure that these goals are precisely defined, that they contain measurability criteria or can be verified, that they have both a challenging and a positive, motivating dimension, and that they include a specific point in time at which the goals will be achieved.

Taking these prerequisites into account, the Supervisory Board's decision to measure individual performance factors was based on strategic goals in the individual areas of responsibility of the individual members of the Management Board, as well as on the development of training measures to take account of the changes resulting from digitization and the use of artificial intelligence, a corporate, management and work culture, the establishment of a reporting process on and the implementation of gender diversity measures below Management Board level, and the implementation of measures to maintain or increase customer satisfaction.

However, because the target values of EBT, ROIC and Cash Flow have not be achieved and a multiplication with a performance factor is mathematically redundant, the Supervisory Board did not formally determine the individual performance factors. As a result, the Supervisory Board determined that JEV would not lead to any payment in FY 2019 due to the 0 % target achievement.

PROVISIONAL SHARES

Target amount LTIP-Tranche 2016/19

———

Ø XETRA share price TUI AG 20 trading days prior to start of performance period

×

TSR

Interpolated degree of target achievement for TSR ranking

TSR TUI (Stoxx Europe 600 Leisure & Travel)

×

SHARE PRICE

Ø XETRA share price TUI AG 20 trading days before end of performance period

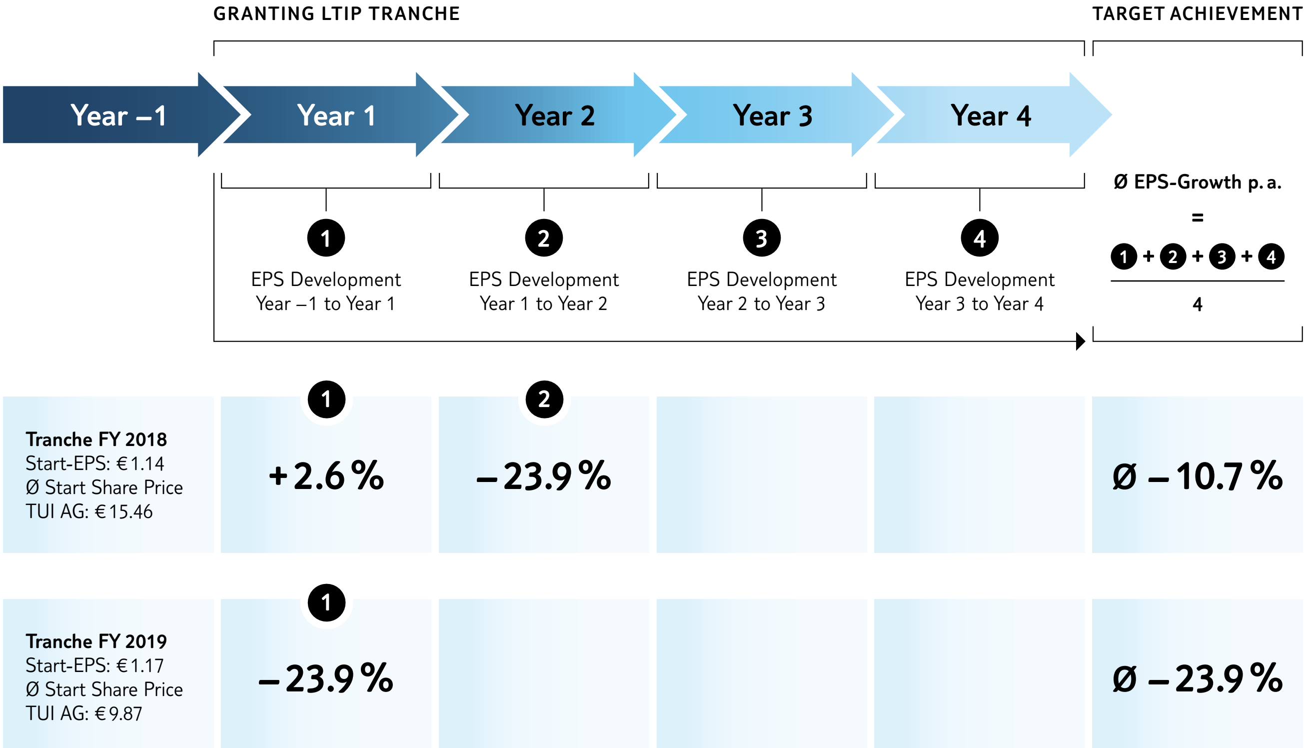
=

PAYMENT

Amount paid for LTIP-Tranche 2016/19

The achievement of objectives was also determined for the LTIP. The payment of LTIP tranche 2016/19 is based on the provisions of the remuneration system applicable prior to 1 October 2017. The LTIP tranche was granted on the basis of TUI AG's average share price of €16.42. At the end of the performance period, TUI AG's average share price was €9.87. Due to the degree to which the TSR ranking of TUI AG was achieved compared with the TSR values of the STOXX Europe 600 Travel & Leisure companies over the performance period, the LTIP also achieved a target of 0%. Accordingly, no payment will be made for LTIP tranche 2016/19.

The development of the LTIP tranches granted under the current remuneration system since the FY 2018 is shown below. The TSR rank is not shown here, as it is not determined until the end of the term of the respective tranche (for information on determining the TSR rank, see page 137). EPS, on the other hand, is calculated on an ongoing basis to determine the average annual growth rate.



3. ADDITIONAL INFORMATION

As in the previous year, no loans or advances were granted to the members of the Executive Board in FY 2019.

For her activities – which were approved by the Supervsiory Board of TUI AG – in supervisory boards or comparable domestic and foreign supervisory bodies of companies to be set up in acordance with section 125 of the German Stock Corporation Act (AktG) which are not carried out on the basis of a shareholding of TUI AG in the companies concerned Dr Eller received € 32.1 k from K+S AG and acquired a claim amounting to € 80.6 k there. For his mandate on the Supervisory Board of SIXT SE, Mr Joussen received € 25.2 k in FY 2019 and acquired a claim there of € 74.8 k, which is due for payment after the end of the financial year of SIXT SE. Mr Ebel received remuneration of € 7.5 k for his Supervisory Board mandate at BRW Beteiligungs AG. This remuneration was not offset against the Executive Board remuneration paid by TUI AG.

Pursuant to 4.2.5, attachment tables 1 and 2 GCGC, the two tables below (remuneration awarded and remuneration paid) show the benefits granted by TUI AG and the payments received. The table of 'remuneration awarded' in accordance with the GCGC shows the amount awarded in each financial year. At the time of granting the LTIP tranches are measured at fair value as of 01 October 2018. The fair value was determined by multiplying the respective target amount of the members of the Executive Board by a fair value factor of 1.16 per euro. However, as stated above, there is no entitlement to payment for the LTIP tranches of Mr Joussen, Mr Baier, Mr Burling, Mr Ebel and Dr Eller expiring in FY 2019. The remaining members of the Executive Board, on the other hand, are not yet entitled to payment due to their length of service on the Executive Board. The 'remuneration paid' table shows this accordingly.

4. REMUNERATION AWARDED

Remuneration awarded

	Friedrich Joussen CEO, since 14 February 2013[1]				David Burling Member of the Executive Board, since 1 June 2015			
€ '000	2018	**2019**	2019 (min.)	2019 (max.)	2018	**2019**	2019 (min.)	2019 (max.)
Fixed remuneration	1,100.0	1,100.0	1,100.0	1,100.0	680.0	680.0	680.0	680.0
Fringe benefits	91.6	52.8	52.8	52.8	8.5	29.1	29.1	29.1
Total	**1,191.6**	**1,152.8**	**1,152.8**	**1,152.8**	**688.5**	**709.1**	**709.1**	**709.1**
JEV	1,270.0	1,270.0	0.0	2,743.2	500.0	500.0	0.0	1,080.0
LTIP								
LTIP (2018–2021)	1,729.0				869.2			
LTIP (2019–2022)		2,122.8	0.0	4,392.0		1,067.2	0.0	2,208.0
Total	**4,190.6**	**4,545.6**	**1,152.8**	**8,288.0**	**2,057.7**	**2,276.3**	**709.1**	**3,997.1**
Pension/service costs[4]	563.5	635.7	635.7	635.7	225.0	225.0	225.0	225.0
Total remuneration[5]	**4,754.1**	**5,181.3**	**1,788.5**	**7,500.0**	**2,282.7**	**2,501.3**	**934.1**	**3,500.0**

Remuneration awarded

	Birgit Conix Member of the Executive Board, since 15 July 2018				Sebastian Ebel Member of the Executive Board, since 12 December 2014			
€ '000	2018[2]	**2019**	2019 (min.)	2019 (max.)	2018[3]	**2019**	2019 (min.)	2019 (max.)
Fixed remuneration	143.6	680.0	680.0	680.0	582.9	680.0	680.0	680.0
Fringe benefits	0.0	20.1	20.1	20.1	0.0	18.0	18.0	0.0
Total	**143.6**	**700.1**	**700.1**	**700.1**	**582.9**	**698.0**	**698.0**	**698.0**
JEV	116.1	550.0	0.0	1,188.0	428.6	500.0	0.0	1,080.0
LTIP								
LTIP (2018–2021)	183.3				745.1			
LTIP (2019–2022)		1,067.2	0.0	2,208.0		1,067.2	0.0	2,208.0
Total	**443.0**	**2,317.3**	**700.1**	**4,096.1**	**1,756.6**	**2,265.2**	**698.0**	**3,968.0**
Pension/service costs[4]	47.9	230.0	230.0	230.0	259.2	288.9	288.9	288.9
Total remuneration[5]	**490.9**	**2,547.3**	**930.1**	**3,500.0**	**2,015.8**	**2,554.1**	**986.9**	**3,500.0**

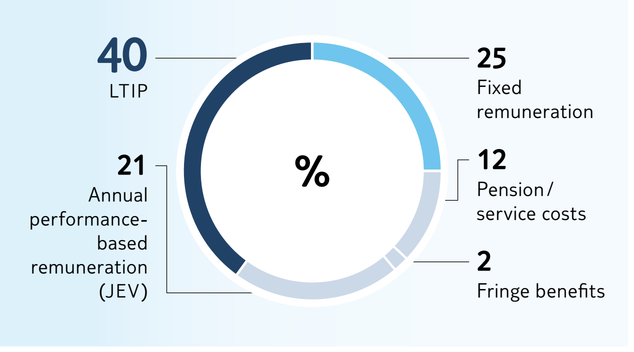
Remuneration awarded

	Dr Elke Eller Member of the Executive Board / Labour Director, since 15 October 2015				Frank Rosenberger Member of the Executive Board, since 1 January 2017			
€ '000	2018	**2019**	2019 (min.)	2019 (max.)	2018	**2019**	2019 (min.)	2019 (max.)
Fixed remuneration	680.0	680.0	680.0	680.0	600.0	600.0	600.0	600.0
Fringe benefits	35.5	55.4	55.4	55.4	19.5	87.4	87.4	87.4
Total	**715.5**	**735.4**	**735.4**	**735.4**	**619.5**	**687.4**	**687.4**	**687.4**
JEV	445.0	545.0	0.0	1,177.2	465.0	465.0	0.0	1,004.4
LTIP								
LTIP (2018–2021)	727.5				722.8			
LTIP (2019–2022)		1,009.2	0.0	2,088.0		887.4	0.0	1,836.0
Total	**1,888.0**	**2,289.6**	**735.4**	**4,000.6**	**1,807.3**	**2,039.8**	**687.4**	**3,527.8**
Pension / service costs[4]	323.7	360.6	360.6	360.6	342.1	416.5	416.5	416.5
Total remuneration[5]	**2,211.7**	**2,650.2**	**1,096.0**	**3,500.0**	**2,149.4**	**2,456.3**	**1,103.9**	**3,500.0**

1 Joint-CEO until 09.02.2016; member of the Executive Board since 15 October 2012.
2 Pro-rated disclosure of all remuneration components as of 15 July 2018.
3 Reduction due to his sabbatical from 26 April 2018 until 15 June 2018.
4 For Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenberger service costs aa. to IAS19; for Mr Burling and Ms Conix payments for pension contribution.
5 When contractually agreed cap for total remuneration to be paid is exceeded, LTIP is reduced proportionally.

The following overview of the total remuneration awarded to the members of the Executive Board in FY 2019 illustrates the distribution of the individual remuneration components in relation to each other. It has to be emphasized that the share of variable components of the total remuneration awarded is quite considerable: The LTIP accounts for 40 % of the total remuneration awarded, the JEV accounts for 21 %. It can be stated that variable components account for 61 % of the total remuneration awarded to the members of the Executive Board.

Composition of total remuneration awarded 2019 in %



5. REMUNERATION PAID

Remuneration paid

€ '000	Friedrich Joussen CEO, since 14 February 2013[1] 2018	2019	David Burling Member of the Executive Board, since 1 June 2015 2018	2019	Birgit Conix Member of the Executive Board, since 15 July 2018 2018[2]	2019
Fixed remuneration	1,100.0	1,100.0	680.0	680.0	143.6	680.0
Fringe benefits	91.6	52.8	8.5	29.1	0.0	20.1
Total	**1,191.6**	**1,152.8**	**688.5**	**709.1**	**143.6**	**700.1**
JEV	2,078.1	0.0	892.5	0.0	190.0	0.0
LTIP						
LTIP (2015–2018)	2,216.2		249.6		0.0	
LTIP (2016–2019)		0.0		0.0		0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Total	**5,485.9**	**1,152.8**	**1,830.6**	**709.1**	**333.6**	**700.1**
Pension/service costs[4]	563.5	635.7	225.0	225.0	47.9	**230.0**
Total remuneration	**6,049.4**	**1,788.5**	**2,055.6**	**934.1**	**381.5**	**930.1**

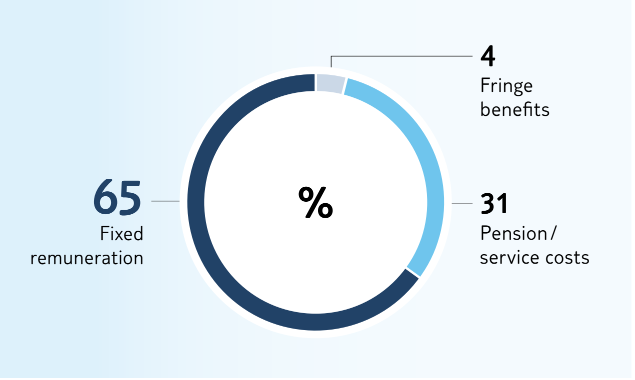
Remuneration paid

€ '000	Sebastian Ebel Member of the Executive Board, since 12 December 2014 2018[3]	2019	Dr Elke Eller Member of the Executive Board/ Labour Director, since 15 October 2015 2018	2019	Frank Rosenberger Member of the Executive Board, since 1 January 2017 2018	2019
Fixed remuneration	582.9	680.0	680.0	680.0	600.0	600.0
Fringe benefits	0.0	18.0	35.5	55.4	19.5	87.4
Total	**582.9**	**698.0**	**715.5**	**735.4**	**619.5**	**687.4**
JEV	701.3	0.0	794.3	0.0	657.1	0.0
LTIP						
LTIP (2015–2018)	602.2		0.0		0.0	
LTIP (2016–2019)		0.0		0.0		0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Total	**1,886.4**	**698.0**	**1,509.8**	**735.4**	**1,276.6**	**687.4**
Pension/service costs[4]	259.2	288.9	323.7	360.6	342.1	416.5
Total remuneration	**2,145.6**	**986.9**	**1,833.5**	**1,096.0**	**1,618.7**	**1,103.9**

1 Joint-CEO until 9 February 2016; member of the Executive Board since 15 October 2012.
2 Pro-rated disclosure of all remuneration components as of 15 July 2018.
3 Reduction due to his sabbatical from 26 April 2018 until 15 June 2018.
4 For Mr Joussen, Mr Ebel, Dr Eller and Mr Rosenberger service costs aa. to IAS19; for Mr Burling and Ms Conix payments for pension contribution.

Looking at the total inflow, it becomes clear that there is no inflow from variable remuneration components for the members of the Executive Board: No payment will be made for the multi-year variable remuneration or the JEV for the FY 2019.

Composition of total remuneration paid 2019 in %



REVIEW OF APPROPRIATENESS OF THE REMUNERATION AND PENSIONS OF EXECUTIVE BOARD MEMBERS

Following the end of FY 2019, the Supervisory Board carried out the annual review of the remuneration and pensions of Executive Board members for FY 2019. It concluded that these are appropriate from a legal point of view within the meaning of section 87(1) German Stock Corporation Act.

The Supervisory Board also regularly makes use of external advisors when assessing the appropriateness of the remuneration and pensions of Executive Board members. This involves assessing the level and structure of the remuneration of Executive Board members in relation to the remuneration of senior management and the workforce as a whole (vertical comparison) from an outside perspective. In addition to a status quo review, the vertical comparison also takes into account how this relationship changes over time. Secondly, the remuneration level and structure are assessed based on the position of TUI AG in a peer market consisting of a combination of DAX and MDAX companies that are similar to TUI AG in terms of size and complexity of business (horizontal comparison). In addition to the fixed remuneration, the horizontal comparison also covers the short- and long-term remuneration components as well as the amount of company pension. For FY 2019, no corresponding expert opinion was commissioned on the appropriateness of the level of remuneration for members of the Executive Board, as the remuneration was – due to the absence of short-term and long-term payments – below that of the previous year, the appropriateness of which was also examined. The amount of the remuneration received, which for FY 2019 consists of fixed remuneration, fringe benefits and pension contributions only, was largely known after the Annual General Meeting, which voted on the remuneration system in FY 2018. The same pertains to the vote of the Annual General Meeting 2019.

Remuneration of the Supervisory Board

The provisions and remuneration of members of the Supervisory Board are derived from section 18 of TUI AG's Articles of Association, which have been made permanently accessible to the public on the internet. The remuneration of the Supervisory Board is reviewed at appropriate intervals. In this regard the expected time required for the relevant duties and experience in companies of a similar size, industry and complexity are taken into account. Highly-qualified Supervisory Board members are to be acquired and retained.

Procedure

Besides reimbursement of their expenses, which include the turnover tax due on their emoluments, the members of the Supervisory Board receive a fixed remuneration of € 90.0 k per financial year, payable upon completion of the financial year. The chairman shall receive three times, and his deputies twice, the fixed remuneration of a Supervisory Board member.

An additional fixed remuneration of € 42.0 k is paid for membership of committees (e. g. the presiding committee, the audit committee and the strategy committee, but not the nomination committee). As a result of the successful completion of the integration of TUI AG and the former TUI Travel PLC, the integration committee was dissolved as planned in December 2016, which has already been described in the Annual Report 2017. The chairman of the audit committee shall receive three times, and the chairman of the strategy committee twice, this remuneration. This remuneration is also paid out at the end of the respective financial year.

The members of the Supervisory Board receive no further remuneration components and no fringe benefits. In all cases the remuneration relates to a full financial year. For parts of a financial year and for short financial years the remuneration shall be paid on a pro rata basis.

The members of the Supervisory Board and the committees receive an attendance fee of € 1.0 k per meeting, regardless of the form the meeting takes.

Moreover, the members of the Supervisory Board are included in a financial liability insurance policy (D&O insurance) taken out in an appropriate amount by the company in its own interests. The relevant insurance premiums are paid by the company. In line with the recommendation of the GCGC, there is a deductible for which the Supervisory Board members can take out their own private insurance.

Cap

There is no need to set a cap because the remuneration for the Supervisory Board members consists solely of fixed components.

On 9 February 2016 the Annual General Meeting of TUI AG passed a resolution to change the remuneration of the Supervisory Board to fixed remuneration only as well as to adjust the amount of the fixed remuneration components. The new remuneration model applied retroactively as of 1 October 2015, which meant that the variable remuneration granted in accordance with the provisions of the articles of association applicable until 9 February 2016 and based on the long-term success of the company was no longer paid. This variable remuneration was based on the average undiluted earnings per share (EPS) carried in the consolidated financial statements for the respective last three financial years. At the time of redemption, the members of the Supervisory Board were still entitled to the long-term remuneration granted in financial years 2014 and 2015 because of the three-year vesting period. These entitlements were redeemed on the basis of EPS planned values for financial years 2016 and 2017. Reducing the remuneration of the members of the Supervisory Board for past and current financial years is not permitted under stock corporation law. For this reason it needed to be checked, also upon completion of financial years 2016 and 2017, whether this has taken place with the change to the remuneration model by taking the EPS planned value for the relevant financial years as a basis. If using the EPS values actually achieved were to lead to higher long-term incentives than taking into account the planned values, the corresponding difference was to be paid to the relevant members of the Supervisory Board upon the close of the Annual General Meeting that voted on the ratification of the acts of the Supervisory Board for the respective financial year.

Regarding the remuneration granted in FY 2016, it was reviewed for the last time – upon the close of the Annual General Meeting 2019 – whether applying the remuneration model valid until 9 February 2016 would have resulted in higher remuneration than applying the new model. As this was the case, the corresponding difference was paid to the members of the Supervisory Board upon the close of the Annual General Meeting 2019. The respective amounts are shown in the table 'Remuneration of individual Supervisory Board members for FY 2019'.

REMUNERATION OF THE SUPERVISORY BOARD AS A WHOLE

Remuneration of the Supervisory Board as a whole

€ '000	**2019**	2018
Fixed remuneration	2,158.1	2,160.1
Long-term variable remuneration	252.9	225.1
Remuneration for committee memberships	1,084.4	1,050.0
Attendance fees	354.0	323.0
Remuneration for TUI AG Supervisory Board mandate	3,849.4	3,758.2
Remuneration for Supervisory Board mandates in the Group	40.6	35.6
Total	**3,890.0**	**3,793.8**

In addition, travel and other expenses totaling € 188.4 k (previous year: € 529.0 k) were reimbursed. Total remuneration of the Supervisory Board members, including reimbursement of travel and other expenses, thus amounted to € 4,078.4 k (previous year: € 4,321.8 k).

INDIVIDUAL REMUNERATION OF SUPERVISORY BOARD IN FY 2019

Individual remuneration of Supervisory Board in FY 2019

€ '000	Fixed remuneration	Ex-post adjustment of long-term variable remuneration	Remuneration for committee	Attendance fee	Remuneration for Supervisory Board mandates in the Group	**Total**
Dr Dieter Zetsche[1] (Chairman)	154.0		56.6	17.0		227.6
Frank Jakobi (Deputy Chairman)	180.0	0.0	84.0	24.0		288.0
Peter Long (Deputy Chairman)	180.0		126.0	26.0		332.0
Andreas Barczewski	90.0	15.1	42.0	17.0	21.8	185.9
Peter Bremme	90.0	15.1	42.0	16.0		163.1
Prof. Dr Edgar Ernst	90.0	15.1	159.8	21.0		285.9
Wolfgang Flintermann	90.0			10.0		100.0
Angelika Gifford[2]	90.0		57.0	19.0		166.0
Valerie Gooding	90.0	15.1	42.0	16.0		163.1
Dr Dierk Hirschel	90.0	15.1	42.0	17.0		164.1
Sir Michael Hodgkinson		26.5				26.5
Janis Kong	90.0	15.1	42.0	15.0		162.1
Vladimir Lukin[3]	29.0			3.0		32.0
Prof. Dr Klaus Mangold[4]	174.8	45.2	81.6	24.0		325.6
Coline McConville	90.0	15.1	42.0	17.0		164.1
Alexey Mordashov	90.0		84.0	22.0		196.0
Michael Pönipp	90.0	15.1	42.0	17.0	18.8	182.9
Carmen Riu Güell[5]	33.0	15.1	15.4	6.0		69.5
Carola Schwirn	90.0	15.1		10.0		115.1
Anette Strempel	90.0	15.1	42.0	17.0		164.1
Ortwin Strubelt	90.0	15.1	84.0	23.0		212.1
Joan Trían Riu[6]	57.3			7.0		64.3
Stefan Weinhofer	90.0			10.0		100.0
Total	**2,158.1**	**252.9**	**1,084.4**	**354.0**	**40.6**	**3,890.0**

1 Pro rated disclosure of remuneration components as of 23 May 2019.
2 Pro rated disclosure of fixed remuenration for committee-membership as of 23 May 2019.
3 Pro rated disclosure of all remuneration components as of 5 June 2019.
4 Pro rated disclosure of all remuneration components until 23 May 2019.
5 Pro rated disclosure of all remuneration components until 12 February 2019.
6 Pro rated disclosure of all remuneration components as of 12 February 2019.

Apart from the work performed by the employees' representatives pursuant to their contracts, none of the members of the Supervisory Board provided any personal services such as consultation or agency services for TUI AG or its subsidiaries in FY 2019 and thus did not receive any additional remuneration arising out of this.

The activities platform Musement enriches the TUI family. Thanks to this acquisition TUI not only boosted its Experiences offering to about 150,000 products; the technology and Milanese start-up culture were also decisive.
» In 'A marketplace for opportunities' in our magazine 'moments', the two partners describe the mutual benefits of their collaboration

3

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of the TUI Group for the period from 1 Oct 2018 to 30 Sep 2019

€ million	Notes	**2019**	2018 adjusted
Turnover	(1)	18,928.1	18,468.7
Cost of sales	(2)	17,257.4	16,465.8
Gross profit		**1,670.7**	**2,002.9**
Administrative expenses	(2)	1,219.4	1,291.3
Other income	(3)	21.3	67.4
Other expenses	(3)	22.5	3.5
Impairment of financial assets		4.5	20.1
Financial income	(4)	119.7	83.8
Financial expenses	(5)	171.4	165.5
Share of result of joint ventures and associates	(6)	297.5	292.1
Earnings before income taxes		**691.4**	**965.8**
Income taxes	(7)	159.5	190.9
Result from continuing operations		**531.9**	**774.9**
Result from discontinued operations	(8)	–	38.7
Group profit		**531.9**	**813.6**
Group profit attributable to shareholders of TUI AG	(9)	416.2	727.2
Group profit attributable to non-controlling interest	(10)	115.7	86.4

Earnings per share

€	Notes	**2019**	2018 adjusted
Basic earnings per share	(11)	**0.71**	**1.24**
from continuing operations		0.71	1.17
from discontinued operations		–	0.07
Diluted earnings per share	(11)	**0.71**	**1.24**
from continuing operations		0.71	1.17
from discontinued operations		–	0.07

Statement of Comprehensive Income of TUI Group for the period from 1 Oct 2018 to 30 Sep 2019

€ million	Notes	2019	2018 adjusted
Group profit		**531.9**	**813.6**
Remeasurements of defined benefit obligations and related fund assets		–19.9	66.0
Other comprehensive income of companies measured at equity that will not be reclassified		–36.2	–
Fair value gain/loss on investments in equity instruments designated as at FVTOCI		2.2	–
Income tax related to items that will not be reclassified	(12)	26.3	–12.5
Items that will not be reclassified to profit or loss		**–27.6**	**53.5**
Foreign exchange differences		96.7	–14.5
Foreign exchange differences outside profit or loss		96.7	–27.3
Reclassification		–	12.8
Financial instruments available for sale		–	0.5
Changes in the fair value		–	0.5
Cash flow hedges		–340.0	429.7
Changes in the fair value		6.6	607.3
Reclassification		–346.6	–177.6
Other comprehensive income of companies measured at equity that may be reclassified		0.8	41.2
Changes in the measurement outside profit or loss		0.8	41.2
Income tax related to items that may be reclassified	(12)	79.5	–103.5
Items that may be reclassified to profit or loss		**–163.0**	**353.4**
Other comprehensive income		**–190.6**	**406.9**
Total comprehensive income		**341.3**	**1,220.5**
attributable to shareholders of TUI AG		215.7	1,128.2
attributable to non-controlling interest		125.6	92.3
Allocation of share of shareholders of TUI AG of total comprehensive income			
Continuing operations		215.7	1,128.2

Financial Position of the TUI Group as at 30 Sep 2019

€ million	Notes	30 Sep 2019	30 Sep 2018 adjusted	1 Oct 2017 adjusted
Assets				
Goodwill	(13)	2,985.8	2,913.1	2,889.5
Other intangible assets	(14)	710.6	643.2	548.1
Property, plant and equipment	(15)	5,840.4	4,876.3	4,253.7
Investments in joint ventures and associates	(16)	1,507.6	1,398.1	1,273.9
Trade and other receivables	(17), (40)	60.9	103.3	138.7
Derivative financial instruments	(40)	43.9	83.2	79.9
Other financial assets	(18), (40)	43.0	54.3	69.5
Touristic prepayments	(19)	183.7	157.3	185.2
Other non-financial assets	(20), (40)	369.9	184.4	73.1
Income tax assets		9.6	9.6	–
Deferred tax assets	(21)	202.0	228.0	326.0
Non-current assets		**11,957.4**	**10,650.8**	**9,837.6**
Inventories	(22)	114.7	118.5	110.2
Trade and other receivables	(17), (40)	876.5	821.9	700.9
Derivative financial instruments	(40)	303.8	441.8	215.4
Other financial assets	(18), (40)	31.1	18.7	11.9
Touristic prepayments	(19)	908.7	731.3	583.9
Other non-financial assets	(20), (40)	131.5	140.2	81.7
Income tax assets		155.7	114.1	98.7
Cash and cash equivalents	(23), (40)	1,741.5	2,548.0	2,516.1
Assets held for sale	(24)	50.0	5.5	9.6
Current assets		**4,313.5**	**4,940.0**	**4,328.4**
Total assets		**16,270.9**	**15,590.8**	**14,166.0**

Financial Position of the TUI Group as at 30 Sep 2019

€ million	Notes	30 Sep 2019	30 Sep 2018 adjusted	1 Oct 2017 adjusted
Equity and liabilities				
Subscribed capital	(25)	1,505.8	1,502.9	1,501.6
Capital reserves	(26)	4,207.5	4,200.5	4,195.0
Revenue reserves	(27)	–2,259.4	–2,062.6	–2,808.5
Equity before non-controlling interest		**3,453.9**	**3,640.8**	**2,888.1**
Non-controlling interest	(29)	711.4	634.8	594.0
Equity		**4,165.3**	**4,275.6**	**3,482.1**
Pension provisions and similar obligations	(30)	1,035.6	962.2	1,094.7
Other provisions	(31)	775.0	768.1	801.4
Non-current provisions		**1,810.6**	**1,730.3**	**1,896.1**
Financial liabilities	(32), (40)	2,457.6	2,250.7	1,761.2
Derivative financial instruments	(40)	59.1	12.8	50.4
Other financial liabilities	(40)	18.8	14.4	43.9
Other non-financial liabilities	(34)	100.1	89.0	106.3
Income tax liabilities		70.9	108.8	150.2
Deferred tax liabilities	(21)	233.5	187.9	106.4
Non-current liabilities		**2,940.0**	**2,663.6**	**2,218.4**
Non-current provisions and liabilities		**4,750.6**	**4,393.9**	**4,114.5**
Pension provisions and similar obligations	(30)	32.4	32.6	32.7
Other provisions	(31)	361.9	348.3	349.9
Current provisions		**394.3**	**380.9**	**382.6**
Financial liabilities	(32), (40)	224.6	192.2	171.9
Trade payables	(40)	2,873.9	2,692.5	2,433.1
Derivative financial instruments	(40)	157.1	65.7	217.2
Other financial liabilities	(40)	89.6	93.3	103.8
Touristic advance payments received	(33)	2,911.2	2,824.8	2,700.4
Other non-financial liabilities	(34)	519.3	585.7	495.1
Income tax liabilities		81.9	86.2	65.3
Current liabilities		**6,857.6**	**6,540.4**	**6,186.8**
Liabilities related to assets held for sale	(35)	103.1	–	–
Current provisions and liabilities		**7,355.0**	**6,921.3**	**6,569.4**
Total provisions and liabilities		**16,270.9**	**15,590.8**	**14,166.0**

Statement of Changes in Group Equity of the TUI Group for the period from 1 Oct 2018 to 30 Sep 2019

€ million	Subscribed capital (25)	Capital reserves (26)	Other revenue reserves	Foreign exchange differences	Financial assets at FVOCI
Balance as at 30 Sep 2017 (reported)	**1,501.6**	**4,195.0**	**–1,562.5**	**–1,237.6**	**–**
Adoption IFRS 15	–	–	–50.5	–1.1	–
Balance as at 1 Oct 2017 (adjusted)	**1,501.6**	**4,195.0**	**–1,613.0**	**–1,238.7**	**–**
Dividends	–	–	–381.8	–	–
Share-based payment schemes	–	–	0.7	–	–
Issue of employee shares	1.3	5.5	–	–	–
First-time consolidation	–	–	0.4	–	–
Effects on the acquisition of non-controlling interests	–	–	–0.4	–	–
Adjustment PPA Destination Management	–	–	–1.2	–	–
Group profit for the year	**–**	**–**	**727.2**	**–**	**–**
Foreign exchange differences	–	–	16.2	–34.9	–
Financial instruments available for sale	–	–	–	–	–
Cash flow hedges	–	–	–	–	–
Remeasurements of defined benefit obligations and related fund assets	–	–	66.0	–	–
Other comprehensive income of joint ventures and associates	–	–	42.1	–	–
Taxes attributable to other comprehensive income	–	–	–12.5	–	–
Other comprehensive income	**–**	**–**	**111.8**	**–34.9**	**–**
Total comprehensive income	–	–	839.0	–34.9	–
Balance as at 30 Sep 2018 (adjusted)	**1,502.9**	**4,200.5**	**–1,156.3**	**–1,273.6**	**–**
Adoption of IFRS 9	–	–	6.3	–	–
Balance as at 1 Oct 2018	**1,502.9**	**4,200.5**	**–1,150.0**	**–1,273.6**	**–**
Dividends	–	–	–423.3	–	–
Share-based payment schemes	–	–	5.0	–	–
Issue of employee shares	2.9	7.0	–	–	–
First-time consolidation	–	–	–	–	–
Group profit for the year	**–**	**–**	**416.2**	**–**	**–**
Foreign exchange differences	–	–	9.2	83.6	1.5
Financial assets at FVOCI	–	–	–	–	2.2
Cash flow hedges	–	–	–	–	–
Remeasurements of defined benefit obligations and related fund assets	–	–	–19.9	–	–
Other comprehensive income of joint ventures and associates	–	–	–35.2	–	–
Taxes attributable to other comprehensive income	–	–	26.3	–	–
Other comprehensive income	**–**	**–**	**–19.6**	**83.6**	**3.7**
Total comprehensive income	–	–	396.6	83.6	3.7
Balance as at 30 Sep 2019	**1,505.8**	**4,207.5**	**–1,171.7**	**–1,190.0**	**3.7**

Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (27)	Equity before non-controlling interest	Non-controlling interest (29)	**Total**
–	**27.7**	**15.5**	**−2,756.9**	**2,939.7**	**594.0**	**3,533.7**
–	–	–	−51.6	−51.6	–	−51.6
–	**27.7**	**15.5**	**−2,808.5**	**2,888.1**	**594.0**	**3,482.1**
–	–	–	−381.8	−381.8	−53.5	−435.3
–	–	–	0.7	0.7	–	0.7
–	–	–	–	6.8	–	6.8
–	–	–	0.4	0.4	3.0	3.4
–	–	–	−0.4	−0.4	−0.3	−0.7
–	–	–	−1.2	−1.2	−0.7	−1.9
–	**–**	**–**	**727.2**	**727.2**	**86.4**	**813.6**
–	−0.2	−2.6	−21.5	−21.5	7.0	−14.5
0.5	–	–	0.5	0.5	–	0.5
–	429.9	–	429.9	429.9	−0.2	429.7
–	–	–	66.0	66.0	–	66.0
–	–	–	42.1	42.1	−0.9	41.2
–	−103.5	–	−116.0	−116.0	–	−116.0
0.5	**326.2**	**−2.6**	**401.0**	**401.0**	**5.9**	**406.9**
0.5	326.2	−2.6	1,128.2	1,128.2	92.3	1,220.5
0.5	**353.9**	**12.9**	**−2,062.6**	**3,640.8**	**634.8**	**4,275.6**
−0.5	–	–	5.8	5.8	–	5.8
–	**353.9**	**12.9**	**−2,056.8**	**3,646.6**	**634.8**	**4,281.4**
–	–	–	−423.3	−423.3	−52.5	−475.8
–	–	–	5.0	5.0	–	5.0
–	–	–	–	9.9	–	9.9
–	–	–	–	–	3.5	3.5
–	**–**	**–**	**416.2**	**416.2**	**115.7**	**531.9**
–	−8.3	0.6	86.6	86.6	10.1	96.7
–	–	–	2.2	2.2	–	2.2
–	−340.0	–	−340.0	−340.0	–	−340.0
–	–	–	−19.9	−19.9	–	−19.9
–	–	–	−35.2	−35.2	−0.2	−35.4
–	79.5	–	105.8	105.8	–	105.8
–	**−268.8**	**0.6**	**−200.5**	**−200.5**	**9.9**	**−190.6**
–	−268.8	0.6	215.7	215.7	125.6	341.3
–	**85.1**	**13.5**	**−2,259.4**	**3,453.9**	**711.4**	**4,165.3**

Cash Flow Statement

€ million	Notes	2019	2018 adjusted	Var.
Group profit		531.9	813.6	−281.7
Depreciation, amortisation and impairment (+)/write-backs (–)		509.6	440.4	+69.2
Other non-cash expenses (+)/income (–)		−256.1	−266.6	+10.5
Interest expenses		167.7	162.4	+5.3
Dividends from joint ventures and associates		244.6	222.7	+21.9
Profit (–)/loss (+) from disposals of non-current assets		−5.3	−99.0	+93.7
Increase (–)/decrease (+) in inventories		−3.1	−10.0	+6.9
Increase (–)/decrease (+) in receivables and other assets		−249.7	−570.4	+320.7
Increase (+)/decrease (–) in provisions		−58.3	−74.1	+15.8
Increase (+)/decrease (–) in liabilities (excl. financial liabilities)		233.6	531.9	−298.3
Cash inflow from operating activities	(42)	**1,114.9**	**1,150.9**	**−36.0**
Payments received from disposals of property, plant and equipment and intangible assets		182.0	192.4	−10.4
Payments from disposals of consolidated companies (less disposals of cash and cash equivalents due to divestments)		−52.4	88.6	−141.0
Payments received from the disposals of other non-current assets		7.7	5.5	+2.2
Payments made for investments in property, plant and equipment and intangible assets		−987.0	−956.2	−30.8
Payments made for investments in consolidated companies (less cash and cash equivalents received due to acquisitions)		−242.3	−135.6	−106.7
Payments made for investments in other non-current assets		−49.4	−40.4	−9.0
Cash outflow from investing activities	(43)	**−1,141.4**	**−845.7**	**−295.7**
Payments made for acquisition of own shares		−0.4	−1.0	+0.6
Payments received from the sale of own shares		–	32.7	−32.7
Payments received from the issuance of employee shares		9.9	6.8	+3.1
Payments made for interest increase in consolidated companies		–	−0.8	+0.8
Dividend payments				
TUI AG		−423.3	−381.8	−41.5
subsidiaries to non-controlling interest		−52.2	−53.5	+1.3
Payments received from the issue of bonds and the raising of financial liabilities		52.5	434.2	−381.7
Payments made for redemption of loans and financial liabilities		−232.4	−162.7	−69.7
Interest paid		−117.9	−110.8	−7.1
Cash outflow from financing activities	(44)	**−763.8**	**−236.9**	**−526.9**
Net change in cash and cash equivalents		**−790.3**	**68.3**	**−858.6**
Development of cash and cash equivalents	(45)			
Cash and cash equivalents at beginning of period		**2,548.0**	**2,516.1**	**+31.9**
Change in cash and cash equivalents due to exchange rate fluctuations		−10.1	−36.4	+26.3
Net change in cash and cash equivalents		−790.3	68.3	−858.6
Cash and cash equivalents at end of period		**1,747.6**	**2,548.0**	**−800.4**
of which included in the balance sheet as assets held for sale		6.1	–	+6.1

NOTES

Principles and Methods underlying the Consolidated Financial Statements

General

The TUI Group and its major subsidiaries and shareholdings operates in tourism.

TUI AG, based in Karl-Wiechert-Allee 4, Hanover is the TUI Group's parent company and a listed corporation under German law. The Company is registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580). The shares in the company are traded on the London Stock Exchange and the Hanover and Frankfurt Stock Exchanges.

These consolidated financial statements of TUI AG were prepared for the FY 2019 comprising the period from 1 October 2018 to 30 September 2019. 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 11 December 2019.

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 2019 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 FY 2019 are generally consistent with those followed in preparing the previous consolidated financial statements for FY 2018. Exceptions to this are the standards and interpretations applied for the first time in FY 2019, in particular the standards on Revenue Recognition (IFRS 15) and recognition of Financial Instruments (IFRS 9), applied as at 1 October 2018.

NEWLY APPLIED STANDARDS

Since the beginning of the FY 2019 the following standards amended or newly issued by the IASB became mandatorily applicable for the first time to TUI Group:

Newly applied standards in FY 2019

Standard	Applicable from	Amendments	Impact on financial statements
Amendments to IFRS 2 Classification and Measurement of Share-based Payment transactions	1 Jan 2018	The amendments clarify the accounting for certain share based payment transactions.	Not material.
IFRS 9 Financial Instruments	1 Jan 2018	The new standard replaces the current guidance in IAS 39 on classification and measurement of financial assets and introduces new rules for hedge accounting. The existing impairment rules are being superseded by a new model based on expected credit losses.	The effects are explained below.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 Jan 2019 (early adoption)	The amendments serve to enable entities applying IFRS 9 that hold debt instruments with a prepayment feature under which a party receives or pays a reasonable compensation in the event of early termination of the contract to measure these instruments at amortised cost or at fair value through other comprehensive income. Until the effective date of the amendments, such instruments have to be measured at fair value through profit or loss.	Not material.
IFRS 15 Revenue from Contracts with Customers	1 Jan 2018	IFRS 15 combines and supersedes the guidance on revenue recognition comprised in various standards and interpretations so far. It establishes a single, comprehensive framework for revenue recognition, to be applied across industries and for all categories of revenue transactions, specifying which amount of revenue and at which point in time or over which time period revenue is to be recognised. IFRS 15 replaces, amongst others, IAS 18 and IAS 11.	The effects of IFRS 15 and the clarifications to IFRS 15 are explained below.
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 Jan 2018	The amendments comprise clarifications of the guidance on identifying performance obligations, the principal versus agent assessment as well as the accounting for revenue from licences at a 'point in time' or 'over time'. In addition, it introduces practical expedients to simplify first-time adoption.	
Amendments to IAS 40 Transfer of Investment Property	1 Jan 2018	The amendments set out the conditions, according to which property under construction or development, which was previously classified as inventory, could be transferred to investment property in case of an evident change in use (and reversal).	Not material.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 Jan 2018	The interpretation clarifies the exchange rate to be used when an entity has received or paid advance consideration in a foreign currency. The date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which the entity initially recognises the advance consideration.	No impact.

The amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts', issued on 12 September 2016 and effective for the first time in the financial year under review, are not relevant for TUI Group.

IFRS 9

TUI initially applies the new standard in the period beginning on 1 October 2018. The first-time application of IFRS 9 is made retrospectively. In accordance with the transition requirements, TUI Group elected to not restate comparative periods and to present them in accordance with IAS 39. The cumulative first-time application effects arising on transition to IFRS 9 are recognised in equity as at 1 October 2018.

The IFRS 9 changes the accounting principles for the classification and valuation of financial assets, for impairments of financial assets and for the accounting of hedging instruments.

- Under IFRS 9, financial assets are classified depending on the relevant business models for managing the financial assets and the cash flows characteristics associated with the financial assets. The classification on initial recognition encompasses the measurement categories 'financial assets at amortised cost (AC)', 'financial assets at fair value through OCI' (FVOCI) and 'financial assets at fair value through profit or loss (FVPL)'.
- With the exception of the equity and debt instruments previously classified as 'financial assets available for sale' under IAS 39, the reclassification of financial assets on transition to IFRS 9 did not result in any material changes in measurement bases. All financial assets previously measured at amortised cost met the conditions for classification as 'financial assets at amortised cost' under IFRS 9.
- All equity instruments held were irrevocably allocated to the new measurement category 'financial assets at fair value recognised in OCI'. Debt instruments previously allocated to the measurement category 'financial assets available for sale' will be carried at fair value through profit or loss under IFRS 9. The fair value measurements of the investments previously carried at cost under IAS 39 resulted in an overall increase in the carrying amount of € 22.9 m on transition to IFRS 9, recognised in equity in line with the transition requirements.
- The classification of financial liabilities did not give rise to any changes in measurement categories. TUI does not make use of the so-called 'fair value option'. The transition from IAS 39 to IFRS 9 therefore resulted in no adjustments.
- For financial assets measured at amortised cost an expected credit loss must be recognized. The so-called 'simplified approach' is applicable to trade receivables so that all expected credit losses over the lifetime of the contract are recognised upon initial recognition. In this context, TUI uses historical loss rates adjusted for forward looking elements based on credit default swaps (CDS) rates. For all other financial assets within the scope of IFRS 9, such as touristic loans, the expected credit losses are determined using the 'general approach'. TUI calculates the expected credit losses on the basis of default probabilities determined on the basis of an internal rating model. CDS rates are also used as the forward-looking element in the general approach of the impairment model. If the default risk of the financial asset has not deteriorated significantly since initial recognition, 12-month credit losses are calculated. In the event of a significant deterioration in the default risk, value adjustments are recognised in the amount of the expected lifetime credit losses. It is reviewed quarterly whether the credit risk has increased significantly. The transition from the incurred loss model to the new expected credit loss model resulted in an overall increase in loan loss provisions of € 21.8 m upon transition to IFRS 9, which was recognised directly in equity. As a result, the credit loss allowances changed from € 96.6 m to € 118.4 m on transition. Risk provisions were recognised for financial instruments that were allocated to the category 'loans and receivables' in accordance with IAS 39 and to the category 'financial assets measured at amortised cost' in accordance with IFRS 9.
- TUI Group exercises the option to continue to apply the hedge accounting requirements of IAS 39 under IFRS 9.

Reconciliation of the carrying amounts of financial assets from IAS 39 to IFRS 9 as at 1 Oct 2018

€ million	Measurement category according to IAS 39	Carrying amount according to IAS 39 as at 30 Sep 2018	Valuation approach according to IFRS 9	Reclassifi-cations	Remeasure-ments	Carrying amount according to IFRS 9 as at 1 Oct 2018	Changes in revenue reserves as at 1 Oct 2018
Financial assets at amortised cost	LaR	3,491.9	AC	–	–21.8	3,470.1	–21.8
Financial assets at fair value recognised through profit or loss	FAHfT	40.3	FVPL	–	–	40.3	–
Financial assets at fair value recognised in other comprehensive income	AfS	26.7		–26.7	–	–	–
Financial assets at fair value recognised in other comprehensive income		–	FVOCI	26.7	–	26.7	–
Financial assets at cost	AfS	27.6		–27.6	–	–	–
Financial assets at fair value recognised in other comprehensive income		–	FVOCI	12.6	15.0	27.6	15.0
Financial assets at fair value recognised through profit or loss		–	FVPL	15.0	7.9	22.9	7.9
Total		**3,586.5**		**–**	**1.1**	**3,587.6**	**1.1**

LaR (Loans and Receivables)
FAHfT (Financial asset held for trading)
AfS (Available for Sale)

The value adjustment effect of €21.8 m on financial assets at amortised costs results exclusively from the application of the impairment model in accordance with IFRS 9.

The table below shows the effect of the transition to IFRS 9 on the carrying amounts and fair values of financial assets and liabilities as at 1 October 2018 by measurement category.

Reconciliation of financial assets and liabilities according to class and measurement categories as at 1 Oct 2018

€ million	Measurement categories according to IAS 39	Measurement categories according to IFRS 9	Carrying amount as at 30 Sep 2018	Carrying amount according to IAS 39 as at 30 Sep 2018	Fair Value according to IAS 39 as at 30 Sep 2018	Carrying amount according to IFRS 9 as at 1 Oct 2018	Fair Value according to IFRS 9 as at 1 Oct 2018
Assets							
Other financial assets	AfS	FVOCI	39.3	39.3	39.3	54.3	54.3
Other financial assets	AfS	FVPL	15.0	15.0	15.0	22.9	22.9
Other financial assets	LaR	AC	18.7	18.7	18.7	18.7	18.7
Trade and other receivables	LaR / n. a.	AC	925.2	925.2	925.2	903.4	903.4
Derivative financial instruments							
Hedging	n. a.	n. a.	484.7	484.7	484.7	484.7	484.7
Other derivative financial instruments	FAHfT	FVPL	40.3	40.3	40.3	40.3	40.3
Cash and cash equivalents	LaR	AC	2,548.0	2,548.0	2,548.0	2,548.0	2,548.0
Liabilities							
Financial liabilities	FLaC / n. a.	AC	2,442.9	1,100.3	1,163.6	1,100.3	1,163.6
Trade payables	FLaC	AC	2,692.5	2,692.5	2,692.5	2,692.5	2,692.5
Derivative financial instruments							
Hedging	n. a.	n. a.	56.0	56.0	56.0	56.0	56.0
Other derivative financial instruments	FLHfT	FVPL	22.5	22.5	22.5	22.5	22.5
Other financial liabilities	FLaC	AC	107.7	107.7	107.7	107.7	107.7

LaR (Loans and Receivables)
FAHfT (Financial asset held for trading)
AfS (Available for Sale)
FLaC (Financial liability amortised cost)
FLHfT (Financial liability held for trading)

IFRS 15

In May 2014, IASB issued IFRS 15 (Revenues from Contracts with Customers). TUI Group applied IFRS 15 for the first time as at 1 October 2018, using the retrospective method under which the comparative period is presented in line with IFRS 15. As at 1 October 2017, the transition date, the first-time application of IFRS 15 resulted in a decrease in equity of € 51.6 m (after tax). The application of IFRS 15 led in particular to the following results:

- The flights, hotel nights and other services included in a package holiday are transformed into one product for customers within the meaning of IFRS 15, TUI as a tour operator, provides a significant service of integrating these services into a bundle, so that a package holiday constitute a single performance obligation for TUI.
- Tour operator revenue recognition: Depending on the specific terms and conditions of the relevant contract, most tour operator revenue transactions were recognised on departure, i. e. at a point in time, under IAS 18. According to IFRS 15, revenue is now recognised when TUI performs the service for the customer, i. e. straight-line over the duration of the holiday, as customers consume their holidays over time. Compared with the rules of IAS 18, this usually leads to a change of timing for recognition of revenues and costs to a later date.
- Change of presentation in the income statement: Due to the transition to IFRS 15, TUI has presented some revenue from tour operation under certain business models, previously shown on a gross basis under turnover and cost of sales, on a net basis since this financial year. This primarily affects passenger-related taxes and charges, shown on a net basis under revenues under IFRS 15.
- Denied Boarding compensations for flight cancellations or delays were recognised in cost of sales according to IAS 18. 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 revenues.

- The application of IFRS 15 for joint ventures and associates measured at equity also created effects impacting underlying EBITA through the result from joint ventures and associates.

TUI applies the practical expedient offered under IFRS 15.63, dispensing with accounting for existing financing components in contracts with a term of one year or less. Advance payments received from customers constitute contract liabilities within the meaning of IFRS 15. The effects of the first-time application of IFRS 15 on TUI Group's consolidated financial statements are summarised in the section on 'Restatement of comparative periods'.

The effects of the recognition of additional revenues and tourist expenses at the beginning of a financial year and lower revenues and tourism expenses at the end of a financial year driven by the new, later revenue recognition under IFRS 15 compared with revenue recognition on departure, i. e. at a point in time, under IAS 18 – ceteris paribus – will almost completely offset one another year on year assuming constant business volumes.

Going concern reporting according to the UK Corporate Governance Code

The Executive Board remains satisfied with the Group's funding and liquidity position. At 30 September 2019, the main sources of debt funding included:

- an external revolving credit facility of € 1,535.0 m maturing in July 2022, used to manage the liquidity of the Group due to the seasonality of the cash flows,
- 2016 / 21 bonds with a nominal value of € 300.0 m, issued by TUI AG, maturing in October 2021,
- a Schuldschein with a maximum maturity until July 2028 and a nominal value of € 425.0 m, issued by TUI AG,
- further bank liabilities of € 445.0 m, primarily for loans used to acquire property, plant and equipment and
- € 1,495.2 m of finance lease obligations.

The credit facility requires compliance with certain financial covenants, which were fully complied with at the balance sheet date. These covenants are calculated based on EBITDA (€ 1,277.4 m; prior year € 1,494.3 m) and EBITDAR (€ 1,990.4 m; prior year € 2,215.8 m), which does not include long-term leasing and rental expenses (€ 713.0 m; prior year € 721.5 m).

In accordance with rule C1.3 of the UK Corporate Governance Code, the Executive Board confirms that it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Restatement of comparative periods

TUI Group has retrospectively applied IFRS 15 and IFRS 9 as at 1 October 2018 as described in the section 'Newly applied standards'. Unlike IFRS 15, IFRS 9 was introduced without a restatement of prior year comparatives. In order to improve the presentation and the comparability of the financial statements, the comparative figures for impairments on financial assets have been reclassified to the new line introduced by IFRS 9 accordingly. For the separate disclosure of financial and non-financial assets and liabilities, the balance sheet structure was amended during the year under review, with the prior year adjusted accordingly.

Additionally, Purchase Price Allocation measurement period adjustments for the business Destination Management and for the company Antwun S. A. resulted in a restatement of prior-year comparatives in the statement of financial position and income statement (for further details, see comments in the section on 'Acquisitions').

RESTATEMENT OF INCOME STATEMENT

Restated items of the income statement of the TUI Group for the period from 1 Oct 2017 to 30 Sep 2018

€ million	Before adjustment	Adoption of IFRS 15	Amendment income statement structure	Adjustment PPA Destination Management	Adjusted
Turnover	19,523.9	–1,055.2	–	–	18,468.7
Cost of sales	17,542.4	–1,058.0	–20.1	1.5	16,465.8
Gross profit	**1,981.5**	**2.8**	**20.1**	**–1.5**	**2,002.9**
Administrative expenses	1,289.9	1.4	–	–	1,291.3
Impairment of financial assets	–	–	20.1	–	20.1
Share of result of joint ventures and associates	297.7	–5.6	–	–	292.1
Earnings before income taxes	**971.5**	**–4.2**	**–**	**–1.5**	**965.8**
Income taxes	191.3	–	–	–0.4	190.9
Result from continuing operations	**780.2**	**–4.2**	**–**	**–1.1**	**774.9**
Group profit	**818.9**	**–4.2**	**–**	**–1.1**	**813.6**
Group profit for the year attributable to shareholders of TUI AG	732.5	–4.2	–	–1.1	727.2

RESTATEMENT OF EARNINGS PER SHARE

Reconciliation to the adjusted earnings per share of the TUI Group for the period from 1 Oct 2017 to 30 Sep 2018

€	Before adjustment	Adoption of IFRS 15	Adjusted
Basic and diluted earnings per share	1.25	–0.01	1.24
From continuing operations	1.18	–0.01	1.17

RESTATEMENT OF CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Restated items of statement of comprehensive income of the TUI Group for the period from 1 Oct 2017 to 30 Sep 2018

€ million	Before adjustment	Adoption of IFRS 15	Adjustment Destination Management PPA	Adjusted
Group profit	818.9	–4.2	–1.1	813.6
Foreign exchange differences	–15.3	0.8	–	–14.5
Items that may be reclassified to profit or loss	352.6	0.8	–	353.4
Other comprehensive income	406.1	0.8	–	406.9
Total comprehensive income	1,225.0	–3.4	–1.1	1,220.5
attributable to shareholders of TUI AG	1,132.7	–3.4	–1.1	1,128.2

RESTATEMENT OF STATEMENT OF FINANCIAL POSITION

Adjusted items in the financial position of the TUI Group as at 30 Sep 2018 and 1 Oct 2017

€ million	Before adjustment	Adoption of IFRS 15	Adjustment PPA Destination Management
Assets			
Goodwill	2,958.6	–	– 45.5
Other intangible assets	569.9	–	60.2
Property, plant and equipment	4,899.2	–	–
Investments in joint ventures and associates	1,436.6	– 38.5	–
Trade and other receivables	287.7	–	–
Other non-financial assets	–	–	–
Deferred tax assets	225.7	2.3	–
Non-current assets	10,682.1	– 36.2	14.7
Trade and other receivables	981.9	–	– 1.4
Other financial assets	–	–	–
Touristic payments on account	720.2	11.1	–
Other non-financial assets	–	–	0.3
Income tax assets	113.8	–	0.3
Current assets	4,929.7	11.1	– 0.8
Total assets	**15,611.8**	**– 25.1**	**13.9**
Equity and liabilities			
Revenue reserves	– 2,005.3	– 56.1	– 1.2
Equity before non-controlling interest	3,698.1	– 56.1	– 1.2
Non-controlling interest	635.5	–	– 0.7
Equity	4,333.6	– 56.1	– 1.9
Other financial liabilities	–	–	–
Other non-financial liabilities	103.4	–	–
Deferred tax liabilities	184.5	– 2.6	15.8
Non-current liabilities	2,660.2	– 2.6	15.8
Non-current provisions and liabilities	4,390.5	– 2.6	15.8
Trade payables	2,937.3	– 240.2	–
Other financial liabilities	–	–	–
Touristic advance payments received	2,551.0	273.8	–
Other non-financial liabilities	674.4	–	–
Current liabilities	6,506.8	33.6	–
Current provisions and liabilities	6,887.7	33.6	–
Total equity and liabilities	**15,611.8**	**– 25.1**	**13.9**

		30 Sep 2018				1 Oct 2017
Adjustment PPA Antwun S.A.	Amendment balance sheet structure	Adjusted	Before adjustment	Adoption of IFRS 15	Amendment balance sheet structure	Adjusted
–	–	2,913.1	2,889.5	–	–	2,889.5
13.1	–	643.2	548.1	–	–	548.1
−22.9	–	4,876.3	4,253.7	–	–	4,253.7
–	–	1,398.1	1,306.2	−32.3	–	1,273.9
–	−184.4	103.3	211.8	–	−73.1	138.7
–	184.4	184.4	–	–	73.1	73.1
–	–	228.0	323.7	2.3	–	326.0
−9.8	–	10,650.8	9,867.6	−30.0	–	9,837.6
–	−158.6	821.9	794.5	–	−93.6	700.9
–	18.7	18.7	–	–	11.9	11.9
–	–	731.3	573.4	10.5	–	583.9
–	139.9	140.2	–	–	81.7	81.7
–	–	114.1	98.7	–	–	98.7
–	–	4,940.0	4,317.9	10.5	–	4,328.4
−9.8	**–**	**15,590.8**	**14,185.5**	**−19.5**	**–**	**14,166.0**
–	–	−2,062.6	−2,756.9	−51.6	–	−2,808.5
–	–	3,640.8	2,939.7	−51.6	–	2,888.1
–	–	634.8	594.0	–	–	594.0
–	–	4,275.6	3,533.7	−51.6	–	3,482.1
–	14.4	14.4	–	–	43.9	43.9
–	−14.4	89.0	150.2	–	−43.9	106.3
−9.8	–	187.9	109.0	−2.6	–	106.4
−9.8	–	2,663.6	2,221.0	−2.6	–	2,218.4
−9.8	–	4,393.9	4,117.1	−2.6	–	4,114.5
–	−4.6	2,692.5	2,653.3	−219.3	−0.9	2,433.1
–	93.3	93.3	–	–	103.8	103.8
–	–	2,824.8	2,446.4	254.0	–	2,700.4
–	−88.7	585.7	598.0	–	−102.9	495.1
–	–	6,540.4	6,152.1	34.7	–	6,186.8
–	–	6,921.3	6,534.7	34.7	–	6,569.4
−9.8	**–**	**15,590.8**	**14,185.5**	**−19.5**	**–**	**14,166.0**

RESTATEMENT OF CASH FLOW STATEMENT

Restated items of the cash flow statement of the TUI Group for the period from 1 Oct 2017 to 30 Sep 2018

€ million	Before adjustment	Adoption of IFRS 15	Adjustment PPA Destination Management	Adjusted
Group profit	818.9	– 4.2	–1.1	813.6
Depreciation, amortisation and impairment (+) / write-backs (–)	438.9	–	1.5	440.4
Other non-cash expenses (+) / income (–)	– 272.2	5.6	–	– 266.6
Increase (–) / decrease (+) in receivables and other assets	– 569.4	–1.0	–	– 570.4
Increase (+) / decrease (–) in provisions	–71.5	–	– 2.6	–74.1
Increase (+) / decrease (–) in liabilities (excl. financial liabilities)	530.1	– 0.4	2.2	531.9
Cash and cash equivalents at end of period	**2,548.0**	**–**	**–**	**2,548.0**

Principles and methods of consolidation

PRINCIPLES

The consolidated financial statements include all significant subsidiaries directly or indirectly controlled by TUI AG. Control exists where TUI AG has power over the relevant activities, is exposed to variable returns or has rights to the returns, and has the ability to affect those variable returns through its power over the investee.

Generally, the control is exercised by means of a direct or indirect majority of voting rights. If the TUI Group holds less than the majority of voting rights in a shareholding, it may exercise control due to contractual or similar agreements, as in the case of the participation in the RIUSA II Group. Due to the contractual agreements between the shareholders and the framework agreements with TUI Group as well as the considerable importance of tour operation for the economic success of RIUSA II Group, TUI Group is able to exercise a controlling influence on decisions about the most relevant activities and consequently the amount of returns. TUI Group is subject to variable returns from RIUSA II Group, in particular due to dividend payments and fluctuations in the value of the stake itself. RIUSA II Group is therefore consolidated although TUI Group only holds a 50 % equity stake.

In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Consolidation of subsidiaries starts from the date TUI gains control. When TUI ceases to control the corresponding companies, they are removed from the group of consolidated companies.

The consolidated financial statements are prepared from the separate or single-entity financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and usually audited or reviewed by auditors.

Associates for which the TUI Group is able to exert significant influence over the financial and operating policy decisions within these companies are accounted for using the equity method. Generally, significant influence is assumed if TUI AG directly or indirectly holds voting rights of 20 to less than 50 per cent.

Stakes in joint ventures are also measured using the equity method. A joint venture is a company managed jointly by the TUI Group with one or several partners based on a contractual agreement, in which the parties that jointly exercise control have rights to the company's net assets. Joint ventures also include companies in which the TUI Group holds a majority or minority of voting rights but in which decisions about the relevant activities may only be taken on an unanimous basis due to contractual agreements.

The dates on which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in a manner consistent with that applied to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This affects 38 companies with a financial year from 1 January to 31 December, four companies with a financial year from 1 November to 31 October and two companies with a financial year from 1 April to 31 March of the following year.

GROUP OF CONSOLIDATED COMPANIES

In FY 2019, the consolidated financial statements included a total of 288 subsidiaries. The table below presents changes in the number of companies since 1 October 2018.

Development of the group of consolidated companies* and the Group companies measured at equity

	Consolidated subsidiaries	Associates	Joint ventures
Balance at 30 Sep 2018	**285**	**17**	**27**
Additions	24	4	4
Incorporation	1	–	–
Acquisition	18	1	1
Expansion of business operations	5	1	3
Change to consolidation class	–	2	–
Disposals	21	–	1
Liquidation	10	–	–
Merger	10	–	–
Change from consolidation class	1	–	1
Balance at 30 Sep 2019	**288**	**21**	**30**

* Excl. TUI AG

TUI AG's direct and indirect subsidiaries, associates and joint ventures are listed under Other Notes – TUI Group Shareholdings.

49 subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies are of minor significance to the presentation of a true and fair view of the financial position and performance of the Group.

Acquisitions – Divestments

ACQUISITIONS OF THE CURRENT FINANCIAL YEAR

In FY 2019, companies and businesses were acquired at a total consideration of € 251.7 m. The consideration for all acquisitions consisted of cash and cash equivalents.

Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share	Consideration transferred in € million
Evre Grup Turizm Yatirim Anonim Sirketi, Ankara, Turkey (subgroup)	Accommodation Service	Robinson Club GmbH	14 Feb 2019	100 %	71.8
Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A. Ş., Turkey	Accommodation Service	TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret AS	31 May 2019	100 %	56.6
Renco (Zanzibar) Limited, Unguja, Tanzania	Accommodation Service	Nungwi Limited	2 Jul 2019	100 %	50.4
Musement S. p. A., Milano, Italy (subgroup)	Technology Start-up	TUI Holding Spain S. L.	2 Oct 2018	100 %	35.5
Business Destination Management	Destination Service	Various	5 Nov 2018 – 27 Dec 2018	Various*	31.3
Reisebüro Oggersheim Frank Jochim GmbH, Ludwigshafen	Travel Agent	TUI Deutschland GmbH	1 Jan 2019	100 %	2.5
Four Travel Agencies in the Netherlands	Travel Agent	TUI Nederland N. V.	9 May 2019	100 %	2.2
Five Travel Agencies in Germany	Travel Agent	TUI Deutschland GmbH	1 Nov 2018 – 1 Jan 2019	n. a.	1.4
Total					**251.7**

* Five subsidiaries, two thereof with non-controlling interest, and one affiliated non-consolidated company.

The acquisition of a stake in Evre Grup Turizm Yatirim Anonim Sirketi, Ankara, also resulted in an increase in TUI Group's stake in the company's Ankara-based subsidiary ETA Turizm ve Yatirim Isletmeleri A. S. from 15 % to 100 %. The goal of the transaction is to increase TUI's earnings potential. The investment, previously classified as an equity instrument under IFRS 9, was measured at fair value outside profit and loss. In the framework of the revaluation of the stake as at the date of acquisition, a loss of € 1.8 m was carried in Other comprehensive income.

In line with TUI Group's growth strategy, the acquisition of Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A. Ş., Turkey, serves to secure accommodation capacity in Turkey as a destination and to increase the earnings potential of Club Magic Life Masmavi, previously operated under a franchise agreement.

The hotel company Renco (Zanzibar) Limited, Unguja, Tanzania, was acquired in order to continue the Group's expansion in Zanzibar as a destination.

The acquisition of the technology start-up Musement S. p. A., Milan, Italy, along with four additional com-panies served to strengthen the growth area TUI Destination Experiences. The goal of the transaction was to acquire one of the leading digital platforms for activities, tours and excursions in destination in order to strengthen TUI's position in that business and expand its holiday experiences portfolio. Apart from the purchase price of € 35.5 m for the acquisition of the stake, the Group also took over receivables of the former owners from the acquired company totalling € 4.7 m.

In the financial year under review, the acquisitions of the travel agencies in Germany were carried out in the form of asset deals. The Group also acquired the travel agency Reisebüro Oggersheim Frank Jochim GmbH in Ludwigshafen and several travel agencies in the Netherlands in order to expand its footprint in the German and Dutch markets. These acquisitions are jointly presented as 'travel agencies' in the table below.

Reconciliation to goodwill as at the date of first-time consolidation

€ million	Evre Grup Turizm Yatirim A.S. (subgroup)	Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A.Ş.	Renco (Zanzibar) Limited	Musement S.p.A. (subgroup)	Business Destination Management	Travel Agencies
Consideration transferred	71.8	56.6	50.4	35.5	31.3	6.1
Fair value of interests held immediately before the acquisition date	12.7	–	–	–	–	–
Non-controling interests	–	–	–	–	3.5	–
Net Assets at fair value	62.3	56.6	50.4	1.5	22.4	2.1
Goodwill	22.2	–	–	34.0	12.4	4.0

The difference arising between the consideration transferred and the acquired revalued net assets was provisionally carried as goodwill. This goodwill essentially constitutes a part of the future earning potential and synergy effects. The goodwill capitalised in the financial year under review includes an amount of € 1.2 m expected to be tax-deductible.

Statement of financial position as at the date of first-time consolidation

€ million	Evre Grup Turizm Yatirim A.S. (subgroup)	Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A.Ş.	Renco (Zanzibar) Limited	Musement S.p.A. (subgroup)	Business Destination Management	Travel Agencies
Assets						
Other intangible assets	3.2	–	22.8	14.9	3.2	2.8
Property, plant and equipment	86.5	104.5	43.9	0.1	1.1	0.7
Fixed assets	89.7	104.5	66.7	15.0	4.3	3.5
Inventories	0.3	–	0.5	–	–	–
Trade receivables	0.8	–	0.4	0.3	6.1	4.0
Other assets	4.1	1.6	0.9	0.4	11.3	0.3
Cash and cash equivalents	0.2	–	0.4	0.7	16.6	3.2
Equity and liabilities						
Deferred tax liabilities	15.7	16.2	15.5	3.3	1.4	–
Other provisions	–	0.4	0.6	0.8	2.3	1.9
Financial liabilities	9.2	18.5	–	–	–	–
Other liabilities	7.9	14.4	2.4	10.8	12.2	7.0
Equity	62.3	56.6	50.4	1.5	22.4	2.1
attributable to shareholders of TUI AG	62.3	56.6	50.4	1.5	18.9	2.1
attributable to non-controlling interest	–	–	–	–	3.5	–

The gross amounts of the acquired trade accounts receivable of the Destination Management companies transferred in the financial year under review totalled € 6.3 m as at the date of acquisition. Impairments worth € 0.2 m were effected. For all other acquisitions, no impairments were effected.

The purchase price allocations for Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A. Ş., Turkey, and Renco (Zanzibar) Limited, Unguja. Tanzania, were not yet finalised as at the reporting date. The purchase price allocations are not yet finalised due to outstanding reports for major sections of tangible assets.

In FY 2018, a purchase agreement was concluded between HNVR Midco Limited as seller and TUI AG. Under the agreement, HNVR Midco Limited undertook to transfer the stakes in 53 companies forming the Destination Management business. Due to local legal requirements, the transfer of six companies was only finalised in FY 2019, so that the total transaction was finalised as agreed in the period under review. The purchase price for the transfers to be completed in FY 2019 totals € 31.3 m. The aggregate purchase price including the companies acquired in 2018 totals € 126.1 m.

The Destination Management business primarily comprises the delivery of services and leisure activities in the holiday destinations and the handling of services for the cruise industry. The purpose of the acquisition is to expand the Group's global market footprint in activities and excursions and leverage operational synergies so as to become one of the world's leading providers of destination services.

Non-controlling interests were measured at the corresponding equity stake in the amounts carried for the identifiable net assets of the acquired business. The goodwill capitalised for the Destination Management companies transferred in FY 2019 totalled € 12.4 m, primarily constituting anticipated synergies.

Turnover and profit contribution of newly acquired entities

€ million	Evre Grup Turizm Yatirim A. S. (subgroup)	Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A. Ş.	Renco (Zanzibar) Limited	Musement S. p. A. (subgroup)	Business Destination Management
Turnover from first-time consolidation	16.9	2.1	3.4	40.0	53.6
Profit / Loss from first-time consolidation	3.1	1.1	1.4	–13.8	0.6
Pro-Forma turnover from 1 Oct 2018 until 30 Sep 2019	22.3	2.6	9.0	40.0	63.6
Pro-Forma loss from 1 Oct 2018 until 30 Sep 2019	4.1	0.1	– 3.7	–13.8	–1.3

The other acquired companies would only have delivered immaterial revenues and profit contributions even if they had already been included in consolidation as at 1 October 2018.

ACQUISITIONS OF THE PRIOR FINANCIAL YEAR

The purchase price allocations for the Destination Management companies already acquired as at the end of FY 2018 and for Antwun S.A. were adjusted to the final outcome of the valuation procedure as follows as per 30 September 2019:

Impact of changes in purchase price allocations and adjustments on the consolidated statement of financial position of the business unit Destination Management

€ million	Preliminary Fair value at date of acquisition (31 Jul 2018)	Adjustment	Fair values at date of first-time consolidation
Assets			
Other intangible assets	0.9	61.8	62.7
Property, plant and equipment	7.3	–	7.3
Investments in joint ventures and associates	4.5	–	4.5
Fixed assets	12.7	61.8	74.5
Inventories	0.1	–	0.1
Trade receivables	68.9	–1.4	67.5
Other assets	64.5	0.6	65.1
Cash and cash equivalents	47.8	–	47.8
Equity and liabilities			
Deferred tax liabilities	0.2	16.2	16.4
Other provisions	7.4	–	7.4
Financial liabilities	10.3	–	10.3
Trade payables	110.2	–	110.2
Other liabilities	49.0	–	49.0
Equity	16.9	–0.7	16.2
attributable to shareholders of TUI AG	13.9	–	13.9
attributable to non-controlling interest	3.0	–0.7	2.3

Moreover, in the prior financial year, the adjustments made also resulted in an increase in the cost of sales and the expenses for purchase price allocations of € 1.5 m and a decrease in income taxes of € 0.4 m. The provisional goodwill was adjusted by € 45.5 m from € 82.3 m to € 36.8 m.

Impact of changes in purchase price allocations and adjustments on the consolidated statement of financial position of Antwun S.A.

€ million	Preliminary Fair value at date of acquisition (18 Apr 2018)	Adjustment	Fair values at date of first-time consolidation
Assets			
Other intangible assets	–	13.1	13.1
Property, plant and equipment	49.7	–22.9	26.8
Fixed assets	49.7	–9.8	39.9
Inventories	0.1	–	0.1
Trade receivables	11.8	–	11.8
Cash and cash equivalents	2.2	–	2.2
Equity and liabilities			
Deferred tax liabilities	12.6	–9.8	2.8
Other provisions	0.5	–	0.5
Financial liabilities	25.1	–	25.1
Other liabilities	1.4	–	1.4
Equity	24.2	–	24.2

In the present annual financial statements, the purchase price allocations for all other acquisitions made in FY 2018 were finalised without any major impact on the consolidated statement of financial position.

DIVESTMENTS

On 15 March 2019, Corsair S.A. was sold to Diamondale Ltd for 1 euro. At the same time, TUI acquired a 27 % stake in Diamondale Ltd for 1 euro. That stake is carried as an associated company in TUI AG's consolidated financial statements. Other shareholders in Diamondale Ltd. are Intro Aviation GmbH and a trust fund for the benefit of Corsair S.A. employees. The divestment of Corsair S.A. generated a loss of € 12.0 m, carried in Other expenses. That loss comprises income from the reclassification of amounts previously carried in Other comprehensive income outside profit and loss.

Condensed balance sheet of Corsair S. A. as at 15 Mar 2019 on disposal

€ million	15 Mar 2019
Assets	
Property, plant and equipment and intangible assets	99.6
Other non-current assets	44.6
Trade receivables	50.1
Other current assets	29.2
Cash and cash equivalents	47.4
	270.9
Provisions and liabilities	
Non-current provisions	47.3
Non-current liabilities	1.4
Current provisions	10.1
Trade payables	47.3
Touristic advance payments received	110.8
Other current liabilties	21.7
	238.6

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. With the exception of a small number of companies, the functional currencies of all subsidiaries correspond to the currency of the country of incorporation of the respective subsidiary.

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 FVOCI) are included in revenue reserves.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the completed financial year, nor in the previous year.

The translation of the financial statements of foreign companies measured at equity follows the same principles for adjusting carrying amounts and translating goodwill as those used for consolidated subsidiaries.

NET INVESTMENT IN A FOREIGN OPERATION

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, essentially constitute part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised in other comprehensive income. TUI Group has granted loans of this type in particular to hotel companies in North Africa and Turkey.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
Je €	**30 Sep 2019**	30 Sep 2018	**2019**	2018
Sterling	0.89	0.89	0.88	0.89
US dollar	1.09	1.16	1.13	1.19
Swiss franc	1.08	1.13	1.12	1.16
Swedish krona	10.71	10.31	10.50	10.13

CONSOLIDATION METHODS

The recognition of the net assets of acquired businesses is based on the acquisition method. Accordingly all identifiable assets and all liabilities assumed are measured at fair value as of the acquisition date. Subsequently, the consideration for the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. As in the prior year, the option to measure the non-controlling interests at their fair value (full goodwill method) was not used.

Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset in accordance with the provisions of IFRS 3. Any negative goodwill is recognised immediately in profit and loss and presented as other income.

When additional shares are purchased after obtaining control, the difference between the purchase price and the carrying amount of the stakes acquired is recognised directly in equity. The effects from sales of stakes not entailing a loss of control are also recognised directly in equity. By contrast, when control is obtained or lost, gains or losses are recognised in profit and loss. In the case of business combination achieved in stages (where the acquirer held an equity interest before he obtained control), the equity stake previously held in the acquired company is revalued at the fair value applicable at the acquisition date and the resulting gain or loss is recognised in profit or loss. For transactions involving a loss of control, the profit or loss does not only comprise the difference between the carrying amounts of the disposed stakes and the consideration received but also the result from the revaluation of the remaining shares.

On loss of control of a subsidiary the gain or loss on derecognition will be calculated as the difference of the fair value of the consideration plus the fair value of any investment retained in the former subsidiary less the share of the book value of the net assets of the subsidiary. Any gains or losses previously recognised in other comprehensive income from currency translations or the valuation of financial assets and liabilities will be reclassified to the income statement. When a subsidiary is sold, any goodwill allocated to the respective subsidiary is taken into account in the calculation of the profit or loss of disposal.

The Group's associates and joint ventures are measured at equity and included at the cost to purchase as at the acquisition date. The Group's stake in associates and joint ventures includes the goodwill arising from the respective acquisition.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement from the date of acquisition (Share of result from joint ventures and associates), while the Group's share in the total other comprehensive income is shown in its revenue reserves. The accumulated changes arising after the acquisition are shown in the carrying amount of the shareholding. When the share in the loss of an associated company or joint venture equals or exceeds the Group's original stake in this company, including other unsecured receivables, no further losses are recognised. Any losses exceeding that stake are only recognised to the extent that obligations have been assumed or payments have been made for the associated company or joint venture.

Where the accounting and measurement methods applied by associates and joint ventures differ from the uniform accounting rules applied in the Group, the differences are adjusted.

Intercompany receivables and payables or provisions are eliminated, as are intercompany turnover, 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 non-trading transactions with companies measured at equity are eliminated in relation to the Group's stake in the company. Intercompany profits from transactions with companies measured at equity are eliminated in relation to the Group's stake in the companies. Intercompany transactions are provided on an arm's length basis.

Accounting and measurement methods

The consolidated financial statements were prepared according to the historical cost principle, with the exception of certain financial instruments such as financial assets and derivatives as well as plan assets from externally funded pensions benefit obligations held at fair value at the balance sheet date.

The financial statements of the consolidated subsidiaries are prepared in accordance with uniform accounting and measurement principles. The amounts recognised in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the financial position and performance as set out in the rules of the IASB.

TURNOVER RECOGNITION

TUI recognises turnover upon transfer of control over distinct goods or services to the customer. In Markets and Airlines, TUI predominantly generates turnover 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 turnover 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 turnover from the sale of other tourist services, e. g. seat-only, accommodation-only, cruises, etc. Turnover 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. Turnover from long-term contracts is recognised over the duration of the individual contract in accordance with IFRS 15.

Amendment fees do not constitute an independent performance obligation. Turnover 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 turnover and costs in the income statement on a gross basis, e.g. for turnover from its own tour operator activities, for hotel turnover in own hotels, and for aviation turnover. When acting as an agent, TUI carries the relevant turnover on a net basis at the amount of the commission received, e.g. for car rental and hotel turnover 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 turnover.

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

If there are any events or indications suggesting potential impairment, the amortised carrying amount of the intangible asset is compared with the recoverable amount. Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment charges.

Depending on the functional area of the intangible asset, amortisation and impairment charges are included under cost of sales or administrative expenses.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment at least annually. In addition, impairment tests are conducted if there are any events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite useful life consist exclusively of goodwill.

Impairment tests for goodwill are conducted on the basis of cash generating units (CGU) or group of cash generating units.

Impairment charges are recognised where the carrying amount of the tested units plus the allocated goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and the present value of future cash flows based on continued use (value in use). The fair value less costs of disposal corresponds to the amount that could be generated between knowledgeable, willing, independent business partners after deduction of the costs of disposal.

Impairment of goodwill is shown separately in the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at amortised cost. The costs to purchase include costs to bring the asset to a working condition. The costs to produce are determined on the basis of direct costs and directly attributable indirect costs and depreciation.

Borrowing costs directly associated with the acquisition, construction or production of qualifying assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the underlying capitalisation rate is determined on the basis of the specific borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding is applied.

Depreciation of property, plant and equipment is based on the straight-line method, based on the customary useful lives. The useful economic lives are as follows:

Useful lives of property, plant and equipment

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	25 to 50 years
Cruise ships	30 to 35 years
Aircraft	
Fuselages and engines	22 to 25 years
Engine overhaul	depending on intervals, up to 12 years
Major overhaul	depending on intervals, up to 12 years
Spare parts	up to 12 years
Operating and business equipment	3 to 10 years

Moreover, the level of depreciation is determined by the residual values at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and hotel complexes is between 15 % and 35 % of the acquisition costs. The determination of the depreciation of aircraft fuselages and aircraft engines in first-time recognition is based on a residual value of a maximum of 5 % of the cost of acquisition. The payments made under a power by the hour arrangement relating to maintenance overhauls are capitalised as PPE under construction up to a maintenance event at which point the cost is transferred to the appropriate PPE category.

Both the useful lives and residual values are reviewed on an annual basis when preparing the Group financial statements. The review of the residual values is based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required are recognised as a correction of depreciation over the remaining useful life of the asset. The adjustment of depreciation is recognised retrospectively for the entire financial year in which the review has taken place. Where the review results in an increase in the residual value so that it exceeds the remaining net carrying amount of the asset, depreciation is suspended. In this case, the amounts are not written back.

Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying amount of an asset with the recoverable amount.

Investment grants received are shown as reductions in the costs to purchase or produce items of property, plant or equipment where these grants are directly allocable to individual items. Where a direct allocation of grants is not possible, the grants and subsidies received are included as deferred income under other liabilities and reversed in accordance with the use of the investment project.

LEASES

FINANCE LEASES

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group assumes substantially all the risks and rewards of ownership is capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. Every lease payment is broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is disclosed in the income statement through profit or loss.

FINANCIAL INSTRUMENTS

Financial instruments are contractual rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also comprise derivative rights or obligations derived in particular from primary assets.

PRIMARY FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The classification and measurement of financial assets are determined on the basis of the business model used to manage financial assets and the related contractual cash flows. At initial recognition of financial assets, the classification comprises the categories 'Financial assets at amortised cost (AC)', 'Financial assets at fair value through other comprehensive income (FVOCI)' and 'Financial assets at fair value through profit and loss (FVPL)'.

Primary financial assets are recognised at the value on the trading date when TUI Group undertakes 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. This applies to all financial assets that had also been carried at amortised cost under IAS 39.

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, assets according to IFRS 15 and lease receivables. Lifetime expected credit losses on all these assets can already be recog-nised at initial recognition.

Impairments and reversals of impairments are recognised under 'impairment of financial asset' in the income statement.

Equity and debt instruments previously allocated to the IAS 39 category 'Assets available for sale' were reclassified in line with IFRS 9. The equity instruments held were irrevocably designated as 'Financial assets at fair value through OCI' as they are held for medium- to long-term strategic objectives. Recognising all short-term fluctuations in the fair value in the income statement would not be in line with the Group's strategy. These are stakes in associated, non-consolidated subsidiaries, equity investments and other investments. They are allocated to non-current assets unless the entity intends to seil them within twelve months after the balance sheet date. Dividends from equity instruments are recognised in the income statement under IFRS 9, unless the dividends are clearly a partial repayment of the cost of 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 de-recognised 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. Accordingly, the debt instruments previously allocated to the measurement category 'Financial assets available for sale' are measured at fair value through profit or loss under IFRS 9.

Primary financial assets 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. The classification of financial liabilities in accordance with IFRS 9 did not result in any changes in the measurement categories. TUI does not use the fair value option.

All foreign exchange differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal operating processes are reported under other income / other expenses, financial expenses / income or administrative expenses, depending on the nature of the underlying receivables or payables.

Assets are derecognised as at the date on which the rights for payments from the assets expire or are transferred and therefore as at the date on which essentially all risks and rewards of ownership are transferred. The rights to an asset expire when the rights to receive the cash flows from the asset have expired. For transfers of financial assets, it is assessed whether they have to be derecognised in accordance with derecognition requirements of IFRS 9.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

At initial measurement, derivative financial instruments are measured at the fair value attributable to them on the date the contract is entered into. Subsequent remeasurement is also recognised at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting, they are classified as 'at fair value through profit and loss'. The method of recognising gains and losses depends on whether the derivative financial instrument has been designated as a hedging instrument and on the nature of the hedged item. Changes in the fair value are immediately recognised through profit and loss. If, by contrast, an effective hedging relationship exists, the transaction is recognised as a hedge.

TUI Group uses the accounting policy choice provided by IFRS 9, enabling entities to continue to apply the hedge accounting requirements of IAS 39. Hedge accounting is exclusively used to hedge the exposure to variability in cash flows from future transactions highly likely to occur (cash flow hedges). Hedges of balance sheet items (Fair Value Hedges), i.e. hedges of the fair value of an asset or a liability, are currently not included in hedge accounting.

Upon entering into a transaction, TUI Group documents the hedge relationship be-tween the hedge and the underlying transaction, the risk management goal and the underlying strategy. In addition, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. Any ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the income statement through profit and loss. Amounts taken to equity are reclassified to the income statement and carried as income or expenses in the period in which the hedged item has an effect on results.

If a hedge expires, is sold or no longer meets the criteria of IAS 39 for hedge accounting, the cumulative gain or loss remains in equity and is only recognised in the income statement through profit and loss when the originally hedged future forecasted transaction occurs. If the future transaction is no longer expected to take place, the cumulative gains or losses recognised directly in equity are immediately recognised through profit and loss.

More detailed information on the Group's risk management activities is provided in Note 40 and as well as in the 'Risk report' section of the management report.

CONTRACTUAL ASSETS AND TRADE RECEIVABLES

If TUI has fulfilled their contractual obligations, contractual assets or trade receivables are carried. Trade receivables are carried if the claim for the acquisition of the consideration is no longer subject to a condition. As a rule, this is the case when the Group is contractually entitled to issue an invoice to the customer that has not yet been paid in advance through a customer deposit. Due to the tourism business model under which customers pay for their travel services in advance, TUI does not have any contractual assets.

CONTRACTUAL COSTS

The direct costs immediately resulting from obtaining a contract, e. g. sales commissions to travel agencies for sales of travel services, are capitalised as contractual costs in the statement of financial position upon payment of the commission. As a rule, the resulting expenses are recognised over the duration of the travel service in line with the associated turnover.

INVENTORIES

The measurement method applied to similar inventory items is the weighted average cost formula.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current accounts. Overdrawn current accounts are shown as liabilities to banks under current financial liabilities.

EQUITY

Ordinary shares are classified as equity. Costs directly allocable to the issue of new shares or conversion options are taken to equity on a net after-tax basis as a deduction from the issuance proceeds.

OWN SHARES

The group's holdings in its own equity instruments are shown as deductions from shareholders' equity at cost, including directly attributable transaction costs. No gain or loss is recognised in the income statement on the purchase or sale of shares. Any difference between the proceeds from sale and the original cost are taken to reserves.

PENSION PROVISIONS

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date less the fair value of the plan assets. If the value of the plan assets exceeds the value of the DBO, the excess amount is shown within other assets. The DBOs are calculated annually by independent actuaries using the projected unit credit method.

For defined contribution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are recognised under staff costs when they fall due.

OTHER PROVISIONS

Other provisions are formed when the Group has a current legal or constructive obligation as a result of a past event, where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined.

Where a large number of similar obligations exist, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also recognised if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate, reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accretion of interest are recognised as interest expenses through profit or loss.

TOURISTIC ADVANCE PAYMENTS RECEIVED (CONTRACT LIABILITIES)

A contract liability is an obligation of the Group to deliver goods or services for a customer for which the customer has already delivered a performance, e.g. in the form of payment of a deposit. In the tourism business model, customers pay deposits on most travel services prior to departure. The deposits received therefore constitute contract liabilities within the meaning of IFRS 15.

DEFERRED TAXES AND INCOME TAXES

Expected tax savings from the use of tax losses carried forward assessed as recoverable in the future are recognised as deferred tax assets. Regardless of the unlimited ability to carry German tax losses forward which continues to exist, the annual utilisation is limited by the minimum taxation. Foreign tax losses carried forward frequently have to be used within a given country-specific time limit and are subject to restrictions concerning the use of these losses carried forward for profits on ordinary activities, which are taken into account accordingly in the measurement.

Income tax is directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same period or some other period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference or an unused tax loss can be utilised.

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or adopted by law and expected to be applicable at the date of recognition of the deferred tax asset or the payment of the deferred tax liability.

Deferred and current income tax liabilities are offset against the corresponding tax assets if they exist in the same fiscal territory and have the same nature and maturity.

SHARE-BASED PAYMENTS

Share-based payment schemes in the Group comprise both cash-settled and equity-settled schemes.

For cash-settled transactions, the resulting liability for the Group is charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until settlement of the liability, the fair value of the liability is re-measured at every closing date and all changes in the fair value are recognised through profit and loss.

For equity-settled transactions the fair value of the awards granted is recognised under staff costs with a corresponding direct increase in equity. The fair value is determined at the point when the awards are granted and spread over the vesting period during which the employees become entitled to the awards. The method for the calculation of the granted awards is described in Note 40.

SUMMARY OF SELECTED ACCOUNTING AND MEASUREMENT METHODS

The table below lists the key accounting and measurement methods used by the TUI Group.

Summary of selected measurement bases

Item in the statement of financial position	Measurement base
Assets	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with definite useful lives	At amortised cost
Property, plant & equipment	At amortised cost
Investments in Joint ventures and Associates	At the Group's share of the net assets of the joint ventures and associates
Financial assets	
Equity Instruments	At fair value through other comprehensive income (without subsequent reclassifcation in profit or loss)
Trade and other receivables	At amortised cost (depending on the underlying business model and the contractual cashflows)
Derivative financial instruments	At fair value through profit or loss
Cash and cash equivalents	At amortised cost
Inventory	Lower of cost and net realisable value
Touristic prepayments	At cost (or lower recoverable amount)
Assets held for sale	Lower of cost and fair value less cost of disposal
Liabilities and Provisions	
Loans and borrowings	At amortised cost
Provision for pensions	Projected unit credit method
Other provisions	Present value of the settlement amount
Touristic advance payments received	At amortised cost
Financial liabilities	
Non-derivative financial liabilities	At amortised cost
Derivative financial liabilities	At fair value through profit or loss
Payables, trade and other liabilities	At amortised cost

Key judgements, assumptions and estimates

The presentation of the assets, liabilities, provisions and contingent 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 whether a Group company acts as an agent or as a principal in a transaction
- Determination whether an arrangement contains a lease and classification of the lease

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:

- 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
- 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 one 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 Expected Credit Losses (ECL) of financial instruments

GOODWILL

The goodwill reported as at 30 September 2019 has a carrying amount of € 2,985.8 m (previous year € 2,913.1 m). The determination of the recoverable amount of a Cash Generating Unit (CGU) for the annual impairment test requires estimates and judgement with regard to the methodology used and the assumptions, which may have a considerable effect on the recoverable amount and the level of a potential impairment. They relate, in particular, to the weighted average cost of capital (WACC) after income taxes, used as the discounting basis, the growth rate in perpetuity and the forecasts for future cash flows including the underlying budget assumptions based on corporate planning. Changes in these assumptions may have a substantial impact on the recoverable amount and the level of a potential impairment.

BUSINESS ACQUISITIONS AND INTANGIBLE ASSETS

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In this context, cash flow-based methods are regularly used, which may lead to different results depending on the underlying assumptions. In particular, some judgement is required in estimating the economic useful lives of intangible assets and determining the fair values of contingent liabilities.

Detailed information on business acquisitions and useful lives of intangible assets is provided in the section 'Acquisitions – Divestments' in the section on 'Principles and methods of consolidation' and in the section on 'Goodwill and other intangible assets' of the section 'Accounting and measurement methods'.

PROPERTY, PLANT AND EQUIPMENT

The measurement of wear-and-tear to property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 September 2019 totals € 5,840.4 m (previous year € 4,876.3 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. Further, essential estimates and judgements include the definition of economic useful lives and the residual values of items of property, plant and equipment which may be recovered.

More detailed information on the useful lives and residual values of property, plant and equipment items is provided in the section 'Property, plant and equipment' in the section 'Accounting and measurement methods'.

PENSION PROVISIONS

As at 30 September 2019, the carrying amount of provisions for pensions and similar obligations totals € 1,068.0 m (previous year € 994.8 m). For those pension plans where the plan assets exceed the obligation, other non-financial assets amounting to € 310.0 m are shown as at 30 September 2019 (prior year € 125.1 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 € 3,397.9 m (previous year € 2,701.1 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 2019, other provisions of € 1,136.9 m (previous year € 1,116.4 m) are reported. When recognising and measuring provisions, assumptions are required about probability of occurrence, maturity and level of risk.

Determining whether a current obligation exists is usually based on review by internal or external experts. The amount of provision is based on expected expenses, and is either calculated by assessing the specific case in the light of empirical values, outcomes from comparable circumstances, or else estimated by experts. Due to the uncertainties associated with assessment, actual expenses may deviate from estimates so that unexpected charges may result.

More detailed information on other provisions is provided in the notes to the statement of financial position in Note 31.

DEFERRED TAX ASSETS

As at 30 September 2019, deferred tax assets totalling € 202.0 m (previous year € 228.0 m) were recognised. Prior to offsetting against deferred tax liabilities, deferred tax assets total € 492.3 m, included an amount of € 116.4 m (previous year € 198.3 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 over next five years. If the assessment of the recoverability of future deferred tax assets changes, impairment charges may be recognised over the next five years, 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 21.

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 2019, the carrying amount of touristic prepayments totals € 1,092.4 m (previous year € 888.6 m). The assessment of the recoverable amounts of touristic prepayments made to hoteliers requires judgement about the volume of future trading with hoteliers and the credit worthiness of those hoteliers. To assess the recoverability of touristic prepayments, TUI considers the financial strength of those hoteliers, the quality of the hotels as well as the demand for each hotel and the relevant destination during the past and in coming seasons.

FINANCIAL INSTRUMENTS

When measuring ECL of financial instruments under IFRS 9 TUI uses, beside historical information, reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will effect each other. It exists the uncertainty that this information will not be in line with expected information.

Segment Reporting

Notes on the segments

The identification of operating segments is based on the internal organisational and reporting structure primarily built around the different products and services as well as a geographical structure within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. The segments are independently managed by those in charge, who regularly receive separate financial information for each segment. They regularly report to the Group Executive Committee, which consists of six Executive Board members and six other executives. The legally binding decision regarding the use of resources is taken by the Executive Board. The TUI Group Executive Board has therefore been identified as the Chief Operating Decision Maker (CODM) in accordance with IFRS 8.

The Hotels & Resorts segment comprises all Group-owned hotels and hotel shareholdings of TUI Group.

The Cruises segment consists of Hapag-Lloyd Cruises and the joint venture TUI Cruises as well as the British cruise business Marella Cruises.

The Destination Experiences segment comprises the companies providing services in the destinations. The Crystal Ski companies delivering services in the destinations were reclassified from Northern Region to Destination Experiences.

The Northern Region segment comprises the tour operators and airlines in the UK, Ireland and the Nordic countries and the stake in the tour operation business of the Canadian company Sunwing as well as the associate TUI Russia. This segment also includes the tour operator TUI Lakes & Mountains, which plays a major role in securing the load factor for our aircraft fleet in the UK in winter.

The Central Region segment comprises the tour operators and airlines in Germany and tour operators in Austria, Poland and Switzerland. Since the first quarter of 2019, Italian tour operators previously included in the 'All other segments' segment have been reported under the Central Region segment.

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

Apart from the above segments, the recognised items also include All other segments. This comprises the business operations for new markets and in particular the central corporate functions and interim holdings of TUI Group and the Group's real estate companies, as well as central tourism functions such as information technology.

Notes to the segment data

The selection of segment data presented is based on the regular internal reporting of segmented financial indicators to the Executive Board. Segment reporting discloses in particular the performance indicator underlying EBITA, since this indicator is used for value-oriented corporate management and thus represents the consolidated performance indicator within the meaning of IFRS 8.

The TUI Group defines underlying EBITA as EBITA, adjusted for gains on disposal of financial investments, expenses in connection with restructuring measures according to IAS 37, all effects of purchase price allocations, ancillary acquisition cost and conditional purchase price payments and other expenses for and income from one-off items. The one-off items carried as adjustments are 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 one-off items include major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, profit and loss from the sale of aircraft and other material business transactions of a one-off nature.

EBITA is defined as earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges.

Internal and external turnover, depreciation and amortisation, impairment on other intangible assets (excluding goodwill), property, plant and equipment 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 EBITA. 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 turnover.

Assets and liabilities per segment are not included in the reporting to the Executive Board and are therefore not shown in segment reporting.

Depreciation, amortisation, impairment and write-backs relate to non-current and current assets that are split geographically and do not include goodwill impairment.

The non-current assets, which are split geographically, contain other intangible assets, property, plant and equipment and other non-current assets that do not meet the definition of financial instruments.

During the financial year, the presentation of the central information technology functions' internal revenue in All other segments was changed in the TUI Group internal reporting. Instead of the previous gross presentation, these internal revenues are now directly offset against the corresponding costs (net presentation). This adjustment has no effect on underlying EBITA. The prior year's figures were adjusted accordingly.

In addition, the allocation of results (underlying EBITA) from intra-group aircraft leasing across the segments was changed in the internal reporting. The aircraft leasing companies of TUI Group (included in All other segments) hold the aircraft of TUI Group and lease these to the airlines (segments Northern Region, Central Region & Western Region). In the TUI Group internal reporting, the positive underlying EBITA that the aircraft leasing companies generate from these intra-group leases is entirely allocated to the airline that uses the corresponding aircraft. Consequently, underlying EBITA of All other segments decreases, whilst underlying EBITA for the segments Northern Region, Central Region and Western Region increases by the same amount. The prior year's figures were restated accordingly. As only the allocation of underlying EBITA was altered, the internal revenues and additional segmental figures remain unchanged. This adjustment has no effect on the Group's underlying EBITA.

Segment indicators

Turnover by segment

			2019			2018
€ million	**External**	**Group**	**Total**	External adjusted	Group adjusted	Total adjusted
Hotels & Resorts	660.0	851.7	1,511.7	606.8	782.9	1,389.7
Cruises	965.8	–	965.8	900.3	–	900.3
Destination experiences	856.2	375.2	1,231.4	309.7	290.6	600.3
Consolidation	–	–5.8	–5.8	–	–3.0	–3.0
Holiday experiences	2,482.0	1,221.1	3,703.1	1,816.8	1,070.5	2,887.3
Northern Region	6,345.2	13.9	6,359.1	6,457.7	10.4	6,468.1
Central Region	6,413.0	20.6	6,433.6	6,222.4	24.1	6,246.5
Western Region	3,231.9	17.1	3,249.0	3,328.5	31.5	3,360.0
Consolidation	–	–37.6	–37.6	–	–49.5	–49.5
Markets & Airlines	15,990.1	14.0	16,004.1	16,008.6	16.5	16,025.1
All other segments	456.0	553.1	1,009.1	643.3	502.3	1,145.6
Consolidation	–	–1,788.2	–1,788.2	–	–1,589.3	–1,589.3
Total	**18,928.1**	**–**	**18,928.1**	**18,468.7**	**–**	**18,468.7**

Underlying EBITA by segment

€ million	2019	2018 adjusted
Hotels & Resorts	451.5	420.0
Cruises	366.0	323.9
Destination experiences	55.7	45.6
Holiday experiences	873.2	789.5
Northern Region	56.8	278.2
Central Region	102.0	94.9
Western Region	–27.0	124.2
Markets & Airlines	131.8	497.3
All other segments	–111.7	–144.0
Total	**893.3**	**1,142.8**

Reconciliation to earnings before income taxes of the continuing operations of the TUI Group

€ million	2019	2018 adjusted
Underlying EBITA of continuing operations	**893.3**	**1,142.8**
Result on disposal*	–12.0	2.1
Restructuring expense*	–52.0	–34.9
Expense from purchase price allocation*	–38.8	–33.3
Expense from other one-off items*	–22.1	–22.2
EBITA of continuing operations	**768.4**	**1,054.5**
Net interest expense	–74.1	–82.3
Expense from measurement of interest hedges	–2.9	–6.4
Earnings before income taxes of continuing operations	**691.4**	**965.8**

* For a description of the adjustments please refer to the management report page 67

Other segmental information

€ million	Amortisation (+), depreciation (+), impairment (+) and write-backs (–) of other intangible assets, property, plant and equipment, investments and current assets 2019	2018 adjusted	Thereof impairment of intangible assets and property, plant and equipment 2019	2018 adjusted	Thereof amortisation / depreciation of intangible assets and property, plant and equipment 2019	2018 adjusted	Share of result of joint ventures and associates 2019	2018 adjusted
Hotels & Resorts	111.8	98.8	2.4	5.4	110.0	93.9	97.3	86.6
Cruises	91.6	74.3	–	–	91.5	74.3	202.6	181.3
Destination Experiences	27.5	10.7	0.8	–	26.8	10.7	9.7	7.8
Holiday Experiences	230.9	183.8	3.2	5.4	228.3	178.9	309.6	275.7
Northern Region	77.4	60.3	7.8	–	69.6	60.3	–15.6	14.1
Central Region	24.4	27.9	0.1	3.9	23.6	24.0	3.1	2.0
Western Region	26.4	22.6	–	–	26.4	22.6	0.4	0.2
Markets & Airlines	128.2	110.8	7.9	3.9	119.6	106.9	–12.1	16.3
All other segments	149.9	145.2	1.1	2.9	148.8	142.8	–	0.1
Total	**509.0**	**439.8**	**12.2**	**12.2**	**496.7**	**428.6**	**297.5**	**292.1**

Key figures by region

€ million	External turnover by customer location 2019	2018 adjusted	Non-current assets 2019	2018 adjusted
Germany	5,326.6	5,141.9	871.0	711.9
United Kingdom	6,024.6	5,711.2	3,174.4	2,734.8
Spain	181.1	217.0	609.9	554.5
Other Europe	6,774.4	6,740.8	505.5	530.6
North and South America	305.2	386.6	539.7	516.3
Rest of the world	316.2	271.2	1,062.8	646.6
Total	**18,928.1**	**18,468.7**	**6,763.3**	**5,694.7**

Notes to the Consolidated Income Statement

(1) Turnover

Group turnover is mainly generated from tourism services. The other revenues present income from sub-lease.

External revenue allocated by destinations for the period from 1 Oct 2018 to 30 Sep 2019

€ million	Spain (incl. Canary Islands)	Other European destinations	Carribean, Mexico, USA & Canada	North Africa & Turkey
Hotels & Resorts	275.9	74.3	120.9	110.5
Cruises	207.8	367.4	172.6	–
Destination Experiences	16.5	497.0	139.4	16.2
Holiday experiences	500.2	938.7	432.9	126.7
Northern Region	2,138.2	1,948.2	1,056.0	618.6
Central Region	1,818.6	2,151.1	408.1	1,145.8
Western Region	718.9	1,011.5	545.8	563.8
Markets & Airlines	4,675.7	5,110.8	2,009.9	2,328.2
All other segments	7.1	103.4	96.0	6.8
Total	**5,183.0**	**6,152.9**	**2,538.8**	**2,461.7**

External revenue allocated by destinations for the period from 1 Oct 2017 to 30 Sep 2018 (adjusted)

€ million	Spain (incl. Canary Islands)	Other European destinations	Carribean, Mexico, USA & Canada	North Africa & Turkey
Hotels & Resorts	230.1	72.2	129.2	74.5
Cruises	19.6	703.6	3.3	–
Destination Experiences	100.9	134.3	52.9	6.2
Holiday experiences	350.6	910.1	185.4	80.7
Northern Region	2,674.2	1,665.4	1,192.0	339.5
Central Region	1,975.1	2,110.1	420.5	842.4
Western Region	861.9	1,059.2	590.0	460.0
Markets & Airlines	5,511.2	4,834.7	2,202.5	1,641.9
All other segments	1.8	84.4	207.1	2.8
Total	**5,863.6**	**5,829.2**	**2,595.0**	**1,725.4**

Rest of Africa, Ind. Ocean, Asia	Other countries	**2019 Revenues from contracts with customers**	Other	**2019 Total**
78.1	0.3	660.0	–	660.0
189.3	28.7	965.8	–	965.8
142.5	44.6	856.2	–	856.2
409.9	73.6	2,482.0	–	2,482.0
532.0	44.4	6,337.4	7.8	6,345.2
850.6	21.1	6,395.3	17.7	6,413.0
337.3	31.1	3,208.4	23.5	3,231.9
1,719.9	96.6	15,941.1	49.0	15,990.1
209.5	23.8	446.6	9.4	456.0
2,339.3	**194.0**	**18,869.7**	**58.4**	**18,928.1**

Rest of Africa, Ind. Ocean, Asia	Other countries	2018 Revenues from contracts with customers	Other	2018 Total
91.6	9.2	606.8	–	606.8
142.0	31.8	900.3	–	900.3
14.4	1.0	309.7	–	309.7
248.0	42.0	1,816.8	–	1,816.8
520.0	56.9	6,448.0	9.7	6,457.7
814.5	47.9	6,210.5	11.9	6,222.4
344.1	8.9	3,324.1	4.4	3,328.5
1,678.6	113.7	15,982.6	26.0	16,008.6
342.0	5.2	643.3	–	643.3
2,268.6	**160.9**	**18,442.7**	**26.0**	**18,468.7**

Future turnover from performance obligations not yet delivered as at 30 September 2019 total € 1,163.9 m, including an amount of € 918.1 m to be recognised within the next 12 months. The remaining turnover 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). TUI continues to apply the practical expedient offered under IFRS 15.C5(d) and does not disclose the prior year's amount.

The touristic advance payments received (contract liabilities) are presented in note 33.

(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.

The cost of sales includes government grants in FY 2019 with an amount of € 4.9 m (previous year € 7.4 m).

Administrative expenses comprise all expenses incurred in connection with activities by the administrative functions and break down as follows:

Administrative expenses

€ million	**2019**	2018 adjusted
Staff cost	723.4	737.4
Rental and leasing expenses	69.5	60.1
Depreciation, amortisation and impairment	92.4	75.8
Others	334.1	418.0
Total	**1,219.4**	**1,291.3**

The cost of sales and administrative expenses include the following expenses for personnel, depreciation / amortisation, rent and leasing:

Staff costs

€ million	**2019**	2018
Wages and salaries	2,019.0	1,982.3
Social security contributions	291.6	299.7
Pension costs	139.2	154.3
Total	**2,449.8**	**2,436.3**

Pension costs include service cost for defined benefit obligations and contributions to defined contribution pension schemes.

The year-on-year increase in staff costs in FY 2019 mainly results from a higher number of employees, primarily because of the development in the segment Holiday Experiences and salary increases.

The average annual headcount (excluding trainees) evolved as follows:

Average annual headcount in the financial year (excl. trainees)

	2019	2018 adjusted
Hotels & Resorts	24,566	23,001
Cruises	341	310
Destination Experiences	8,011	5,406
Holiday Experiences	32,918	28,717
Northern Region	12,397	12,900
Central Region	10,178	10,017
Western Region	6,401	6,304
Markets & Airlines	28,976	29,221
All other segments	2,881	3,246
Total	**64,775**	**61,184**

Depreciation / amortisation / impairment

€ million	**2019**	2018 adjusted
Depreciation and amortisation of other intangible assets and property, plant and equipment	496.7	428.6
Impairment of other intangible assets and property, plant and equipment	12.2	12.2
Total	**508.9**	**440.8**

The increase in depreciation and amortisation is driven by the commissioning of a cruise ship in the prior year and the completed financial year and the addition of hotels, software and aircraft.

Rental and leasing

€ million	**2019**	2018 adjusted
Rental and leasing expenses	792.9	786.3
Sub-lease income	58.4	26.0

Where rental and leasing expenses for operating leases are directly related to revenue-generating activities, these expenses are shown within cost of sales. However, where rental and leasing expenses are incurred in respect of administrative buildings, they are shown under administrative expenses.

In order to improve the load factor of the aircraft fleet, some aircraft are also leased out to non-Group third parties. These operating leases have terms of 6 months to 6 years and usually expire automatically after the end of the contract term. The income from sub-leases carried in the revenue position is presented in the table above.

(3) Other income and other expenses

The other income of the FY 2019 mainly resulted from the disposal of aircraft assets and of buildings. The loss on disposal of Corsair S.A of € 12.0 m is included in other expense.

In FY 2018, other income mainly resulted from the disposal of three hotel companies and a hotel. Income was also generated from the sale of aircraft assets.

(4) Financial income

Financial income

€ million	2019	2018
Bank interest income	32.2	24.9
Other interest and similar income	48.4	42.6
Income from the measurement of hedges	10.0	6.3
Interest income	**90.6**	**73.8**
Income from investments	1.1	3.7
Income from the measurement of other financial instruments	–	0.7
Foreign exchange gains on financial instruments	28.0	5.6
Total	**119.7**	**83.8**

The increase in financial income by € 35.9 m in FY 2019 is mainly caused by the liquidation of foreign currency hedges whose underlying transactions is no longer expected as well as additional income from changes in exchange rates of financial instruments.

(5) Financial expenses

Financial expenses

€ million	2019	2018
Bank interest payable on loans and overdrafts	27.2	20.2
Finance lease charges	50.9	46.1
Net interest expenses from defined benefit pension plans	13.4	19.5
Unwinding of discount on provisions	6.0	2.2
Other interest and similar expenses	57.2	61.8
Expenses relating to the measurement of hedges	12.9	12.7
Interest expenses	**167.6**	**162.5**
Expenses relating to the measurement of other financial instruments	0.8	1.0
Foreign exchange losses on financial instruments	3.0	2.0
Total	**171.4**	**165.5**

The foreign exchange losses on financial instruments do not include any expenses for hedges.

(6) Share of result of joint ventures and associates

The share of result of joint ventures and associates of € 297.5 m (previous year € 292.1 m) comprises the net profit for the year attributable to the associated companies and joint ventures.

For the development of the results of the material joint ventures and associates we refer to Note 16 'Investments in joint ventures and associates'.

(7) Income taxes

As in the previous year, TUI Group's German companies have to pay trade tax of 15.7 % and corporation tax of 15.0 % plus a 5.5 % solidarity surcharge on corporation tax.

Foreign income taxes are calculated on the basis of the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies vary from 0 % to 35.0 %.

Breakdown of income taxes

€ million	**2019**	2018 adjusted
Current tax expense		
in Germany	– 69.8	– 42.9
abroad	100.8	201.9
Deferred tax expense / income	128.5	31.9
Total	**159.5**	**190.9**

In the financial year under review, the actual tax income included income attributable to prior periods. Due to the required reassessment of tax risks, income tax liabilities of € 74.2 m (previous year € 52.8 m) were reversed. In the prior year, corporate tax expenses outside of Germany had primarily consisted of tax expenses of € 70.3 m relating to actual and potential tax payments in Spain attributable to prior periods. In FY 2019, the tax income from actual taxes attributable to prior periods total € 67.0 m (previous year tax expense of € 28.7 m).

In the financial year under review, deferred tax liabilities include a reassessment of tax loss carryforwards in Germany of € 100.8 m.

In FY 2019, income taxes total € 159.5 m (previous year € 190.9 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	**2019**	2018 adjusted
Earnings before income taxes	691.4	965.8
Expected income tax (current year 31.5 %, previous year 31.5 %)	**217.8**	**304.2**
Effect from the difference of the actual tax rates to the expected tax rates	– 23.0	– 67.4
Changes in tax rates and tax law	4.3	1.6
Income not taxable	–168.0	–162.3
Expenses not deductible	64.5	104.2
Effects from loss carryforwards	125.1	– 14.0
Temporary differences for which no deferred taxes were recognised	6.9	– 5.6
Deferred and current income tax relating to other periods (net)	– 68.7	19.7
Other differences	0.6	10.5
Income taxes	**159.5**	**190.9**

(8) Result from discontinued operation

The result from discontinued operations last year consists of changes of amounts, which are directly related to the disposal of Hotelbeds Group (€ 41.4 m) and Specialist Group (€ – 2.7 m) in prior periods.

(9) Group profit attributable to shareholders of TUI AG

In FY 2019, the share in Group profit attributable to TUI AG shareholders decreased from € 727.2 in the prior year to € 416.2 m. The decrease is primarily due to the effects of the 737-MAX grounding in Markets & Airlines.

(10) Group profit attributable to non-controlling interest

In the Hotels & Resorts segment, the Group profit attributable to non-controlling interest primarily relates to the RIUSA II Group with € 112.8 m (previous year € 84.8 m).

(11) Earnings per share

In accordance with IAS 33, basic 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. The average number of shares is derived from the total number of shares at the beginning of the financial year (587,901,304 shares) and the employee shares issued on a pro rata basis (55,349 new shares).

Earnings per share

		2019	2018 adjusted
Group profit for the year attributable to shareholders of TUI AG	€ million	416.2	727.2
Weighted average number of shares		587,956,653	587,409,511
Basic earnings per share	€	**0.71**	**1.24**
– Basic earnings per share from continuing operations	€	0.71	1.17
– Basic earnings per share from discontinued operations	€	–	0.07

Diluted Earnings per share

		2019	2018 adjusted
Group profit for the year attributable to shareholders of TUI AG	€ million	416.2	727.2
Weighted average number of shares		587,956,653	587,409,511
Diluting effect from assumed exercise of share awards		86,023	67,111
Weighted average number of shares (diluted)		588,042,676	587,476,622
Diluted earnings per share	€	**0.71**	**1.24**
– Diluted earnings per share from continuing operations	€	0.71	1.17
– Diluted earnings per share from discontinued operations	€	–	0.07

As a rule, a dilution of earnings per share occurs when the average number of shares increases due to the addition of the issue of potential shares from conversion options. In the completed financial year, these effects resulted from employee shares.

(12) Taxes attributable to other comprehensive income

Tax effects relating to other comprehensive income

	2019			2018 adjusted		
€ million	**Gross**	**Tax effect**	**Net**	Gross	Tax effect	Net
Foreign exchange differences	96.7	–	96.7	–14.5	–	–14.5
Available for sale financial instruments	–	–	–	0.5	–	0.5
Cash flow hedges	–340.0	79.5	–260.5	429.7	–103.5	326.2
Remeasurements of benefit obligations and related fund assets	–19.9	26.3	6.4	66.0	–12.5	53.5
Changes in the measurement of companies measured at equity outside profit or loss	–35.4	–	–35.4	41.2	–	41.2
Fair value gain/loss on investments in equity instruments designated as at FVTOCI	2.2	–	2.2	–	–	–
Other comprehensive income	**–296.4**	**105.8**	**–190.6**	**522.9**	**–116.0**	**406.9**

Deferred income tax worth € 0.0 m (previous year € – 0.9 m) and corporate income tax worth € –1.5 m (previous year € –1.7 m) were generated in the reporting period and recognised directly in equity.

Notes on the consolidated statement of financial position

(13) Goodwill

Goodwill

€ million	2019	2018 adjusted
Historical cost		
Balance as at 1 Oct	**3,341.8**	**3,319.1**
Exchange differences	–1.9	–27.1
Additions	75.0	58.4
Disposals	–	8.6
Balance as at 30 Sep	**3,414.9**	**3,341.8**
Impairment		
Balance as at 1 Oct	**–428.7**	**–429.6**
Exchange differences	–0.4	0.9
Balance as at 30 Sep	**–429.1**	**–428.7**
Carrying amounts as at 30 Sep	**2,985.8**	**2,913.1**

The increase in the carrying amount is mainly attributable to the acquisition of Musement S.p.A. worth € 34.0 m and the acquisition of stakes in Evre Grup Turizm Yatirim A.S. worth € 22.2 m. Moreover, the carrying amount increased by € 12.4 m due to the acquisition of the remaining Destination Management companies. In the prior year, the increase had primarily resulted from the acquisition of the Destination Management business worth € 36.8 m and of stakes in hotel companies (GBH Turizm Ticaret A.S. worth € 9.1 m and Darecko S.A. worth € 6.5 m) as well as the acquisition of Cruisetour AG and Croisimonde AG worth € 5.6 m.

In the prior year, the disposal of € 8.6 m resulted from the sale of three RIUSA II Group hotel companies. More detailed information on the acquisitions and divestments is presented in the section on Principles and methods of consolidation. An opposite effect was caused by the translation of goodwill not carried in TUI Group's reporting currency into euros.

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 FY 2019, a decrease in the carrying amount of goodwill of € 2.3 m (previous year € 26.2 m) resulted from foreign exchange differences.

The following table presents a breakdown of goodwill by cash generating unit (CGU) at carrying amounts:

Goodwill per cash generating unit

€ million	**30 Sep 2019**	30 Sep 2018 adjusted
Northern Region	1,191.3	1,196.2
Central Region	522.2	516.4
Western Region	412.1	411.2
Riu	343.1	343.1
Marella Cruises	286.5	287.4
Destination Experiences	171.0	122.8
Other	59.6	36.0
Total	**2,985.8**	**2,913.1**

In the completed financial year, goodwill was tested for impairment at the level of CGUs as at 30 June 2019.

For all CGUs, the recoverable amount was determined on the basis of fair value less costs of disposal. The fair value was determined by means of discounting the expected cash inflows. This was based on the Q4 forecast for the financial year and on the medium-term plan for the entity under review, prepared as at 30 September 2019, following deduction of income tax payments. Budgeted turnover and EBITA margins are based on empirical values from prior financial years and expectations with regard to the future development of the market.

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 cost of equity included in the determination reflects the return expected by investors. The cost of borrowing is derived from the long-term financing terms of comparable companies in the peer group.

The table below provides an overview of the parameters underlying the determination of the fair values per CGU. It shows the timeframe for the cash flow forecast, the growth rates used to extrapolate the cash flow forecast, the discount rates and the relevant valuation hierarchy according to IFRS 13. The table lists the CGUs to which goodwill has been allocated. The below stated EBITA margin p. a. is adjusted for reasonable discounts for centrally incurred cost.

Assumptions for calculation of fair value in FY 2019

	Planning period in years	Growth rate revenues in % p.a.	EBITA-Margin in % p.a.	Growth rate after planning period in %	WACC in %	Level
Northern Region	3.25	8.6	1.5	1.0	5.56	3
Central Region	3.25	3.7	0.9	1.0	5.56	3
Western Region	3.25	8.0	0.8	1.0	5.56	3
Riu	3.25	5.6	30.6	1.0	6.09	3
Marella Cruises	3.25	8.4	12.7	1.0	6.29	3
Destination Experiences	3.25	11.6	1.2	1.0	5.56	3
Other	3.25	15.9 to 57.0	6.1 to 16.6	1.0	6.09 to 7.35	3

Assumptions for calculation of fair value in FY 2018

	Planning period in years	Growth rate revenues in % p.a.	EBITA-Margin in % p.a.	Growth rate after planning period in %	WACC in %	Level
Northern Region	3.25	7.1	3.9	1.0	5.42	3
Central Region	3.25	6.6	1.4	1.0	5.42	3
Western Region	3.25	7.0	2.6	1.0	5.42	3
Riu	3.25	1.7	34.2	1.0	6.38	3
Marella Cruises	3.25	9.7	15.1	1.0	6.30	3
Destination Experiences	3.25	3.9	7.1	1.0	5.42	3
Other	3.25	18.4 to 77.5	1.5 to 18.1	1.0	6.38 to 7.52	3

Goodwill was tested for impairment as at 30 June 2019. The test did not result in a requirement to recognise any further impairment. Neither an increase in WACC by 50 basis points nor a reduction by 50 basis points in the growth rate after the detailed planning period would have led to an impairment of goodwill. The same applies to a reduction of the discounted free cash flow of 10 %.

(14) Other intangible assets

The development of the line items of other intangible assets in FY 2019 is shown in the following table.

Other intangible assets

€ million	Brands, licenses and other rights	Computer software: internally generated	Computer software: acquired	Transport and leasing contracts	Customer base	Intangible assets in the course of construction and Payments on account	**Total**
Historical cost							
Balance as at 1 Oct 2017	**382.2**	**346.2**	**273.1**	**91.5**	**58.8**	**90.1**	**1,241.9**
Exchange differences	0.3	−4.4	1.1	−0.4	1.3	−0.8	−2.9
Additions due to changes in the group of consolidated companies	42.0	–	2.5	–	31.3	0.2	76.0
Additions	2.8	13.8	13.0	–	–	101.5	131.1
Disposals	−3.8	−6.6	−8.4	–	–	–	−18.8
Transfer	−1.5	66.5	13.8	–	–	−78.8	–
Balance as at 30 Sep 2018 (adjusted)	**422.0**	**415.5**	**295.1**	**91.1**	**91.4**	**112.2**	**1,427.3**
Exchange differences	0.2	−3.9	−1.8	−0.2	2.8	0.6	−2.3
Additions due to changes in the group of consolidated companies	30.7	3.0	11.0	–	2.2	–	46.9
Additions	3.6	22.3	19.4	–	–	126.2	171.5
Disposals	−119.1	−56.3	−58.3	–	−1.9	−3.1	−238.7
Reclassification as assets held for sale	−0.7	–	−7.2	–	−0.1	−0.8	−8.8
Transfer	0.6	77.8	22.8	–	–	−100.8	0.4
Balance as at 30 Sep 2019	**337.3**	**458.4**	**281.0**	**90.9**	**94.4**	**134.3**	**1,396.3**
Amortisation and impairment							
Balance as at 1 Oct 2017	**−246.9**	**−178.2**	**−188.6**	**−46.8**	**−33.3**	**–**	**−693.8**
Exchange differences	1.3	2.4	−1.3	0.3	–	–	2.7
Amortisation for the current year	−15.2	−46.2	−31.1	−4.5	−5.4	–	−102.4
Impairment for the current year	−3.9	−1.6	–	–	−1.3	–	−6.8
Disposals	2.3	6.0	7.9	–	–	–	16.2
Transfer	–	−0.7	0.7	–	–	–	–
Balance as at 30 Sep 2018 (adjusted)	**−262.4**	**−218.3**	**−212.4**	**−51.0**	**−40.0**	**–**	**−784.1**
Exchange differences	0.9	1.7	1.5	0.2	−2.5	–	1.8
Amortisation for the current year	−21.0	−59.4	−37.1	−4.5	−8.0	–	−130.0
Impairment for the current year	−1.1	−6.6	−0.8	–	–	−0.6	−9.1
Disposals	116.3	56.3	54.2	–	1.9	0.6	229.3
Reclassification as assets held for sale	0.7	–	5.7	–	–	–	6.4
Transfer	0.2	–	−0.1	–	−0.1	–	–
Balance as at 30 Sep 2019	**−166.4**	**−226.3**	**−189.0**	**−55.3**	**−48.7**	**–**	**−685.7**
Carrying amounts as at 30 Sep 2018 (adjusted)	**159.6**	**197.2**	**82.7**	**40.1**	**51.4**	**112.2**	**643.2**
Carrying amounts as at 30 Sep 2019	**170.9**	**232.1**	**92.0**	**35.6**	**45.7**	**134.3**	**710.6**

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 lease contracts relate to intangible assets from the measurement of aircraft leases in connection with the acquisition of First Choice Holidays Plc in 2007. The assets are amortised in line with the length of the lease.

Payments on account made totalled € 6.9 m as at 30 September 2019 (previous year € 4.7 m). The intangible assets in the course of constructions amounted to € 127.4 m as at 30 September 2019 (previous year € 107.5 m).

Additions to consolidation mainly relate to the acquisition of Musement S. p. A. and Renco (Zanzibar) Ltd. For details, please refer to the section 'Acquisitions'.

The impairment carried in the financial year under review includes an amount of € 6.6 m for accounting and booking software in the Northern Region segment.

In August 2019, TUI concluded an agreement on the sale of the specialist tour operators 'Berge & Meer' and 'Boomerang Reisen'. Accordingly, the associated fixed assets were reclassified to the item 'Assets held for sale' in the statement of financial position. We refer to the respective section on 'Assets held for sale'.

(15) Property, plant and equipment

The table below presents the development of the individual items of property, plant and equipment in FY 2019.

Property, plant and equipment

€ million	Hotels incl. land	Other buildings and land	Aircraft
Historical cost			
Balance as at 1 Oct 2017	**1,552.3**	**240.7**	**1,877.8**
Exchange differences	–23.9	–0.5	28.8
Acquisitions through business combinations	109.8	0.5	–
Additions	68.2	35.5	264.7
Disposals	–18.3	–3.9	–24.6
Transfer to assets held for sale	–46.6	–0.9	–5.4
Transfer	112.9	–2.5	43.9
Balance as at 30 Sep 2018 (adjusted)	**1,754.4**	**268.9**	**2,185.2**
Exchange differences	31.2	2.5	99.3
Acquisitions through business combinations	229.1	0.4	–
Additions	196.4	43.0	257.0
Disposals	–20.9	–21.5	–409.6
Transfer to assets held for sale	–	–0.9	0.5
Transfer	55.2	–5.8	45.3
Balance as at 30 Sep 2019	**2,245.4**	**286.6**	**2,177.7**
Depreciation and impairment			
Balance as at 1 Oct 2017	**–511.5**	**–75.6**	**–670.6**
Exchange differences	2.9	–0.2	–5.3
Depreciation for the current year	–44.6	–2.6	–115.2
Impairment for the current year	–3.4	–	–
Disposals	4.8	3.5	21.1
Transfer to assets held for sale	45.9	–	–
Transfer	–8.4	–	–
Balance as at 30 Sep 2018 (adjusted)	**–514.3**	**–74.9**	**–770.0**
Exchange differences	–3.4	–	–18.6
Depreciation for the current year	–51.3	–3.3	–122.2
Impairment for the current year	–1.7	–	–
Disposals	10.5	13.5	325.7
Transfer to assets held for sale	–	0.7	–
Transfer	–8.8	2.4	–
Balance as at 30 Sep 2019	**–569.0**	**–61.6**	**–585.1**
Carrying amounts as at 30 Sep 2018 (adjusted)	**1,240.1**	**194.0**	**1,415.2**
Carrying amounts as at 30 Sep 2019	**1,676.4**	**225.0**	**1,592.6**

	Cruise ships	Other plant, operating and office equipment	Assets under construction	Payments on account	**Total**
	1,129.4	**1,195.3**	**193.9**	**425.2**	**6,614.6**
	−6.7	−15.9	−4.5	9.1	−13.6
	–	11.7	–	–	122.0
	8.9	98.6	318.1	220.8	1,014.8
	−4.9	−57.0	−0.5	−145.4	−254.6
	–	−4.9	−1.9	–	−59.7
	204.8	31.8	−360.5	−30.4	–
	1,331.5	**1,259.6**	**144.6**	**479.3**	**7,423.5**
	−8.2	8.7	6.8	18.3	158.6
	0.2	8.2	–	–	237.9
	128.8	81.5	328.8	168.5	1,204.0
	−37.5	−93.3	−8.6	−118.0	−709.4
	–	−3.9	–	–	−4.3
	230.1	40.7	−298.7	−66.8	–
	1,644.9	**1,301.5**	**172.9**	**481.3**	**8,310.3**
	−269.3	**−834.1**	**0.2**	**–**	**−2,360.9**
	0.9	11.8	–	–	10.1
	−72.8	−91.0	–	–	−326.2
	–	−2.1	–	–	−5.5
	4.9	51.4	–	–	85.7
	–	3.7	–	–	49.6
	–	8.4	–	–	–
	−336.3	**−851.9**	**0.2**	**–**	**−2,547.2**
	1.1	−6.2	–	–	−27.1
	−88.9	−101.0	–	–	−366.7
	–	−1.4	–	–	−3.1
	37.5	83.7	–	–	470.9
	–	2.3	–	–	3.0
	–	6.7	–	–	0.3
	−386.6	**−867.8**	**0.2**	**–**	**−2,469.9**
	995.2	**407.7**	**144.8**	**479.3**	**4,876.3**
	1,258.3	**433.7**	**173.1**	**481.3**	**5,840.4**

The acquisitions through business combinations mainly relate to the acquisition of hotel companies. For details, please refer to the section 'Acquisitions'.

In the financial year under review, advance payments of € 34.7 m (previous year € 29.2 m) were made for the acquisition of cruise ships and € 116.9 m (previous year € 163.0 m) for the acquisition of aircraft.

In the reporting period, the cruise ship Marella Explorer 2 was added at a carrying amount of € 170.7 m, initially carried as assets under construction. Following her launch, the cruise ship was reclassified accordingly. In the prior year, assets under construction had included the addition of Marella Explorer at € 202.2 m. Both ships are operated in the Cruises segment.

Further additions to assets under construction include an amount of € 98.7 m (previous year € 63.0 m) for investments in hotels in the Hotels & Resorts segment.

The additions to aircrafts are related to acquisitions in the first half of FY 2019. The deliveries scheduled for the second half of the financial year were not executed due to the grounding of 737 Max jets.

The two aircraft fuselages classified as held for sale and correspondingly reclassified in the prior year have meanwhile been sold. In August 2019, TUI concluded an agreement to sell the specialist tour operators Berge & Meer and Boomerang Reisen. Accordingly, the associated assets were reclassified to the item 'Assets held for sale' in the statement of financial position. We refer to the respective section.

In FY 2019, borrowing costs of € 4.0 m (previous year € 2.2 m) were capitalised as part of the acquisition and production costs. The capitalisation rate of capitalised borrowing costs is 2.90 % p.a. for FY 2019 and 3.40 % p.a. for the prior year.

The carrying amount of property, plant and equipment subject to ownership restrictions or pledged as security totals € 629.0 m as at the balance sheet date (previous year € 535.2 m). The increase is caused by the additions to buildings which are used as security of financial liabilities.

FINANCE LEASES

Property, plant and equipment also comprise leased assets in which Group subsidiaries have assumed the risks and rewards of ownership of the assets (finance leases).

Composition of finance leased assets

	Net carrying amounts	
€ million	**30 Sep 2019**	30 Sep 2018
Other buildings and land	5.4	5.5
Aircraft	1,230.3	1,060.4
Cruise ships	163.0	189.7
Other plant, operating and office equipment	25.7	34.6
Total	**1,424.4**	**1,290.2**

The leasing contracts for aircraft include repurchase options for the lessee at fixed residual values.

Total payment obligations resulting from future lease payments total € 1,712.0 m (previous year € 1,530.4 m). As in prior year, Group companies have not granted any guarantees for the residual values of the leased assets.

Reconciliation of future lease payments to liabilities from finance leases

	30 Sep 2019				30 Sep 2018			
	Remaining term				Remaining term			
€ million	up to 1 year	1 – 5 years	more than 5 years	Total	up to 1 year	1 – 5 years	more than 5 years	Total
Total future lease payments	175.2	783.7	753.2	1,712.1	139.3	588.1	803.0	1,530.4
Interest portion	44.7	125.3	46.9	216.9	34.1	105.6	48.0	187.7
Liabilities from finance leases	130.5	658.4	706.3	1,495.2	105.2	482.5	755.0	1,342.7

(16) Investments in joint ventures and associates

The table below presents all joint arrangements and associates of relevance to TUI Group. All joint arrangements and associates are listed as TUI Group Shareholdings in Note 52. All joint arrangements are joint ventures. There are no joint operations within the meaning of IFRS 11.

Significant associates and joint ventures

		Capital share in %		Voting rights share in %	
Name and headquarter of company	Nature of business	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
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	49.0	49.0
TUI Cruises GmbH, Hamburg, Germany	Cruise ship operator	50.0	50.0	50.0	50.0
Togebi Holdings Limited, Nicosia, Cyprus	Tour operator	–	25.0	–	25.0

All companies presented above are measured at equity.

The financial year of Sunwing Travel Group Inc., Toronto / Canada (Sunwing) corresponds to TUI Group's financial year. The financial years of the joint ventures listed above and of Togebi Holdings Limited, Nicosia, Cyprus deviate from TUI Group's financial year, ending on 31 December of any one year. In order to update the at equity measurement as at TUI Group's balance sheet date, interim financial statements for the period ending 30 September are prepared for these companies.

SIGNIFICANT ASSOCIATES

In 2009, TUI Group entered into a partnership with Sunwing. Sunwing is a vertically integrated travel company comprising tour operation, an airline and retail shops. Since the transfer of the hotel operation and development company Blue Diamond Hotels & Resorts Inc., St Michael / Barbados, to Sunwing in September 2016, Sunwing has also included the hotel operation business with a chain of luxury beach resorts and hotels in the Caribbean and Mexico. Sunwing's hotel operation business is carried in the Hotels & Resorts segment, while the tour operation business is carried in the Northern Region segment. The company has different classes of shares. TUI Group holds 25 % of the voting shares.

Togebi Holdings Limited (TUI Russia) was established in 2009 as a joint venture. The business purpose of this associate is to develop the tour operation business, in particular in Russia and Ukraine. The company owns tour operation subsidiaries and retail chains in these countries. In the beginning of October 2018 TUI Group's share in TUI Russia decreased from 25 % to 10 % due to a capital increase in which TUI Group did not participate. Since then TUI Russia is classified as an associate.

SIGNIFICANT JOINT VENTURES

Riu Hotels S. A. is a hotel company owning and operating hotels in the 4- to 5-star segments. The hotels of the company established in 1976 are mainly located in Spain and Central America.

TUI Cruises GmbH is a joint venture with the US shipping line Royal Caribbean Cruises Ltd established in 2008. The Hamburg-based company offers German-speaking cruises for the premium market. TUI Cruises GmbH currently operates seven 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 2019 / 2019**	30 Sep 2018 / 2018 adjusted	**30 Sep 2019 / 2019**
Non-current assets	1,393.8	1,186.3	6.7
Current assets	575.1	545.8	143.6
Non-current provisions and liabilities	935.5	598.5	185.8
Current provisions and liabilities	567.6	674.8	116.1
Revenues	2,193.1	1,919.5	863.2
Profit / loss*	–13.0	66.0	–6.2
Other comprehensive income	26.5	11.1	–8.9
Total comprehensive income	13.5	77.1	–15.1

* Solely from continuing operations

Summarised financial information of material joint ventures

	Riu Hotels S.A., Palma de Mallorca, Spain		TUI Cruises GmbH, Hamburg, Germany		Togebi Holdings Limited, Nicosia, Cyprus
€ million	**30 Sep 2019/ 2019**	30 Sep 2018/ 2018	**30 Sep 2019/ 2019**	30 Sep 2018/2018 adjusted	30 Sep 2018/ 2018
Non-current assets	890.3	844.8	3,200.3	2,799.3	3.4
Current assets	118.4	148.3	218.0	217.9	64.4
thereof cash and cash equivalents	54.6	61.1	104.3	117.0	15.4
Non-current provisions and liabilities	67.9	25.9	1,910.3	1,707.0	109.7
thereof financial liabilities	51.2	0.5	1,910.3	1,707.0	109.0
Current provisions and liabilities	71.5	56.8	755.5	623.6	94.6
thereof financial liabilities	11.5	4.9	244.9	157.4	56.9
Turnover	319.0	292.7	1,416.6	1,223.8	436.6
Depreciation/amortisation of intangible assets and property, plant and equipment	29.2	20.4	100.5	86.1	1.6
Interest income	1.7	0.6	0.1	0.1	–
Interest expenses	–	1.1	60.0	43.3	5.8
Income taxes	27.6	22.8	–	0.1	0.3
Profit/loss*	88.5	102.2	405.2	362.5	–17.0
Other comprehensive income	–59.7	47.7	0.8	38.6	–
Total comprehensive income	**28.8**	**149.9**	**406.0**	**401.1**	**–17.0**

*Solely from continuing operations

In FY 2019, TUI Group received dividends of €237.8 m (previous year €227.5 m) from all joint ventures. Thereof dividends of €170.0 m (previous year €200.0 m) were received from TUI Cruises and €34.3 m (previous year none) from Riu Hotels. In addition in FY 2019, dividends of €6.7 m (previous year €3.5 m) TUI Group received from its associates, thereof dividends of €3.2 m (previous year €2.0 m) were received from Sunwing Travel Group.

In addition to TUI Group's significant associates and joint ventures, TUI AG has interests in other associates and joint ventures measured at equity, which individually are not considered to be material. 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 2019	2018	Togebi Holdings Limited, Nicosia, Cyprus 2019	2018	Other, immaterial associates 2019	2018	Associates Total 2019	2018
TUI's share of								
Profit/loss*	–6.4	32.4	–	–	6.3	3.4	–0.1	35.8
Other comprehensive income	15.4	4.4	–	–	2.3	–1.4	17.7	3.0
Total comprehensive income	**9.0**	**36.8**	**–**	**–**	**8.6**	**2.0**	**17.6**	**38.8**

*Solely from continuing operations

Share of financial information of material and other joint ventures

€ million	Riu Hotels S.A., Palma de Mallorca, Spain 2019	2018	TUI Cruises GmbH, Hamburg, Germany 2019	2018	Togebi Holdings Limited, Nicosia, Cyprus 2019	2018	Other, immaterial joint ventures 2019	2018	Joint ventures Total 2019	2018
TUI's share of										
Profit/loss*	43.4	50.1	202.6	181.2	–	–	51.6	24.4	297.6	255.7
Other comprehensive income	–29.3	23.4	0.4	19.3	–	–	16.4	–3.8	–12.5	38.9
Total comprehensive income	**14.1**	**73.5**	**203.0**	**200.5**	**–**	**–**	**68.0**	**20.6**	**285.1**	**294.6**

*Solely from continuing operations

Net assets of the material associates

€ million	Sunwing Travel Group Inc., Toronto, Canada*	Togebi Holdings Limited, Nicosia, Cyprus
Net assets as at 1 Oct 2017	**385.8**	**–**
Profit/loss	66.0	–
Dividends	–4.1	–
Foreign exchange effects	11.1	–
Net assets as at 30 Sep 2018	**458.8**	**–**
Reclassification	–	–136.5
Other comprehensive income	–0.7	–
Dividends	–6.5	–
Foreign exchange effects	27.2	–8.9
Profit/loss	–13.0	–6.2
Net assets as at 30 Sep 2019	**465.8**	**–151.6**

*Prior-year figures adjusted due to retrospective application of IFRS 15

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 2018	49.0	–	–	–
TUI's share of the net assets as at 30 Sep 2018	224.8	–	66.5	291.3
Goodwill as at 30 Sep 2018	50.4	–	7.0	57.4
Carrying value as at 30 Sep 2018	**275.2**	**–**	**73.5**	**348.7**
Share of TUI in % as at 30 Sep 2019	49.0	10.0	–	–
TUI's share of the net assets as at 30 Sep 2019	228.2	–15.2	82.5	295.5
Unrecognised share of losses	–	6.3	6.4	12.7
Goodwill as at 30 Sep 2019	52.5	8.9	7.2	68.6
Carrying value as at 30 Sep 2019	**280.7**	**–**	**96.1**	**376.8**

* Prior-year figures adjusted due to retrospective application of IFRS 15

UNRECOGNISED LOSSES BY ASSOCIATES

Unrecognised accumulated losses amounted € 12.7 m (previous year € 13.0 m). Already in FY 2014 the recognition of prorated losses exceeded the amount of the equity share of TUI Russia. Recognition of further losses would have reduced the carrying amount to below zero. Due to the reduction of the equity share of TUI to 10 % the unrecognized prorated accumulated losses of TUI Russia reduced by € 7.8 m. After the consideration of the result of the financial year the losses amounted € 6.3 m. In addition unrecognised losses of € 6.4 m relate to the share of TUI of the result of the Corsair SA whose equity share carrying value is written down to € nil.

Net assets of the material joint ventures

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany	Togebi Holdings Limited, Nicosia, Cyprus
Net assets as at 1 Oct 2017	**761.0**	**685.4**	**–116.5**
Profit/loss	102.2	362.5	–17.0
Other comprehensive income	45.8	38.6	–
Dividends	–	– 400.0	–
Foreign exchange effects	1.4	–	– 3.0
Net assets as at 30 Sep 2018	**910.4**	**686.5**	**–136.5**
Profit/loss	88.5	405.2	–
Other comprehensive income	–73.8	0.8	–
Dividends payable	–70.0	– 340.0	–
Reclassification	–	–	136.5
Foreign exchange effects	14.2	–	–
Net assets as at 30 Sep 2019	**869.3**	**752.5**	**–**

Reconciliation to the carrying amount of the joint ventures in the Group balance sheet

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany	Togebi Holdings Limited, Nicosia, Cyprus	Other, immaterial joint ventures	Joint ventures total
Share of TUI AG in % as at 30 Sep 2018	49.0	50.0	25.0	–	–
TUI AG's share of the net assets as at 30 Sep 2018	446.1	343.3	– 34.1	243.8	999.1
Unrecognised share of losses	–	–	13.0	–	13.0
Goodwill as at 30 Sep 2018	1.7	–	21.1	14.4	37.2
Carrying value as at 30 Sep 2018	**447.8**	**343.3**	**–**	**258.2**	**1,049.3**
Share of TUI AG in % as at 30 Sep 2019	49.0	50.0	–	–	–
TUI AG's share of the net assets as at 30 Sep 2019	426.0	376.3	–	305.7	1,108.0
Unrecognised share of losses	–	–	–	–	–
Goodwill as at 30 Sep 2019	1.7	–	–	21.0	22.7
Carrying value as at 30 Sep 2019	**427.7**	**376.3**	**–**	**326.7**	**1,130.7**

RISKS ASSOCIATED WITH THE STAKES IN ASSOCIATES AND JOINT VENTURES

Contingent liabilities of € 49.8 m (previous year € 34.6 m) existed in respect of associates as at 30 September 2019. Contingent liabilities in respect of joint ventures totalled € 12.1 m (previous year € 22.9 m).

(17) Trade and other receivables

Trade and other receivables

€ million	30 Sep 2019 Remaining term more than 1 year	30 Sep 2019 Total	30 Sep 2018 Remaining term more than 1 year	30 Sep 2018 Total
Trade receivables	–	584.6	–	547.5
Advances and loans	41.2	97.5	93.6	117.1
Other receivables and assets	19.7	255.3	9.7	260.6
Total	**60.9**	**937.4**	**103.3**	**925.2**

As at 30 September 2019, TUI had capitalised sales commissions to travel agencies and other distribution channels worth € 78.7 m (previous year € 52.1 m) in respect of costs of obtaining a contract. In the financial year under review, sales commission worth € 744.8 m (previous year € 781.1 m) were recognised in profit and loss.

(18) Other financial assets

The default risk of the other financial assets is described on Note 40.

(19) Touristic payments on account

Touristic payments on account mainly relate to customary advance payments on future tourism services, in particular advance payments made by tour operators for future hotel services.

(20) Other non-financial assets

The other non-financial assets with an amount of € 501.4 m (prior year € 324.6 m) resulted mainly from the overfunded pension plans with an amount of € 310.0 m (prior year € 125.1 m) and assets from other taxes with an amount of € 111.4 m (prior year € 107.2 m).

(21) Deferred tax assets

Individual items of deferred tax assets and liabilities recognised in the financial position

	30 Sep 2019		30 Sep 2018 adjusted	
€ million	**Asset**	**Liability**	Asset	Liability
Finance lease transactions	2.1	–	2.2	–
Recognition and measurement differences for property, plant and equipment and other non-current assets	48.7	290.1	42.9	256.6
Recognition differences for receivables and other assets	18.9	33.5	4.4	41.2
Measurement of financial instruments	9.1	58.5	5.6	110.9
Measurement of pension provisions	194.1	50.3	156.7	12.5
Recognition and measurement differences for other provisions	61.7	8.4	68.2	2.2
Other transactions	41.3	83.0	43.4	58.2
Capitalised tax savings from recoverable losses carried forward	116.4	–	198.3	–
Netting of deferred tax assets and liabilities	–290.3	–290.3	–293.7	–293.7
Balance sheet amount	**202.0**	**233.5**	**228.0**	**187.9**

Deferred tax assets include an amount of € 196.0 m (previous year € 218.8 m) expected to be realised after more than twelve months. Deferred tax liabilities include an amount of € 202.4 m (previous year € 114.8 m) expected to be realised after more than twelve months.

No deferred tax assets are recognised for deductible temporary differences of € 178.9 m (previous year € 191.4 m).

No deferred tax liabilities are carried for temporary differences of € 72.4 m (previous year € 66.7 m) between the net assets of subsidiaries and the respective taxable carrying amounts of subsidiaries since these temporary differences are not expected to be reversed in the near future.

Recognised losses carried forward and time limits for non-recognised losses carried forward

€ million	**30 Sep 2019**	30 Sep 2018
Recognised losses carried forward	**517.1**	**1,061.5**
Non-recognised losses carried forward	**6,318.3**	**4,773.0**
of which losses carried forward forfeitable within one year	10.6	2.3
of which losses carried forward forfeitable within 2 to 5 years	34.3	61.0
Non-forfeitable losses carried forward	6,273.4	4,709.7
Total unused losses carried forward	**6,835.4**	**5,834.5**

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. Potential tax savings totalling € 1,141.9 m (previous year € 925.6 m) were not recognised since the underlying losses carried forward are not expected to be utilised in the foreseeable future. The reduction in the losses recognised is predominantly due to reassessment of the potential expected utilisation in Germany. The increase in the total amount of loss carryforwards that cannot be used but are non-forfeitable is mainly due to recent legislative rulings and tax audits in Germany that have benn completed during the year.

In FY 2019, tax savings of € 2.3 m (previous year € 6.4 m) resulted from the use of tax losses carried forward previously not assessed as recoverable for which, therefore, no deferred tax assets had been carried as at 30 September 2018 for the potential tax savings resulting from these assets. Tax losses carried forward resulted in tax savings of € 2.6 m (previous year € 0.0 m).

Development of deferred tax assets from losses carried forward

€ million	2019	2018
Capitalised tax savings at the beginning of the year	**198.3**	**198.1**
Use of losses carried forward	– 9.3	– 34.7
Capitalisation of tax savings from tax losses carried forward	28.0	35.6
Impairment of capitalised tax savings from tax losses carried forward	–100.8	– 0.3
Exchange adjustments and other items	0.2	– 0.4
Capitalised tax savings at financial year-end	**116.4**	**198.3**

Capitalised deferred tax assets from temporary differences and losses carried forward that are assessed as recoverable of € 16.1 m (previous year € 1.7 m) are covered by expected future taxable income even for companies that generated losses in the reporting period or the prior year.

(22) Inventories

Inventories

€ million	30 Sep 2019	30 Sep 2018
Airline spares and operating equipment	38.6	37.0
Real estate for sale	33.1	33.6
Consumables used in hotels	20.6	15.8
Other inventories	22.4	32.1
Total	**114.7**	**118.5**

In FY 2019, inventories of € 619.1 m (previous year € 557.8 m) were recognised as expense.

(23) Cash and cash equivalents

Cash and cash equivalents

€ million	30 Sep 2019	30 Sep 2018
Bank deposits	1,712.7	2,520.8
Cash in hand and cheques	28.8	27.2
Total	**1,741.5**	**2,548.0**

At 30 September 2019, cash and cash equivalents of € 203.1 m were subject to restrictions (previous year € 199.2 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 € 79.0 m is deposited as security within a bank account. TUI Group can only use that cash and cash equivalents if it provides alternative collateral.

Further, an amount of € 116.5 m (previous year € 116.5 m) was deposited with a Belgian subsidiary without acknowledgement of debt by the Belgian tax authorities in FY 2013 in respect of long-standing litigation over VAT refunds for the years 2001 to 2011. The purpose was to suspend the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The other restrictions relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

(24) Assets held for sale

Disposal group 'Berge & Meer' and 'Boomerang'

€ million	30 Sep 2019
Other intangible assets and property, plant and equipment	4.2
Trade and other receivables	2.3
Derivative financial instruments	2.9
Income tax assets	1.1
Touristic payments on account	25.7
Other non-financial assets	7.1
Cash and cash equivalents	6.1
Other assets	0.6
Total	**50.0**

In August 2019, TUI AG concluded an agreement about the sale of the two specialist tour operators Berge & Meer and Boomerang in the Central Region segment with the private investment firm GENUI Zwölfte Beteiligungsgesellschaft mbH. Berge & Meer specialises in round trips, while Boomerang focuses on long-haul trips in Oceania, Africa and North / South America. As specialist tour operators, the companies leverage virtually no synergies with the other TUI Group businesses.

As the transaction had not yet been finalised as at 30 September 2019, the companies were classified as disposal group.

With effect from 1 October 2019, the companies were sold. Please see for further information section Significant transactions after the balance sheet date.

The aircraft fuselages worth € 5.5 m classified as held for sale in the prior year have meanwhile been sold.

(25) Subscribed capital

The fully paid subscribed capital of TUI AG consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share is around € 2.56. As the capital stock consists of registered shares, the owners are listed by name in the share register.

The subscribed capital of TUI AG has been registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover. In the financial year, it rose by a total of 1,119,284 employee shares. It thus comprised 589,020,588 shares (previous year 587,901,304 shares) as at the end of the financial year. It rose by € 2.9 m to € 1,505.8 m.

The Annual General Meeting on 12 February 2019 authorised the Executive Board of TUI AG to acquire own shares of up to 5 % of the capital stock. The authorisation will expire on 11 August 2020. The authorisation to acquire own shares has not been used to date.

In August 2019, TUI AG acquired 44,088 own shares to issue to employees as part of the employee share programme in accordance with section 71 (1), sentence 2 of the German Stock Corporation Act (AktG). This corresponds to a purchase volume of € 0.4 m.

CONDITIONAL CAPITAL

The Annual General Meeting on 9 February 2016 had created conditional capital of € 150.0 m and authorised the Company to issue bonds. The conditional capital authorisation to acquire bonds with conversion or option rights and profit participation (with or without a mixed maturity) is limited to a nominal amount of € 2.0 bn and expires on 8 February 2021.

Overall, TUI AG's total conditional capital remained flat year-on-year at € 150.0 m as at 30 September 2019.

AUTHORISED CAPITAL

The Annual General Meeting on 13 February 2018 resolved to create additional authorised capital of € 30.0 m for the issue of employee shares. The Executive Board of TUI AG has been authorised to use this authorised capital in one or several transactions to issue employee shares against cash contribution by 12 February 2023. 1,119,284 (previous year 514,404) new employee shares were issued in the completed financial year so that authorised capital totals around € 25.8 m (previous year € 28.7 m) at the balance sheet date.

The Annual General Meeting on 9 February 2016 resolved an authorisation to issue new registered shares against cash contribution for up to a maximum of € 150.0 m. This authorisation will expire on 8 February 2021.

The Annual General Meeting on 9 February 2016 also resolved to create authorised capital for the issue of new shares against cash or non-cash contribution for up to € 570.0 m. The issue of new shares against non-cash contribution is limited to a maximum of € 300.0 m. The authorisation for this authorised capital will expire on 8 February 2021.

At the balance sheet date, the accumulated authorised capital that had not yet been taken up amounted to € 745.8 m (previous year € 748.7 m).

(26) Capital reserves

The capital reserves comprise transfers of premiums. They also comprise amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants. Premiums from the issue of shares due to the exercise of conversion options and warrants were also transferred to the capital reserve.

Capital reserves rose by € 7.0 m (previous year € 5.5 m) due to the issue of employee shares in the completed financial year.

(27) Revenue reserves

In the completed financial year, TUI AG paid a dividend of € 0.72 per no-par value share to its shareholders; the total amount paid was € 423.3 m (previous year € 381.8 m). The share of non-controlling interests declined by € 52.5 m (previous year € 53.5 m) in FY 2019 due to the issue of dividends.

The ongoing recording of existing equity-settled stock option plans resulted in an increase in equity of € 5.0 m in the reporting period. Disclosures on these long-term incentive programmes are outlined in the section on Share-based payments in accordance with IFRS 2 in Note 39.

In FY 2019, the movement in the first-time consolidation of non-controlling interests was essentially attributable to the non-controlling interests of the acquired companies in Destination Management worth € 3.5 m.

Foreign exchange differences comprise differences from the translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies.

The proportion of gains and losses from hedges used as effective hedges of future cash flows is carried directly in equity at € – 340.0 m (previous year € 429.7 m) (pre-tax). A reversal of this provision through profit and loss takes place in the same period in which the hedged item has an effect on profit and loss or is no longer assessed as probable. The significant decrease in FY 2019 is primarily attributable to changes in exchange rates and fuel prices.

The revaluation of pension obligations (in particular actuarial gains and losses) is also carried directly in equity.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned.

The transfer of valuation gains and losses from financial assets at FVOCI of € 2.2 m results from the change of the group of consolidated companies.

(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 profit for the year amounts to € 120.0 m (previous year € 983.4 m). Taking account of profit carried forward of € 1,374.1 m (previous year € 814.0 m), TUI AG's profit available for distribution totals € 1,494.1 m (previous year € 1,797.4 m). A proposal will be submitted to the Annual General Meeting to use the profit available for distribution for the financial year under review to pay a dividend of € 0.54 per no-par value share and carry the amount of € 318.1 m remaining after deduction of the dividend total of € 1,176.0 m forward on account. The final dividend total will depend on the number of dividend-bearing no-par value shares at the date on which the resolution regarding the use of Group profit available for distribution is adopted by the Annual General Meeting.

(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 2019 / 2019**	30 Sep 2018 / 2018 adjusted
Current assets	215.6	223.9
Non-current assets	1,729.8	1,559.5
Current liabilities	116.8	104.6
Non-current liabilities	86.2	79.0
Revenues	850.0	843.7
Profit / loss	225.6	161.0
Other comprehensive income	20.1	11.0
Cash inflow / outflow from operating activities	256.5	228.2
Cash inflow / outflow from investing activities	–205.3	–126.1
Cash inflow / outflow from financing activities	–111.5	–124.4
Accumulated non-controlling interest	699.6	628.4
Profit / loss attributable to non-controlling interest	112.8	84.8
Dividends attributable to non-controlling interest	51.4	53.1

* 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 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 € 93.4 m (previous year € 80.3 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 € 5.9 m). For the next financial year, contributions are expected to remain at that level.

TUI Group's major pension plans recognised as defined benefit plans exist in Germany and the UK. By far the largest pension plans are operated by the Group's tour operators in the UK. They accounted for 70.9 % (previous year 71.6 %) of TUI Group's total obligations at the balance sheet date. German plans account for a further 24.4 % (previous year 23.3 %).

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 in September 2016.

Since 31 October 2018, the main sections of TUI Group's UK Pension Trust have been closed to future accrual of benefits, which has led to a significant decrease in the current service cost for services delivered by the employees. Since 1 November 2018, increases in accrued pension benefits for current active members have therefore no longer been calculated on the basis of members' pensionable salaries but in line with deferred revaluation rates. In the wake of the change, a one-off payment of £ 14.1 m was made to the fund assets. 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.

In addition, between June and September 2019, retired members of TUI Group's UK Pension Trust were offered a pension increase exchange, i. e. the option to exchange their contractual annual pension increase in return for a higher annual starting pension which subsequently only rises in line with statutory increases. As a result, the defined benefit obligation of TUI Group's UK Pension Trust decreased by € 25.3 m in the period under review. That amount was carried as past service credit due to plan amendment through profit and loss in the financial year under review.

By contrast, defined benefit plans in Germany are mainly unfunded and the obligations from these plans are recognised as provisions. The company assumes the obligation for payments of company pensions when the beneficiaries reach the legal retirement age. The amount of the pension paid usually depends either on the remuneration received by the employee at the retirement date or the amount of the average remuneration over the employee's service period. Pension obligations usually include surviving dependants' benefits and invalidity benefits. Pension payments are partly limited by third party compensations, e. g. from insurances and MER-Pensionskasse.

Material defined benefit plans in Germany

Scheme name	Status
Versorgungsordnung TUI AG	open
Versorgungsordnung TUIfly GmbH	open
Versorgungsordnung TUI Deutschland GmbH	closed
Versorgungsordnung TUI Beteiligungs GmbH	closed
Versorgungsordnungen TUI Immobilien Services GmbH	closed

In the reporting period, defined benefit pension obligations created total expenses of € 28.6 m.

Pension costs for defined benefit obligations

€ million	**2019**	2018
Current service cost for employee service in the period	39.9	68.1
Curtailment gains	0.7	4.4
Net interest on the net defined benefit liability	13.4	19.5
Past service cost	– 24.0	– 6.1
Total	**28.6**	**77.1**

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 2019 Total**	30 Sep 2018 Total
Present value of funded obligations	3,176.5	2,760.6
Fair value of external plan assets	3,397.9	2,701.1
Surplus (–) / Deficit (+) of funded plans	**– 221.4**	**59.5**
Present value of unfunded pension obligations	979.4	810.2
Defined benefit obligation recognised on the balance sheet	**758.0**	**869.7**
of which		
Overfunded plans in other non-financial assets	310.0	125.1
Provisions for pensions and similar obligations	**1,068.0**	**994.8**
of which current	32.4	32.6
of which non-current	1,035.6	962.2

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 2019, other non-financial assets include excesses of € 310.0 m (previous year € 125.1 m).

Development of defined benefit obligations

€ million	Present value of obligation	Fair value of plan assets	**Total**
Balance as at 1 Oct 2018	**3,570.8**	**–2,701.1**	**869.7**
Current service cost	39.9	–	39.9
Past service cost	–24.0	–	–24.0
Curtailments and settlements	–0.7	–	–0.7
Interest expense (+)/interest income (–)	85.4	–72.0	13.4
Pensions paid	–166.2	134.6	–31.6
Contributions paid by employer	–	–111.5	–111.5
Contributions paid by employees	1.8	–1.8	–
Remeasurements	670.4	–650.5	19.9
due to changes in financial assumptions	734.1	–	734.1
due to changes in demographic assumptions	–65.4	–	–65.4
due to experience adjustments	1.7	–	1.7
due to return on plan assets not included in group profit for the year	–	–650.5	–650.5
Exchange differences	–8.6	4.4	–4.2
Other changes	–12.9	–	–12.9
Balance as at 30 Sep 2019	**4,155.9**	**–3,397.9**	**758.0**

Development of defined benefit obligations

€ million	Present value of obligation	Fair value of plan assets	**Total**
Balance as at 1 Oct 2017	**3,701.7**	**–2,631.3**	**1,070.4**
Current service cost	68.1	–	68.1
Past service cost	–6.1	–	–6.1
Curtailments and settlements	–5.5	1.1	–4.4
Interest expense (+)/interest income (–)	85.3	–65.8	19.5
Pensions paid	–156.2	125.8	–30.4
Contributions paid by employer	–	–177.1	–177.1
Contributions paid by employees	2.1	–2.1	–
Remeasurements	–105.1	39.1	–66.0
due to changes in financial assumptions	–70.6	–	–70.6
due to changes in demographic assumptions	–38.2	–	–38.2
due to experience adjustments	3.7	–	3.7
due to return on plan assets not included in group profit for the year	–	39.1	39.1
Exchange differences	–15.6	9.9	–5.7
Other changes	2.1	–0.7	1.4
Balance as at 30 Sep 2018	**3,570.8**	**–2,701.1**	**869.7**

In the period under review, the present value of the pension obligation increased by € 585.1 m to € 4,155.9 m, mainly due to revaluation effects from changes in calculation parameters, in particular due to the strong decrease in interest rate levels in the Eurozone and the UK.

TUI Group's fund assets rose by € 696.8 m during the same period, mainly due to increases in the value of the selected forms of investment. They break down as shown in the table below.

Composition of fund assets at the balance sheet date

	30 Sep 2019		30 Sep 2018	
	Quoted market price in an active market		Quoted market price in an active market	
€ million	yes	no	yes	no
Fair value of fund assets at end of period	**2,213.5**	**1,184.4**	**1,363.0**	**1,338.1**
of which equity instruments	39.3	–	167.4	141.5
of which government bonds	33.5	–	20.4	–
of which corporate bonds	496.6	–	47.1	–
of which liability driven investments	1,181.6	–	543.3	–
of absolute return bonds	182.8	–	411.7	–
of which property	276.0	–	169.8	39.7
of which growth funds	–	–	–	252.6
of which insurance policies	–	100.1	–	121.5
of which insurance linked securities	–	130.3	–	137.4
of which loans	–	195.9	–	277.2
of which cash	–	751.5	–	362.1
of which other	3.7	6.6	3.3	6.1

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

	30 Sep 2019		
Percentage p.a.	Germany	Great Britain	Other countries
Discount rate	0.7	1.7	0.2
Projected future salary increases	2.5	–	1.2
Projected future pension increases	1.8	3.1	0.9

	30 Sep 2018		
Percentage p.a.	Germany	Great Britain	Other countries
Discount rate	1.7	2.8	1.2
Projected future salary increases	2.5	2.8	1.4
Projected future pension increases	1.8	3.4	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. In the year under review, longer-term bonds from the iBoxx € Corporates AA 10+ (in the previous year only bonds from the iBoxx € Corporates AA 7-10) were included in the calculation for the first time in the Eurozone. This resulted in a discount rate of 0.7 %, which was 0.1 percentage points above the discount rate that would have resulted if the same method had been applied as in the previous year. If the previous year's method had been applied, pension provisions would have been € 22.4 m higher in the year under review and equity would have been € 15.3 m lower due to remeasurements, taking deferred taxes of € 7.1 m recognised directly in equity into account. There would not have been any effect in the previous year, as the discount rate of 1.7 % would have been identical for both calculation methods due to rounding.

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 S2NxA base tables are used, adjusted to future expected increases on the basis of the Continuous Mortality Investigation (CMI) 2018. The pension in payment escalation formulae depend primarily on the pension plan concerned. Apart from fixed rates of increase, there are also a number of inflation-linked pension adjustment mechanisms in different countries.

Changes in the key actuarial assumptions mentioned above would lead to the changes in defined benefit obligations presented below. The methodology used to determine sensitivity corresponds to the method used to calculate the defined benefit obligation. The assumptions were amended in isolation each time; actual interdependencies between the assumptions were not taken into account. The effect of the increase in life expectancy by one year is calculated by means of a reduction in mortality due to the use of the Heubeck tables 2018 G for pension plans in Germany. In the UK, an extra year is added to the life expectancy determined on the basis of the mortality tables.

Sensitivity of the defined benefit obligation due to changed actuarial assumptions

	30 Sep 2019		30 Sep 2018	
€ million	**+ 50 basis points**	**– 50 basis points**	+ 50 basis points	– 50 basis points
Discount rate	– 388.7	+ 450.8	– 315.1	+ 360.3
Salary increase	+18.9	–18.7	+17.0	–15.8
Pension increase	+142.2	–139.6	+108.7	–103.9
	+1 year		+1 year	
Life expectancy	+182.8	–	+135.7	–

The weighted average duration of the defined benefit obligations totalled 19.6 years (previous year 19.0 years) for the overall Group. In the UK, the weighted duration was 19.9 years (previous year 19.8 years), while it stood at 19.6 years (previous year 17.4 years) in Germany.

Fund assets are determined on the basis of the fair values of the funds invested as at 30 September 2019. 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 € 94.1 m (previous year € 113.5 m) to pension funds and pay pensions worth € 32.4 m (previous year € 32.6 m) for unfunded plans. The expected employer contribution to the pension funds mainly includes the annual payment agreed with the trustees in the UK to reduce the existing coverage shortfall. For funded plans, the payments to the recipients are fully made from fund assets and therefore do not result in a cash outflow for TUI Group.

TUI Group's defined benefit plans entail various risks; some of which may have a substantial effect on the Company.

INVESTMENT RISK

The investment risk plays a major role, in particular for the large funded plans in the UK. Although shares usually outperform bonds in terms of producing higher returns, they also entail stronger volatility of balance sheet items and the risk of short-term shortfalls in coverage. In order to limit this risk, the trustees have built a balanced investment portfolio to limit the concentration of risks.

INTEREST RATE RISK

The interest rate influences in particular unfunded schemes in Germany as a decline in interest rates leads to an increase in the defined benefit obligations. Accordingly, an increase in the interest rate leads to a reduction in the defined benefit obligations. Funded plans are less strongly affected by this development as the performance of the interest-bearing assets included in plan assets regularly dampens the effects. For the funded plans in the UK, the trustees have invested a part of the plan assets in liability-driven investment portfolios, holding credit and hedging instruments in order to largely offset the impact of changes in interest rates.

INFLATION RISK

An increase in the inflation rate normally increases the obligation in pension schemes linked to the final salary of beneficiaries as inflation causes an increase in the projected salary increases. At the same time, inflation-based pension increases included in the plan also rise. The inflation risk is reduced through the use of caps and collars. Moreover, the large pension funds in the UK hold inflation-linked assets, which also partly reduce the risk from a significant rise in inflation. By investing, in particular, plan assets in liability-driven investment portfolios, which hold credit and hedging instruments, they aim to largely offset the impact of the inflation rate.

LONGEVITY RISK

An increasing life expectancy increases the expected benefit duration of the pension obligation. This risk is countered by using regularly updated mortality data in calculating the present values of the obligation.

CURRENCY RISK

For the TUI Group, the pension schemes entail a currency risk as most pension schemes are operated in the UK and therefore denominated in sterling. The risk is limited as the currency effects on the obligation and the assets partly offset each other. The currency risk only relates to any excess of pension obligations over plan assets or vice versa.

(31) Other provisions

Development of provisions in the FY 2019

€ million	Balance as at 30 Sep 2018	Changes with no effect on profit and loss*	Usage	Reversal	Additions	**Balance as at 30 Sep 2019**
Maintenance provisions	669.6	34.2	150.6	42.7	258.4	768.9
Provisions for environmental protection	47.0	0.1	1.6	2.1	6.4	49.8
Provisions for other personnel costs	56.4	2.3	6.2	10.5	2.6	44.6
Restructuring provisions	20.9	– 0.1	17.8	2.1	37.6	38.5
Provisions for other taxes	43.4	2.5	13.3	4.1	6.7	35.2
Risks from onerous contracts	28.9	–1.9	4.9	7.7	16.5	30.9
Provisions for Litigation	23.6	– 0.5	4.3	7.7	11.4	22.5
Miscellaneous provisions	226.6	– 2.5	85.6	55.8	63.8	146.5
Other provisions	**1,116.4**	**34.1**	**284.3**	**132.7**	**403.4**	**1,136.9**

* 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.

Provisions for environmental protection measures primarily relate to statutory obligations to remediate sites contaminated with legacy waste from former mining and metallurgical activities.

Provisions for personnel costs comprise provisions for jubilee benefits and provisions for cash settled share-based payment schemes in accordance with IFRS 2. Information on these long-term incentive programmes is presented under Note 39 in the section 'Share-based payments in accordance with IFRS 2'.

Restructuring provisions comprise severance payments to employees and payments for the early termination of lease agreements. They primarily relate to restructuring projects in Germany for which detailed, formal restructuring plans have been drawn up and communicated to the parties concerned. The restructuring provisions included at the balance sheet date of € 38.5 m (previous year € 20.9 m) largely relate to benefits for employees in connection with the termination of employment contracts.

Provisions for onerous contracts principally relate to unfavourable lease contracts.

Provisions for litigation are established in relation to existing lawsuits. For further details on lawsuits please refer to note 37.

Miscellaneous provisions include several kinds of other provisions. Taken individually, none of the lawsuits has a significant influence on TUI Group's economic position. This category also includes 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 €6.0 m (previous year €2.2 m), recognised as an interest expense.

Terms to maturity of other provisions

€ million	30 Sep 2019 Remaining term more than 1 year	30 Sep 2019 Total	30 Sep 2018 Remaining term more than 1 year	30 Sep 2018 Total
Maintenance provisions	616.8	768.9	559.2	669.6
Provisions for environmental protection	46.7	49.8	43.2	47.0
Provisions for other personnel costs	35.2	44.6	38.9	56.4
Restructuring provisions	–	38.5	0.2	20.9
Provisions for other taxes	23.5	35.2	27.5	43.4
Risks from onerous contracts	6.5	30.9	10.0	28.9
Provisions for litigation	3.9	22.5	5.6	23.6
Miscellaneous provisions	42.4	146.5	83.5	226.6
Other provisions	**775.0**	**1,136.9**	**768.1**	**1,116.4**

(32) Financial liabilities

Financial liabilities

	30 Sep 2019				30 Sep 2018			
	Remaining term				Remaining term			
€ million	up to 1 year	1 – 5 years	more than 5 years	Total	up to 1 year	1 – 5 years	more than 5 years	Total
Bonds	–	297.8	–	**297.8**	–	296.8	–	296.8
Liabilities to banks	74.9	391.0	404.1	**870.0**	64.1	368.6	347.8	780.5
Liabilities from finance leases	130.5	658.4	706.3	**1,495.2**	105.2	482.5	755.0	1,342.7
Other financial liabilities	19.2	–	–	**19.2**	22.9	–	–	22.9
Total	**224.6**	**1,347.2**	**1,110.4**	**2,682.2**	**192.2**	**1,147.9**	**1,102.8**	**2,442.9**

Non-current financial liabilities increased by €207.0 m to €2,457.6 m as of the balance sheet date compared with September 30, 2018. The main reason for this is the financing of a cruise ship, which is reported under liabilities to banks. In addition, liabilities from finance leases increased, primarily due to the renewal and modernization of the aircraft fleet.

Movements financial liabilities

€ million	Bonds	Short-term liabilities to banks	Long-term liabilities to banks	Finance Leasing	Other financial liabilities	Total financial liabilities
Balance as at 1 Oct 2018	**296.8**	**64.1**	**716.4**	**1,342.6**	**23.0**	**2,442.9**
Payment in the period	–	–34.2	–25.6	–122.3	2.2	–179.9
Changes consolidation scope	–	4.8	22.9	–	–1.1	26.6
Foreign exchange movements	–	1.3	1.1	53.6	–	56.0
Other non-cash movement	1.0	38.9	80.2	221.3	–4.8	336.6
Balance as at 30 Sep 2019	**297.8**	**74.9**	**795.0**	**1,495.2**	**19.3**	**2,682.2**

Movements financial liabilities

€ million	Bonds	Short-term liabilities to banks	Long-term liabilities to banks	Finance Leasing	Other financial liabilities	Total financial liabilities
Balance as at 1 Oct 2017	**295.8**	**46.2**	**335.1**	**1,226.5**	**29.5**	**1,933.1**
Payment in the period	–	–14.1	398.6	–106.5	–6.6	271.4
Changes consolidation scope	–	8.0	–	1.0	0.7	9.7
Foreign exchange movements	–	–2.0	1.9	18.3	0.1	18.3
Other non-cash movement	1.0	26.0	–19.2	203.3	–0.7	210.4
Balance as at 30 Sep 2018	**296.8**	**64.1**	**716.4**	**1,342.6**	**23.0**	**2,442.9**

Fair value and carrying amount of the bond at 30 Sep 2019

	30 Sep 2019						30 Sep 2018	
€ million	**Issuer**	**Nominal value initial**	**Nominal value outstanding**	**Interest rate % p. a.**	**Stock market value**	**Carrying amount**	Stock market value	Carrying amount
2016/21 bond	TUI AG	300.0	300.0	2,125	309.6	297.8	311.1	296.8
Total					**309.6**	**297.8**	**311.1**	**296.8**

The fixed-interest bond with a nominal value of € 300.0 m issued in October 2016 has a coupon of 2,125 % p. a. The bond will mature on 26 October 2021. It can be redeemed ahead of its maturity date any time at its value as at the redemption date. In addition, a 100 % redemption option exists on 26 July 2021.

(33) Touristic advance payments received

Touristic advance payments received

€ million	
Touristic advance payments received as at 1 Oct 2017 (adjusted)	**2,700.4**
Revenue recognised that was included in the balance at the beginning of the period	– 2,305.6
Increases due to cash received, excluding amounts recognised as revenue during the period	2,446.4
Changes in the consolidation status	24.8
Other	– 41.2
Touristic advance payments received as at 30 Sep 2018 (adjusted)	**2,824.8**
Touristic advance payments received as at 1 Oct 2018	**2,824.8**
Revenue recognised that was included in the balance at the beginning of the period	– 2,370.9
Increases due to cash received, excluding amounts recognised as revenue during the period	2,636.4
Changes in the consolidation status and changes caused by IFRS 5	–166.0
Other	–13.1
Touristic advance payments received as at 30 Sep 2019	**2,911.2**

(34) Other non-financial liabilities

Other non-financial liabilities

			30 Sep 2019			30 Sep 2018
	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	210.1	25.4	235.5	255.9	24.2	280.1
Other liabilities relating to social security	45.3	–	45.3	51.4	–	51.4
Other liabilities relating to other taxes	37.1	–	37.1	48.0	–	48.0
Other miscellaneous liabilities	140.9	6.0	146.9	151.6	–	151.6
Deferred income	85.9	68.7	154.6	78.8	64.8	143.6
Other non-financial liabilities	**519.3**	**100.1**	**619.4**	**585.7**	**89.0**	**674.7**

(35) Liabilities related to assets held for sale

As at 30 September 2019 the liabilities related to assets held for sale of 103.1 Mio. € represent only the liabilities of the disposal group 'Berge & Meer' and 'Boomerang'. For further information please refer to the section 'Assets held for sale'.

Disposal group 'Berge & Meer' and 'Boomerang'

€ million	30 Sep 2019
Deferred tax liabilities	4.1
Trade payables	34.1
Touristic advance payments received	58.1
Other non-financial liabilities	4.7
Other provisions and liabilities	2.1
Total	**103.1**

(36) Contingent assets and liabilities

As a consequence of the worldwide grounding of the 737 Max aircraft TUI is in conversation with the manufacturer concerning reimbursement payments. Currently, the negotiations have not reached a stage that the (financial) outcome can be estimated reliably.

As at 30 September 2019, contingent liabilities amounted to € 143.5 m (previous year € 118.7 m). Contingent liabilities are reported at an amount representing the best estimate of the potential expenditure that would be required to meet the potential obligation as at the balance sheet date.

Contingent liabilities as at 30 September 2019 are mainly attributable to the granting of guarantees for the benefit of hotel activities and the granting of guarantees in regard with business transactions.

(37) Litigation

TUI AG and its subsidiaries are involved in several pending or foreseeable court or arbitration proceedings, which do not have a significant impact on their economic position as at 30 September 2019 or future periods. This also applies to actions claiming warranty, repayment or any other compensation in connection with the divestment of subsidiaries and business units over the past few years. As in previous years, the Group recognised adequate provisions, partly covered by expected insurance benefits, to cover all probable financial charges from court or arbitration proceedings.

(38) Other financial commitments

Financial commitments from operating lease and rental contracts

€ million	30 Sep 2019 Remaining term up to 1 year	1–5 years	5–10 years	more than 10 years	**Total**	30 Sep 2018 Remaining term up to 1 year	1–5 years	5–10 years	more than 10 years	Total
Aircraft	373.2	820.3	218.6	5.9	1,418.0	383.4	919.4	228.5	15.8	1,547.1
Hotel complexes	198.0	342.3	96.8	22.4	659.5	229.8	353.0	83.0	9.4	675.2
Travel agencies	63.2	123.0	19.3	4.5	210.0	63.2	120.3	24.0	4.8	212.3
Administrative buildings	40.2	108.0	48.7	30.9	227.8	40.3	113.9	53.6	36.2	244.0
Ships, Yachts and Motorboats	–	–	–	–	–	1.0	–	–	–	1.0
Other	40.5	44.5	8.6	52.3	145.9	28.9	43.4	7.3	51.7	131.3
Total	**715.1**	**1,438.1**	**392.0**	**116.0**	**2,661.2**	**746.6**	**1,550.0**	**396.4**	**117.9**	**2,810.9**

The commitments from lease, rental and charter agreements exclusively relate to leases that do not transfer all risks and rewards of ownership of the assets to the TUI Group companies in accordance with IFRS rules (operating leases). Some of these lease agreements contain renewal- or purchase options and price adjustment clauses.

The decrease in commitments compared to 30 September 2018 is driven by a reduction in lease obligations for aircraft. Lease payments in the year exceeded the obligations arising from new aircraft commitments and extensions to existing arrangements, off-setting the decrease are foreign exchange effects for liabilities denominated in foreign currencies.

The expected payments to be received from non-cancellable sublease contracts for aircraft are shown in the following table:

Expected minimum lease payments received from operating lease contracts

€ million	30 Sep 2019 Remaining term up to 1 year	1–5 years	more than 5 years	**Total**	30 Sep 2018 adjusted Remaining term up to 1 year	1–5 years	more than 5 years	Total
Aircraft	52.6	78.8	4.0	135.4	32.3	22.6	–	54.9

Order commitments in respect of capital expenditure and other financial commitments

€ million	30 Sep 2019 Remaining term up to 1 year	1–5 years	more than 5 years	**Total**	30 Sep 2018 Remaining term up to 1 year	1–5 years	more than 5 years	Total
Order commitments in respect of capital expenditure	1,427.8	1,691.1	87.4	3,206.3	1,092.1	2,480.9	310.3	3,883.3
Other financial commitments	111.4	25.0	3.0	139.4	52.2	18.0	–	70.2
Total	**1,539.2**	**1,716.1**	**90.4**	**3,345.7**	**1,144.3**	**2,498.9**	**310.3**	**3,953.5**

Order commitments in respect of capital expenditure relate almost exclusively to tourism and decreased by € 607.8 m year-on-year as at 30 September 2019. The reduction in commitments is largely driven by the delivery of cruise ship Marealla Explorer 2 and the cancellation of the order relating to a cruise ship. Further declines resulted from scheduled payments and delivery of aircraft, which were partly offset by new aircraft order commitments and foreign exchange effects for commitments denominated in non-functional currencies.

(39) Share-based payments in accordance with IFRS 2

As at 30 September 2019, all existing awards except the employee share program 'oneShare' are recognized as cash-settled share-based payment schemes.

The following share-based payment schemes are in effect within TUI Group as at 30 September 2019.

1. PHANTOM SHARES IN THE FRAMEWORK OF THE LONG TERM INCENTIVE PLAN (LTIP)

1.1 LTIP WITH SHARE AWARDING FROM FINANCIAL YEAR 2018 (LTIP EPS)

Since FY 2018, the LTIP has consisted of a phantom share-based programme and has been measured over a duration of four years (performance reference period) upon achievement of a total shareholder return (TSR) target and an earnings per share (EPS) target. The phantom shares are granted in annual tranches.

All Executive Board members have their individual target amounts defined in their service contracts. At the beginning of each financial year, this target amount is translated into a preliminary number of phantom shares based on the target amount. It constitutes the basis for the determination of the performance-related pay after the end of the performance reference period. In order to determine that number, the target amount is divided by the average Xetra share price of TUI AG shares during the 20 trading days prior to the beginning of the performance reference period (1 October of any one year). The entitlement under the long-term incentive programme arises upon completion of the four-year performance reference period and is subject to attainment of the relevant target.

The performance target for determining the amount of the final payout after the end of the performance reference period is the development of TSR of TUI AG relative to the development of the TSR of the STOXX Europe 600 Travel & Leisure (Index). The relative TSR is included in the determination of target achievement with a weighting of 50 %. The degree of target achievement is determined as a function of TUI AG's TSR rank in comparison with the TSR ranks of the index companies over the performance reference period. In order to determine TUI AG's relative TSR, the TSR ranks established for TUI's peer companies are sorted in descending order. TUI AG's relative TSR is expressed as a percentile (percentile rank).

The TSR is the aggregate of all share price increases plus the gross dividends paid over the performance reference period. Data from recognised data providers (e. g. Bloomberg, Thomson Reuters) is used to establish the TSR ranks for TUI AG and the index companies. The reference used to determine the ranks is the composition of the index on the last day of the performance reference period. The values for companies that were not listed over the entire performance reference period are factored in on a pro rata basis. The degree of target achievement (in percent) is established as follows for TUI AG's relative TSR based on the percentile:

- A percentile below the median of the index corresponds to target achievement of 0 %.
- A percentile equal to the median corresponds to target achievement of 100 %.
- A percentile constituting the maximum value corresponds to target achievement of 175 %.

For a percentile between the median and the maximum value, linear interpolation is used to determine the degree of target achievement at between 100 % and 175 %. The degree of target achievement is rounded to two decimal places, as is customary in commercial practice.

Moreover the average development of EPS per annum is included in the LTIP as an additional Group indicator with a weighting of 50 %. The averages determined for the four-year performance reference period are based on pro forma underlying earnings per share from continuing operations, as already reported in the Annual Report.

Target achievement for the average development of EPS per annum based on the annual amounts is determined as follows:

- An average increase of less than 3 % p. a. corresponds to target achievement of 0 %.
- An average increase of 3 % p. a. corresponds to target achievement of 25 %.
- An average increase of 5 % p. a. corresponds to target achievement of 100 %.
- An average increase of 10 % or more p. a. corresponds to target achievement of 175 %.

For an average increase of 3 % to 5 % p. a., linear interpolation is used to determine the degree of target achievement at between 25 % and 100 %. Linear interpolation is used for an average increase of between 5 % and 10 % or more p. a. to determine target achievement at between 100 % and 175 %. Here, too, the degree of target achievement is rounded to two decimal places, as is customary in commercial practice.

If the prior-year EPS amounts to less than € 0.50, the Supervisory Board defines new absolute targets for EPS as well as minimum and maximum amounts for determining the percentage target achievement for each subsequent financial year in the performance reference period.

The degree of target achievement (in percent) is calculated from the average target achievement for the performance targets 'relative TSR of TUI AG' and 'EPS'. In order to determine the final number of phantom shares, the degree of target achievement is multiplied by the preliminary number of phantom shares on the final day of the performance reference period. The payout amount is determined by multiplying the final number of phantom shares by the average Xetra share price of TUI AG shares over the 20 trading days prior to the end of the performance reference period (30 September of any one year). The payout amount determined in this way is paid out in the month of the approval and audit of TUI Group's annual financial statements for the relevant financial year. If the service contract begins or ends in the course of the financial year relevant for the granting of the LTIP, the entitlement to payment of the LTIP is determined on a pro rata basis.

The maximum LTIP payout is capped at 240 % of the individual target amount for each performance reference period. This means that there is an annual LTIP cap which is determined individually for each Executive Board member.

1.2 LTIP WITH SHARE AWARDING UP TO AND INCLUDING FINANCIAL YEAR 2017 (LTIP)

For those members of the Executive Board whose service contracts already existed prior to FY 2018, the replaced remuneration system will continue to apply in parallel for LTIP for the time being. This relates only to the LTIP tranches granted before FY 2018 but not yet paid out due to the four-year performance reference period, which are therefore included in the future awards.

The LTIP is a share plan based on phantom shares, assessed over a period of four years (performance reference period). Phantom shares are granted in annual tranches.

For Executive Board members, an individual target amount (Target Amount) is determined in their service contract. At the beginning of each financial year, a preliminary number of phantom shares is determined in relation to the target amount. This number constitutes the basis for determining the final performance-based payment after the end of the respective performance reference period. In order to determine that number, the target amount is divided by the average Xetra share price of TUI AG shares over the 20 trading days prior to the beginning of the performance reference period (1 October of any one year). The claim to a payment only arises upon expiry of the performance reference period, subject to attainment of the respective performance target.

The performance target for determining the amount of the final payout after the end of the performance reference period is the development of the total shareholder return (TSR) of TUI AG relative to the development of the TSR of the STOXX Europe 600 Travel & Leisure (Index). To that end, the rank of the TSR of TUI AG in relation to the index companies is monitored over the entire performance reference period. The TSR is the aggregate of all share price increases plus the gross dividends paid over the performance reference period. Data from a recognised data provider (e. g. Bloomberg, Thomson Reuters) is used to establish the TSR values for TUI AG and the index. The reference for determining the ranks is the composition of the index on the last day of the performance reference period. The values for companies that were not listed over the entire performance reference period are factored in on a pro rata basis. The degree of target achievement is established as follows depending on the TSR rank of TUI AG relative to the TSR values of the index companies over the performance reference period:

- A TSR value of TUI AG equivalent to the bottom or second to bottom rank of the index corresponds to target achievement of 0 %.
- A TSR value of TUI AG equivalent to the third to bottom rank of the index corresponds to target achievement of 25 %.
- A TSR value of TUI AG equivalent to the median of the index corresponds to target achievement of 100 %.
- A TSR value of TUI AG equivalent to the third to top, second to top or top rank of the index corresponds to target achievement of 175 %.

For performance between the third to bottom and the third to top rank, linear interpolation is used to determine the degree of target achievement at between 25 % and 175 %. The degree of target achievement is rounded to two decimal places, as is customary in commercial practice.

In order to determine the final number of phantom shares, the degree of target achievement is multiplied by the preliminary number of phantom shares on the final day of the performance reference period. The payout amount is determined by multiplying the final number of phantom shares by the average Xetra share price of TUI AG shares over the 20 trading days prior to the end of the performance reference period (30 September of any one year). The payout amount determined in this way is paid out in cash in the month of the adoption of the annual financial statements of TUI AG for the fourth financial year of the performance reference period. If the service contract begins or ends in the course of the financial year relevant for the granting of the LTIP, the claim for payment of the LTIP is determined on a pro rata basis as a matter of principle.

There is an annual LTIP cap individually defined for each Executive Board member.

PERFORMANCE SHARE PLAN (PSP)

The PSP details the share-based payments for entitled Group executives who are not part of the Board. The scheme conditions are harmonized with the LTIP without the earnings-per-share performance measure of the Board members with the notable exceptions of a three year performance period instead of four years. Target amounts and grant frequency are subject to individual contractual agreements.

Since LTIP and PSP follow common scheme principles, the following development of awarded phantom shares under the programs are shown on an aggregated basis. The development of phantom shares awarded that are subject to the EPS performance measure are shown separately.

Development of phantom shares awarded (LTIP EPS, LTIP & PSP)

	LTIP EPS		LTIP & PSP	
	Number of shares	Present value € million	**Number of shares**	Present value € million
Balance as at 30 Sep 2017	**–**	**–**	**1,256,854**	**18.3**
Phantom shares awarded	360,808	5.3	523,738	6.9
Phantom shares exercised	–	–	–341,311	–5.0
Phantom shares forfeited	–	–	–75,326	–1.1
Measurement results	–	0.7	–	3.5
Balance as at 30 Sep 2018	**360,808**	**6.0**	**1,363,955**	**22.6**
Phantom shares awarded	402,652	6.2	442,312	6.8
Phantom shares exercised	–	–	–134,355	–1.3
Phantom shares forfeited	–	–	–452,860	–6.2
Measurement results	–	–4.1	–	–8.9
Balance as at 30 Sep 2019	**763,460**	**8.1**	**1,219,052**	**13.0**

EMPLOYEE SHARE PROGRAM 'ONESHARE'

Eligible employees can acquire TUI AG shares under preferential conditions when participating in the oneShare program. The preferential conditions include a discount on 'investment' shares bought during a twelve month investment period plus one 'matching' share per three held investment shares, after a lock up period of two years. Investment shares are created via capital increase, while matching shares are bought on the open market. Eligible employees decide once a year about their participation in oneShare. The 2019 oneShare tranche contained 'Golden shares', similar to the tranche started during the previous financial year. Each participant was awarded twelve shares free of charge, which were not subject to any restrictions. In the completed financial year, 44,088 Golden shares were awarded to employees (previous year: 59,196).

As the investment and matching shares as well as the Golden Shares are equity investments 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.

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 Apr 2017 – 31 Jul 2017	1 Aug 2017 – 31 Jul 2018	1 Aug 2018 – 31 Jul 2019	1 Aug 2019 – 31 Jul 2020
Matching date		30 Sep .2019	30 Sep 2020	30 Sep 2021	30 Sep 2022
Acquired investment shares		349,941	524,619	1,152,598	174,436
thereof forfeited investment shares		1,228	10,216	32,859	–
Estimated matching shares		114,811	174,873	384,199	58,145
thereof forfeited matching shares		10,486	12,467	10,953	–
Share price at grant date	in €	12.99	13.27	18.30	8.99
Fair value: Discount per investment share	in €	2.60	2.02	2.94	1.26
recognised estimated dividend	in €	–	0.63	0.72	0.54
Fair value: matching share	in €	11.65	11.15	15.93	7.17
recognised discounted estimated dividend	in €	1.34	2.11	2.37	1.82

CLOSED SHARE-BASED PAYMENT SCHEMES

The following share-based payment schemes are closed, resulting in no new awards being granted. Awards made in the past remain valid.

TUI AG STOCK OPTION PLAN

The stock option plan for qualifying Group executives below Board level was closed during FY 2016. The last tranche was granted in February 2016 and vested in February 2018.

Bonuses were granted to eligible Group executives; the bonuses were translated into phantom shares in TUI AG on the basis of an average share price. The phantom shares were calculated on the basis of Group earnings before interest, taxes and amortisation of goodwill (EBITA). The translation into phantom shares was based on the average share price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements were approved. The number of phantom shares granted in a financial year was, therefore, only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within three years. Following significant corporate news, the entitlements have to be exercised within defined timeframes. The lock-up period is not applicable if a beneficiary leaves the Company; in that case, the entitlements have to be exercised in the next time window. The level of the cash payment depends on the average share price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or share price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is € 0.00 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the share price at the respective reporting date.

As at 30 September 2019, 30,915 share options valued at € 0.3 m are vested and outstanding. Since the plan is closed, no new grants were made, 9,678 options were exercised (total value of € 0.1 m) and no options were forfeited.

SHARE-BASED PAYMENT SCHEMES OF FORMER TUI TRAVEL PLC

The three principal schemes below were all closed to new participants during the FY 2016. The last tranche vested in December 2018 and was settled in cash.

The share option awards of these remuneration schemes only vested if the average annual return on invested capital (ROIC) was at least equal to the average weighted average cost of capital (WACC) over a period of three years. If this condition was fulfilled, the number of vesting awards was determined as a function of the fulfilment of the following performance conditions.

PERFORMANCE SHARE PLAN (PSP)

Up to 50 % of these awards granted vested based on growth in the Group's reported earnings per share (EPS) relative to the UK Retail Price Index. Up to 25 % of the awards vested based on the Group's total shareholder return (TSR) performance relative to an average of the TSR performance of an index of other capital market-orientated travel and tourism companies. Likewise, up to 25 % of the awards vested if the Group's average return on invested capital (ROIC) met predefined targets.

DEFERRED ANNUAL BONUS SCHEME (DABS)

The awards granted under this scheme vested upon completion of a three-year period at the earliest. Up to 50 % of the granted awards vested based on growth in earnings per share (EPS) relative to the UK Retail Price Index (RPI). 25 % of the awards vested based on total shareholder return (TSR) performance relative to the TSR performance of other capital market-oriented travel and tourism companies. Likewise, up to 25 % of the awards vested if the average return on invested capital (ROIC) met certain targets.

DEFERRED ANNUAL BONUS LONG-TERM INCENTIVE SCHEME (DABLIS)

The Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS), for executive staff (except for the Executive Board) required a 25 % conversion of any annual variable compensation into share options. Some eligible staff have been awarded further (matching) share option awards as additional bonuses. Matching share options were limited to four times the converted amount. The earliest point for the share options to be eligible for release is at the end of a three-year period. Up to 50 % of the awards vested based on achievement of certain EBITA targets. Up to 25 % of awards vested based on the earnings per share (EPS) performance relative to the UK Retail Price Index and up to 25 % based on the total shareholder return (TSR) performance in relation to the TSR performance of other capital market-oriented travel and tourism companies.

The development of share-based payment schemes of former TUI Travel PLC is aggregated as follows:

Development of phantom shares options awarded (DABS, DABLIS & TUI Travel PLC PSP)

	Number of shares	Present value € million
Balance as at 30 Sep 2017	**1,357,670**	**19.5**
Phantom share options exercised	– 800,668	– 12.8
Phantom share options forfeited	– 174,654	– 2.9
Measurement results	–	2.4
Balance as at 30 Sep 2018	**382,348**	**6.2**
Phantom share options exercised	– 374,665	– 4.9
Phantom share options forfeited	– 7,683	– 0.1
Measurement results	–	– 1.2
Balance as at 30 Sep 2019	**–**	**–**

The weighted average TUI AG share price was € 13.33 at exercise date (previous year € 15.93).

ACCOUNTING FOR SHARE-BASED PAYMENT SCHEMES

As at 30 September 2019, all existing awards except oneShare are recognized as cash-settled share-based payment schemes and are granted with an exercise price of € 0.00. The personnel expense is recognized upon actual delivery of service according to IFRS 2 and is, therefore, spread over a period of time. According to IFRS 2, all contractually granted entitlements have to be accounted for, irrespective of whether and when they are actually awarded. Accordingly, phantom shares granted in the past are charged on a pro rata basis upon actual delivery of service.

In the FY 2019, a profit of € 12.7 m was realized due to the release of provisions for cash-settled share-based payment schemes (previous year: personnel expenses of € 18.2 m).

In the FY 2019, personnel expenses due to equity-settled share-based payment schemes of € 7.0 m (previous year € 4.3 m) were recognised through profit and loss.

As at 30 September 2019, provisions relating to entitlements under these long-term incentive programmes totaled € 14.3 m and further € 1.2 m were included as liabilities (previous year provisions of € 34.2 m and € 4.1 m liabilities).

(40) Financial instruments

RISKS AND RISK MANAGEMENT

RISK MANAGEMENT PRINCIPLES

Due to the nature of its business operations, the TUI Group is exposed to various financial risks, including market risks (consisting of currency risks, interest rate risks and market price risks), credit risks and liquidity risks.

In accordance with TUI Group's financial goals, financial risks have to be mitigated. In order to achieve this, policies and procedures have been developed to manage risk associated with financial transactions undertaken.

The rules, responsibilities and processes as well as limits for transactions and risk positions have been defined in policies. The trading, processing and control have been segregated in functional and organisational terms. Compliance with the policies and limits is continually monitored. All hedges by the TUI Group are consistently based on recognised or forecasted underlying transactions. Standard software is used for assessing, monitoring, reporting, documenting and reviewing the effectiveness of the hedging relationships for the hedges entered into. In this context, the fair values of all derivative financial instruments determined on the basis of the Group's own systems are regularly compared with the fair value confirmations from the external counterparties. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations on at least an annual basis by the internal audit department and external auditors.

Within the TUI Group, financial risks primarily arise from cash flows in foreign currencies, fuel requirements (jet fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, the TUI Group uses over-the-counter derivative financial instruments. These are primarily fixed-price transactions. In addition, the TUI Group also uses options and structured products. Use of derivative financial instruments is confined to internally fixed limits and other policies. The transactions are concluded on an arm's length basis with counterparties operating in the financial sector, whose counterparty risk is regularly monitored. Foreign exchange translation risks from the consolidation of Group companies not preparing their accounts in euros are not hedged.

MARKET RISK

Market risks result in fluctuations in earnings, equity and cash flows. Risks arising from input cost volatility are more fully detailed in the risk report section of the management report. In order to limit or eliminate these risks, the TUI Group has developed various hedging strategies, including the use of derivative financial instruments.

IFRS 7 requires the presentation of a sensitivity analysis showing the effects of hypothetical changes in relevant market risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the balance sheet date. It is assured that the portfolio of financial instruments as at the balance sheet date is representative for the entire financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain risks disclosures. Due to unforeseeable developments in the global financial markets, actual results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include sovereign, business and legal risks not covered by the following presentation of risks.

CURRENCY RISK

The business operations of the TUI Group's companies generate payments or receipts denominated in foreign currencies, which are not always matched by payments or receipts with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to protect its profit margin from exchange rate-related fluctuations.

Within the TUI Group, risks from exchange rate fluctuations are hedged, with the largest hedging volumes relating to US dollars, euros and pound sterling. The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The tourism business operations are mainly affected by changes in the value of the US dollar and the euro, the latter predominantly affecting the TUI tour operators in the UK and the Nordic countries. In tourism operations, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of jet and ship fuel, and aircraft and cruise ship purchases or charter.

The tourism companies use financial derivatives to hedge their planned foreign exchange requirements. They aim to cover 80 % to 100 % of the planned currency requirements at the beginning of the tourism season. In this regard, account is taken of the different risk profiles of the TUI Group companies. The hedged currency volumes are adjusted in line with changes in planned requirements based on reporting by business units.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's presentation currency are not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. A 10 % strengthening or weakening of the respective functional currencies, primarily euro and pound sterling, against the other currencies would cause the following effects on the revaluation reserve and earnings after income tax:

Sensitivity analysis – currency risk

€ million	30 Sep 2019		30 Sep 2018	
Variable: Foreign exchange rate	**+10%**	**–10%**	+10%	–10%
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	–142.0	+133.5	–142.5	+144.3
Earnings after income taxes	–8.3	+19.6	–20.8	+23.0
Pound sterling/€				
Revaluation reserve	+156.0	–156.0	+205.3	–201.8
Earnings after income taxes	–9.6	+12.4	+49.6	–46.7
Pound sterling/US dollar				
Revaluation reserve	–114.4	+114.4	–20.9	+17.7
Earnings after income taxes	–13.0	–15.2	+17.3	–14.1
€/Swedish krona				
Revaluation reserve	+26.3	–26.3	+30.2	–30.2
Earnings after income taxes	–	–	–	–

INTEREST RATE RISK

The TUI Group is exposed to interest rate risks from floating-rate primary and derivative financial instruments. Where interest-driven cash flows of floating-rate primary financial instruments are converted into fixed cash flows using derivative hedges and the critical terms of the hedging transaction are the same as those of the hedged items they are not exposed to an interest rate risk. No interest rate risk exists for fixed-interest financial instruments carried at amortised cost.

Changes in market interest rates mainly impact floating-rate primary financial instruments and derivative financial instruments entered into in order to reduce interest-induced cashflow 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 2019		30 Sep 2018	
Variable: Interest rate level for floating interest-bearing debt	**+50 basis points**	**–50 basis points**	+50 basis points	–50 basis points
Revaluation reserve	+11.9	–10.0	+12.6	–12.0
Earnings after income taxes	–0.5	–1.2	+1.5	–1.5

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 cruise ships.

The tourism companies use financial derivatives to hedge their exposure to market price risks for the planned consumption of fuel. At the beginning of the touristic season the target hedging ratio is at least 80%. The different risk profiles of the Group companies operating in different source markets are taken into account, including the possibility of levying fuel surcharges. The hedging volumes are adjusted for changes in planned consumption as identified by the Group companies.

If the commodity prices, which underlie the fuel price hedges, increased or decreased by 10 % on the balance sheet date, the impact on equity and on earnings after income taxes would be as shown in the table below.

Sensitivity analysis – fuel price risk

€ million	**30 Sep 2019**		30 Sep 2018	
Variable: Fuel prices for aircraft and ships	**+10 %**	**–10 %**	+10 %	–10 %
Revaluation reserve	+73.6	–76.6	+94.2	–94.2
Earnings after income taxes	+0.5	–0.2	–	–

OTHER PRICE RISKS

Apart from the financial risks that may result from changes in exchange rates, commodity prices and interest rates, the TUI Group is not exposed to significant price risks at the balance sheet date.

CREDIT RISK

The credit risk in non-derivative financial instruments results from the risk of counterparties defaulting on their contractual payment obligations.

Maximum credit risk exposure corresponds to the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values). Furthermore, there are no material financial guarantees for the discharge of liabilities. Where legally enforceable, financial assets and liabilities are netted. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter in order to swiftly respond to potential impairment in a counterparty's solvency. Responsibility for handling the credit risk is generally held by the Group company holding the receivable.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. As in the previous year, at the balance sheet date, there is no material collateral held, or other credit enhancements that reduce the maximum credit risk. Collateral held in the prior period relates exclusively to financial assets of the category trade and other receivables. The collateral mainly comprises collateral for financial receivables granted and maturing in more than one year and / or with a volume of more than € 1.0 m. Real property rights, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Credit management also covers the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into is limited to the total of all positive market values of these instruments since in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments are concluded with different debtors, credit risk exposure is reduced. The specific credit risks of individual counterparties are taken into account in determining the fair values of derivative financial instruments. In addition, the counterparty risk is continually monitored and controlled using internal bank limits.

IFRS 9 requires entities to recognise expected losses for all financial assets held at amortised cost and for financial assets constituting debt instruments and measured at FVOCI. In TUI Group, the items affected are financial instruments recognised at amortised cost in the following categories: trade receivables, advances and loans, other receivables and assets as well as other financial assets and financial fundings. 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. 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, regardless of the credit quality of the accounts receivable. TUI uses a provision matrix to determine the expected loss for trade receivables. Average historical observed default rates are determined for the following maturity bands. Not overdue, 1 – 30 days past due, 31 – 90 days, 91 – 180 days and more than 180 days past due. Gross receivables with a maximum term of 12 months are included. 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 are transferred to Stage 3 when there is any objective evidence of impairment. TUI Group classifies whether a receivable is to be transferred to Stage 3 on an individual basis, depending on the region, after 180 days at the earliest. 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 this business model, some receivables have a longer term than 90 days; accordingly, an actual default of a receivable is only assumed when receivables are more than 180 days past due and an impairment loss is recognized, and in general a complete write-down is made.

For all other financial assets 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 be 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 major credit receivables, 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 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 category 7. If the credit risk has not significantly deteriorated since initial recognition, 12-month credit losses are determined (Stage 1). In the event of a significant increase in the credit risk, the lifetime expected credit loss is determined (Stage 2). A significant increase in the default risk is assumed on the basis of the internal rating and other relevant information such as changes in the economic, regulatory or technological environment.

If there is any objective evidence of impairment, a transfer is made to Stage 3.

The gross carrying amount of a financial asset is written off when there is no longer the expectation of full or partial recovery of 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 where recovery of the financial amount is no longer expected because of overdueness. For corporate customers, the Group's businesses conduct an individual assessment about the timing and the amount of write off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. Financial assets that have been written off however could still be subject to enforcement activities for recovery of amounts overdue.

For advances and loans as well as other receivables and assets and other financial assets, the expected credit losses are determined on a portfolio basis. Here, TUI Group solely combines financial assets with similar credit risk properties, e. g. type of product and geographical region. TUI Group initially carries the credit loss based on a loss rate expected for the next twelve months. If the credit risk increases significantly, the lifetime expected credit loss is determined (Stage 2). The assessment of a significant increase in the credit risk is for instance effected individually by region, changes in market data relating to default risk or changes in contractual conditions. 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 case of default the instrument is written off in full.

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.

The general impairment model also uses CDS rates, as forward-looking information.

The Group recognises an impairment gain or loss for all financial assets with a corresponding adjustment of the carrying amount through a risk provision.

The tables below show a reconciliation of the risk provisions for financial assets measured at amortised cost, for which risk provisions are determined using the general approach or the simplified approach.

The presentation of the ageing structure of the financial instruments included in trade receivables and other assets is replaced by the new tables on risk provisions for financial assets measured at amortised cost; the table below therefore exclusively refers to the balance as of 30 September 2018.

In the previous year, trade receivables and other assets included balance sheet items that represent financial instruments but not had been included in the notes to the financial instruments (30 September 2018 € 125.8 m; 1 October 2017 € 52.9 m). The values are now shown in the balance sheet under trade and other receivables or other financial assets and are included in the notes to the financial instruments. All of these receivables are not overdue and have not been impaired. Within other liabilities, financial instruments also had not been included in the corresponding notes in the previous year (30 September 2018 € 74.0 m; 1 October 2017 € 119.1 m). These are now reported under other financial liabilities and included accordingly in the notes to the financial instruments. The information for the previous year's figures has been adjusted and is shown separately under the relevant tables.

Ageing structure of the financial instruments classified as trade receivables and other assets

€ million	Carrying amount of financial instruments	of which not impaired but overdue	of which not impaired and overdue in the following periods: less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
Balance as at 30 Sep 2018						
Trade receivables	548.9	185.8	92.1	65.3	12.4	16.0
Advances and loans	135.6	3.8	3.8	–	–	–
Other receivables and assets	259.3*	8.3	4.0	0.3	0.5	3.5
Total	**943.8***	**197.9**	**99.9**	**65.6**	**12.9**	**19.5**

* Adjusted by € 125.8 m compared to previous year's figure

In the case of financial assets that are neither past due nor impaired, the Group assumes that the respective debtor has a high credit standing.

As of 30 September 2019, trade receivables were impaired to the amount of € 55.5 m. The following overview shows a maturity analysis of the impairments.

Ageing structure of impairment of financial instruments classified as trade receivables

€ million	30 Sep 2019: Gross value	Impairment	Net value	Impairment ratio in %
Trade receivables				
Not overdue	343.7	12.0	331.7	1 – 3
Overdue less than 30 days	136.7	4.1	132.6	3
Overdue 30 – 90 days	74.7	4.7	70.0	6
Overdue 91 – 180 days	38.2	2.7	35.5	7 – 10
Overdue more than 180 days	46.6	32.0	14.6	20 – 68
Total	**639.9**	**55.5**	**584.4**	

In the previous year, trade receivables and other assets had been impaired to the amount of € 96.6 m. The table below shows a maturity analysis of the impairment.

Ageing structure of impairment of financial instruments classified as trade receivables and other assets

€ million			30 Sep 2018
	Gross value	Impairment	Net value
Trade receivables and other assets			
Not overdue	765.5*	19.6	745.9*
Overdue less than 30 days	102.6	2.7	99.9
Overdue 30 – 90 days	69.7	4.1	65.6
Overdue 91 – 180 days	15.2	2.3	12.9
Overdue more than 180 days	87.4	67.9	19.5
Total	**1,040.4***	**96.6**	**943.8***

* Adjusted by € 125.8 m compared to previous year's figure

Impairments of advances and loans has developed as follows.

Ageing structure of impairment of financial instruments classified as advances and loans

€ million			**30 Sep 2019**
	Gross value	**Impairment**	**Net value**
Not overdue	29.5	0.3	29.2
Overdue less than 30 days	–	–	–
Overdue 30 – 90 days	–	–	–
Overdue 91 – 180 days	–	–	–
Overdue more than 180 days	16.6	16.6	–
Total	**46.1**	**16.9**	**29.2**

Default risk on financial instruments classified as advances and loans

€ million					**30 Sep 2019**
	Impairment stage	**Internal rating class**	**Gross value**	**Impairment**	**Net value**
Loans to related parties	1	1	40.6	– 0.1	40.5
Loans to hotels	2	5	29.7	–1.9	27.8

Of the remaining other receivables and assets carried at amortised cost with a gross amount of € 149.6 m, € 149.3 m are not overdue and have been impaired as part of risk provisioning.

Other financial assets carried at amortised cost in the amount of € 31.1 m relate to short-term deposits with banks. The entire amount of investments grossing € 31.6 m is not overdue and have been impaired as part of risk provisioning.

The following presentation of the development of impairments on assets in the IFRS 7 category trade receivables and other assets relates to FY 2018 and is replaced by the new tables on risk provisions and gross carrying amounts.

Impairment on assets of the trade receivables and other assets category according to IFRS 7

€ million	2018
Impairments at the beginning of period	**76.0**
Additions	33.4
Disposals	13.1
Other changes	0.3
Impairments at the end of period	**96.6**

As in the previous year, there were no significant cash inflows from impaired interest-bearing trade receivables and other financial assets in FY 2019.

The tables below show the development of risk provisioning for financial assets classified as measured at amortised cost.

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-months-ECL	Stage 2 lifetime-ECL (not impaired)	**Total**
Risk provisioning as at 1 Oct 2018	**19.1**	**5.6**	**24.7**
Addition of impairment on newly issued / acquired financial assets	1.3	–	1.3
Unused Impairments on financial assets derecognised during the period	0.9	3.8	4.7
Risk provisioning as at 30 Sep 2019	**19.5**	**1.8**	**21.3**

At 30 September 2019, risk provisioning totaled € 2.0 m for the other receivables and assets class and € 0.5 m for the other financial assets class as well as € 18.8 m for the advances and loans class.

At 30 September 2019, no Level 3 instruments were recognised. There were no significant exchange differences, no changes in the group of consolidated companies, no transfers between Levels 1 – 3, nor any other changes within given Levels. No changes were made to the models (risk parameters), and no significant use was made of impairment losses.

Change in risk provisions for financial assets measured at amortized cost classified as the trade receivables

€ million	Lifetime ECL simplified approach
Risk provisioning as at 1 Oct 2018	**94.2**
Changes in the group of consolidated companies	–1.3
Addition of impairment on newly issued / acquired financial assets	19.7
Unused impairments on financial assets derecognised during the period	57.1
Risk provisioning as at 30 Sep 2019	**55.5**

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-months-ECL	Stage 2 lifetime-ECL (not impaired)	**Total**
Gross carrying amounts as at 1 Oct 2018	**59.1**	**60.9**	**120.0**
Changes from receivables recognised or derecognised in the reporting period	28.2	–31.8	–3.6
Gross carrying amounts as at 30 Sep 2019	**87.3**	**29.1**	**116.4**

Change in gross carrying amounts classified as other receivables and assets and other financial assets

€ million	Stage 1 12-months-ECL	**Total**
Gross carrying amounts as at 1 Oct 2018	**287.3**	**287.3**
Changes from receivables recognised or derecognised in the reporting period	2.2	2.2
Gross carrying amounts as at 30 Sep 2019	**289.5**	**289.5**

At 30 September 2019 no instruments of the classes advances and loans, other receivables and assets and other financial assets were reported in Level 3. There were no changes or modifications and no transfers between levels 1–3. At the time of initial recognition no newly issued or purchased instruments had been impaired.

Change in gross carrying amounts of assets classified as trade receivables

€ million	Lifetime ECL simplified approach
Gross carrying amounts as at 1 Oct 2018	**640.0**
Changes in the group of consolidated companies	–1.1
Changes in receivables recognised or derecognised in the reporting period	1.1
Gross carrying amounts as at 30 Sep 2019	**640.0**

LIQUIDITY RISK

Liquidity risks arise from the TUI Group being unable to meet its short term financial obligations and the resulting increases in funding costs. The TUI Group has established an internal liquidity management system to secure TUI Group's liquidity at all times and consistently comply with contractual payment obligations. To that end, TUI Group's liquidity management system uses the opportunities of physical and virtual cash pooling for more efficient liquidity pooling. It also uses credit lines to compensate for the seasonal fluctuations in liquidity resulting from the tourism business. The core credit facility is a syndicated revolving credit facility with banks with a volume of € 1,535.0 m as a cash line.

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 expected cash flows from other financial liabilities within one year reported in the previous year's financial statements were € 150.8 m too high. Included in this figure were expected repayments of non-financial assets of € 125.2 m and expected interest payments of € 25.6 m. The corresponding figures have been adjusted accordingly in the table below.

The analysis of cash flows from derivative financial instruments shows the contractually agreed (undiscounted) cash flows of foreign exchange hedges of all liabilities and receivables that existed at the balance sheet date. Derivative financial instruments used to hedge other price risks are included in the analysis with their agreed cash flows from all financial receivables and liabilities at the balance sheet date.

Cash flow of financial instruments – financial liabilities (30 Sep 2019)

	Cash outflow until 30 Sep							
	up to 1 year		1 – 2 years		2 – 5 years		more than 5 years	
€ million	**repayment**	**interest**	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	–	– 6.4	–	– 6.4	– 300.0	– 6.4	–	–
Liabilities to banks	– 74.9	– 7.2	– 68.4	– 7.5	– 322.5	– 16.7	– 404.2	– 6.3
Liabilities from finance leases	– 130.5	– 44.7	– 152.6	– 39.6	– 505.7	– 85.7	– 706.4	– 46.9
Other financial debt	– 19.2	–	–	–	–	–	–	–
Trade payables	– 2,873.8	–	–	–	–	–	–	–
Other financial liabilities	– 63.4	–	– 7.3	–	– 1.5	–	– 4.3	–

Cash flow of financial instruments – financial liabilities (30 Sep 2018)

	Cash outflow until 30 Sep							
	up to 1 year		1 – 2 years		2 – 5 years		more than 5 years	
€ million	repayment (adjusted)	interest (adjusted)	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	–	– 6.4	–	– 6.4	– 300.0	– 6.4	–	–
Liabilities to banks	– 64.1	–18.2	– 43.3	–16.4	– 325.3	– 40.5	– 347.8	–16.2
Liabilities from finance leases	–105.2	– 34.1	–121.9	– 31.9	– 360.6	–73.7	–755.0	– 48.0
Other financial debt	– 22.9	–	–	–	–	–	–	–
Trade payables	– 2,937.3	–	–	–	–	–	–	–
Other financial liabilities	– 67.7	–	–10.6	–	–1.2	–	– 0.1	–

Cash flow of derivative financial instruments (30 Sep 2019)

	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	+ 8,601.0	+ 983.4	+14.8	–
Hedging transactions – outflows	– 8,415.0	– 959.6	– 38.9	– 28.9
Other derivative financial instruments – inflows	+1,808.6	–	–	–
Other derivative financial instruments – outflows	–1,831.3	–	–	–

Cash flow of derivative financial instruments (30 Sep 2018)

	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	+7,889.8	+1,470.5	+73.5	+ 0.8
Hedging transactions – outflows	–7,709.7	–1,423.5	– 66.7	–1.4
Other derivative financial instruments – inflows	+ 2,274.8	+ 90.8	–	–
Other derivative financial instruments – outflows	– 2,280.9	– 90.4	–	–

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 forecasted 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.

CASH FLOW HEDGES

At 30 September 2019, hedges existed to manage cash flows in foreign currencies with maturities of up to four years (previous year up to four years). The fuel price hedges have terms of up to four years (previous year up to four years). Hedges to protect variable interest payment obligations have terms of up to fourteen years (previous year up to thirteen years). The impact on profit or loss for the period is at the time the expected cash inflow/outflow occurs.

Nominal amounts of derivative financial instruments used

					30 Sep 2019
	Remaining term				
€ million	up to 1 year	more than 1 year	**Total**	Average hedged rate/price	Average hedging interest rate
Interest rate hedges					
Caps/Floors	–	175.5	175.5		0.00
Swaps	9.5	898.5	908.0		
Payer EUR	–	654.3	654.3		0.73
Payer USD	9.5	244.2	253.7		2.96
Currency hedges					
Forwards	8,430.9	1,113.3	9,544.2		
Forwards EUR/GBP	2,618.4	152.4	2,770.8	1,1151	
Forwards EUR/USD	1,878.9	511.6	2,390.5	0,8468	
Forwards GBP/USD	2,192.3	275.9	2,468.2	0,7732	
Forwards EUR/SEK	320.9	66.8	387.7	0,0952	
Other currencies	1,313.6	84.0	1,397.6		
Commodity hedges					
Swaps	1,036.2	219.4	1,255.6		
Jet fuel	907.6	165.3	1,072.9	593.08	
Marine fuel	90.5	54.1	144.6	484.96	
Other fuels	38.2	–	38.2	409.33	
Other derivative financial instruments	**2,217.1**	**201.2**	**2,418.3**		

Other derivative hedging instruments comprise the nominal values of hedges not designated for hedge accounting.

Nominal amounts of derivative financial instruments used

			30 Sep 2018
	Remaining term		
€ million	up to 1 year	more than 1 year	Total
Interest rate hedges			
Caps/Floors	–	361.6	361.6
Swaps	23.0	787.5	810.5
Currency hedges			
Forwards	13,738.6	2,197.1	15,935.7
Commodity hedges			
Swaps	853.5	270.8	1,124.3

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.

Disclosures on underlying transactions of cash flow hedges

€ million	Fair Value changes to determine inefficient portions	Balance of hedging reserve of active cash flow hedges	Hedging reserve completed cash flow hedges
Interest rate risk hedges	– 42.5	– 42.3	4.1
Currency risk hedges	229.4	228.3	1.3
Fuel price risk hedges	–79.6	–77.3	–
Hedging	**107.3**	**108.7**	**5.4**
Other derivative financial instruments	**–**	**–**	**–**
Total	**107.3**	**108.7**	**5.4**

In accounting for cash flow hedges, the effective portions of the hedging relationships are 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 FY 2019.

Development of OCI

€ million	Interest rate risk	Currency risk	Fuel price risk	**Total**
Gain or loss from fair value changes of hedges within hedge accounting	– 42.3	228.3	–77.3	108.7
recognised in equity	– 42.3	228.3	–77.3	108.7
recognised in the income statement	–	–	–	–
Reclassification from cash flow hedge reserve to income statement	+ 6.7	– 263.7	– 89.6	– 346.6
Due to early termination of the hedge	+ 0.3	– 20.4	–	– 20.1
Due to recognition of the underlying transaction	+ 6.4	– 243.3	– 89.6	– 326.5

In the reporting period, expense of € 340.2 m (previous year: expense of € 177.6 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 income of € 6.4 m (previous year: no result), carried in net interest income. Income of € 1.4 m (previous year: expense of € 2.5 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

	30 Sep 2019				30 Sep 2018	
€ million	**Receivables**	**Liabilities**	**FV changes to determine ineffective portions**	**Nominal volume**	Receivables	Liabilities
Cash flow hedges for						
currency risks	278.2	49.9	228.3	9,544.2	194.3	52.2
fuel price risks	6.2	83.5	–77.3	1,255.6	288.0	0.2
interest rate risks	1.9	44.2	–42.3	908.0	2.4	3.6
Hedging	**286.3**	**177.6**	**108.7**	**11,707.8**	**484.7**	**56.0**
Other derivative financial instruments	**61.4**	**38.6**	**–**	**2,418.3**	**40.3**	**22.5**
Total	**347.7**	**216.2**	**108.7**	**14,126.1**	**525.0**	**78.5**

Financial instruments which are entered into in order to hedge a risk position according to operational criteria but do not meet the criteria of IAS 39 to qualify for hedge accounting are shown as other derivative financial instruments. They include foreign currency transactions entered into in order to hedge against foreign exchange-exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in tourism.

FINANCIAL INSTRUMENTS – ADDITIONAL DISCLOSURES

CARRYING AMOUNTS AND FAIR VALUES

Where financial instruments are listed in an active market, e.g. shares held and bonds issued, the fair value or market value is the respective quotation in this market at the balance sheet date. For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the respective credit spread, which depends on the credit rating.

Due to the short remaining terms of cash and cash equivalents, current trade and other receivables and other financial assets, current trade payables and other financial liabilities, the carrying amounts are taken as realistic estimates of the fair value.

The fair values of non-current trade and other receivables and other financial assets 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.

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 2019

		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	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Trade and other receivables	937.4	937.4	–	–	–	–	937.4	935.0
Derivative financial instruments								
Hedging transactions	286.3	–	–	286.3	–	–	286.3	286.3
Other derivative financial instruments	61.4	–	–	–	61.4	–	61.4	61.4
Other financial assets	74.1	31.2	42.0	–	0.9	–	74.1	74.1
Cash and cash equivalents	1,741.5	1,741.5	–	–	–	–	1,741.5	1,741.5
Liabilities								
Financial liabilities	2,682.2	1,187.0	–	–	–	1,495.2	1,187.0	1,202.6
Trade payables	2,873.9	2,873.9	–	–	–	–	2,873.9	2,873.9
Derivative financial instruments								
Hedging transactions	177.6	–	–	177.6	–	–	177.6	177.6
Other derivative financial instruments	38.6	–	–	–	38.6	–	38.6	38.6
Other financial liabilities	108.4	108.4	–	–	–	–	108.4	108.4

Carrying amounts and fair values according to classes and measurement categories according to IAS 39 as at 30 Sep 2018

		Category according to IAS 39						
€ million	**Carrying amount**	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (Leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Trade and other receivables	925.2	925.2[1]	–	–	–	–	925.2[1]	925.2[1]
Derivative financial instruments								
Hedging transactions	484.7	–	–	484.7	–	–	484.7	484.7
Other derivative financial instruments	40.3	–	–	–	40.3	–	40.3	40.3
Other financial assets	73.0	18.7	27.6	26.7	–	–	73.0	73.0
Cash and cash equivalents	2,548.0	2,548.0	–	–	–	–	2,548.0	2,548.0
Liabilities								
Financial liabilities	–	1,100.3	–	–	–	1,342.6	1,100.3	1,163.6
Trade payables	2,692.5	2,692.5[3]	–	–	–	–	2,692.5[3]	2,692.5[3]
Derivative financial instruments								
Hedging transactions	56.0	–	–	56.0	–	–	56.0	56.0
Other derivative financial instruments	22.5	–	–	–	22.5	–	22.5	22.5
Other financial liabilities	107.7	107.7[2]	–	–	–	–	107.7[2]	107.7[2]

[1] Adjusted by € 125.8 m compared to previous year's figure
[2] Adjusted by € 74.0 m compared to previous year's figure
Adoption of IFRS 15:
[3] Adjusted by € – 240.2 m compared to previous year's figure

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.

In total, the fair value of these financial investments as of 30 September 2019 amounts to € 42.0 m, including € 21.1 m attributable to the investment in Peakwork AG. Any reclassifications of the cumulative gains or losses of these assets are explained in Note 27. None of these strategic financial investments were sold in the completed financial year.

The financial instruments classified as other financial assets in the previous year included stakes in partnerships and corporations in the amount of € 27.6 m for which an active market does not exist. The investments were carried at acquisition cost. In the previous year, there were no significant disposals of stakes in partnerships or corporations measured at acquisition cost.

Aggregation according to measurement categories under IFRS 9 as at 30 Sep 2019

€ million	**Carrying amount of financial instruments Total**	Fair value
Financial assets	–	–
at amortised cost	2,710.0	2,707.7
at fair value – recognised directly in equity without recycling	42.0	42.0
at fair value – through profit or loss	62.3	62.3
Financial liabilities		
at amortised cost	4,169.2	4,184.8
at fair value – through profit or loss	38.6	38.6

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2018

			Fair value			
€ million	At amortised cost	At cost	with no effect on profit and loss	through profit and loss	Carrying amount of financial instruments Total	Fair value
Loans and receivables	3,491.9[1]	–	–	–	3,491.9[1]	3,491.9[1]
Financial assets						
available for sale	–	27.6	26.7	–	54.3	54.3
held for trading	–	–	–	40.3	40.3	40.3
Financial liabilities						
at amortised cost	3,900.5[2]	–	–	–	3,900.5[2]	3,963.8[2]
held for trading	–	–	–	22.5	22.5	22.5

1 Adjusted by € 125.8 m compared to previous year's figure
2 Adjusted by € 166.1 m compared to previous year's figure
thereof adoption of IFRS 15: € –240.2 m
thereof adjusted by € 74.0 m compared to previous year's figure

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.

Classification of fair value measurement of financial instruments as of 30 Sep 2019

€ million	Total	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Other financial assets	42.9	–	–	42.9
Derivative financial instruments				
Hedging transactions	286.3	–	286.3	–
Other derivative financial instruments	61.4	–	61.4	–
Liabilities				
Derivative financial instruments				
Hedging transactions	177.6	–	177.6	–
Other derivative financial instruments	38.6	–	38.6	–

Classification of fair value measurement of financial instruments as of 30 Sep 2018

€ million	Total	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Available for sale financial assets	26.7	–	–	26.7
Derivative financial instruments				
Hedging transactions	484.7	–	484.7	–
Other derivative financial instruments	40.3	–	40.3	–
Liabilities				
Derivative financial instruments				
Hedging transactions	56.0	–	56.0	–
Other derivative financial instruments	22.5	–	22.5	–

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.

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 FY 2019 there were no transfers from or to Level 3. TUI Group records transfers from or to Level 3 at the date of the obligating event or occasion triggering the transfer.

LEVEL 1 FINANCIAL INSTRUMENTS

The fair value of financial instruments for which an active market exists is based on quoted prices at the reporting date. An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency and these prices represent actual and regularly occurring market transactions on an arm's length basis. These financial instruments are classified as Level 1. The fair values correspond to the nominal amounts multiplied by the quoted prices at the reporting date. Level 1 financial instruments primarily comprise shares in listed companies classified as at fair value through OCI and bonds issued classified as financial liabilities at amortised cost.

LEVEL 2 FINANCIAL INSTRUMENTS

The fair values of financial instruments not traded in an active market, e.g. over-the-counter (OTC) derivatives, are determined by means of valuation techniques. These valuation techniques make maximum use of observable market data and minimise the use of Group-specific assumptions. If all essential inputs for the determination of the fair value of an instrument are observable, the instrument is classified as Level 2.

If one or several key inputs are not based on observable market data, the instrument is classified as Level 3.

The following specific valuation techniques are used to measure financial instruments:

- For over-the-counter bonds, liabilities to banks, promissory notes and other 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.
- 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	Financial assets available for sale IAS 39	Other financial assets IFRS 9	Other liabilities
Balance as at 1 Oct 2017	**5.9**	**–**	**45.8**
Additions (incl. transfers)	20.1	–	–
conversion / rebooking	20.1	–	–
Disposals	–	–	– 4.4
repayment / sale	–	–	– 4.4
Total gains or losses for the period	0.7	–	– 41.4
recognised through profit and loss	–	–	– 41.4
recognised in other comprehensive income	0.7	–	–
Balance as at 30 Sep 2018	**26.7**	**–**	**–**
Balance as at 30 Sep 2018	**–**	**26.7**	**–**
First-time adoption IFRS 9	–	50.4	–
Balance as at 1 Oct 2018	**–**	**77.1**	**–**
Disposals	–	– 35.7	–
sale	–	– 0.3	–
consolidation	–	– 35.4	–
Total gains or losses for the period	–	1.5	–
recognised through profit and loss	–	– 0.7	–
recognised in other comprehensive income	–	2.2	–
Balance as at 30 Sep 2019	**–**	**42.9**	**–**

The first-time adoption of IFRS 9 and the resulting transition from the incurred loss model to the expected credit loss model resulted in an increase in risk provisions of € 50.4 m, which was recognised directly in equity.

EFFECTS ON RESULTS

The effects of remeasuring of financial assets carried at fair value through OCI as well as the effective portions of changes in fair values of derivatives designated as cash flow hedges are listed in the statement of changes in equity.

The net results of the financial instruments by measurement category according to IFRS 9 (previous year IAS 39) are as follows:

Net results of financial instruments

			2019
€ million	**from interest**	**other net results**	**net result**
Financial assets	19.4	62.1	81.5
at amortised cost	9.5	56.3	65.8
at fair value through profit or loss	9.9	5.8	15.7
Financial liabilities	– 41.2	76.5	35.3
at amortised cost	– 41.2	– 5.4	– 46.6
at fair value through profit or loss	–	81.9	81.9
Total	**– 21.8**	**138.6**	**116.8**

Net results of financial instruments

			2018
€ million	from interest	other net results	net result
Loans and receivables	19.2	– 93.5	–74.3
Available for sale financial assets	–	1.3	1.3
Financial assets and liabilities held for trading	0.6	1.4	2.0
Financial liabilities at amortised cost	– 52.4	– 39.2	– 91.6
Total	**– 32.6**	**–130.0**	**–162.6**

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		Net amount
				Financial liabilities	Collateral received	
Financial assets as at 30 Sep 2019						
Derivative financial assets	347.7	–	347.7	212.1	–	135.6
Cash and cash equivalents	4,594.1	2,852.6	1,741.5	–	–	1,741.5
Financial assets as at 30 Sep 2018						
Derivative financial assets	525.0	–	525.0	78.5	–	446.5
Cash and cash equivalents	5,900.4	3,352.4	2,548.0	–	–	2,548.0

Offsetting of financial liabilities

€ million	Gross amounts of financial liabilities	Gross amounts of financial assets set off	**Net amounts of financial liabilities set off, presented in the balance sheet**	Financial assets and liabilities not set off in the balance sheet		Net amount
				Financial assets	Collateral granted	
Financial liabilities as at 30 Sep 2019						
Derivative financial liabilities	216.2	–	216.2	212.1	–	4.1
Financial liabilities	5,534.8	2,852.6	2,682.2	–	–	2,682.2
Financial liabilities as at 30 Sep 2018						
Derivative financial liabilities	78.5	–	78.5	78.5	–	–
Financial liabilities	5,795.3	3,352.4	2,442.9	–	–	2,442.9

Financial assets and financial liabilities are only netted in the balance sheet if a legally enforceable right to netting exists and the Company concerned intends to settle on a net basis.

The contracts for financial instruments are based on standardised master agreements for financial derivatives (including ISDA Master Agreement, German master agreement for financial derivatives), creating a conditional right to netting contingent on defined future events. Under the contractual agreements all derivatives contracted with the corresponding counterparty with positive or negative fair values are netted in that case, resulting in a net receivable or payable in the amount of the balance. As this conditional right to netting is not enforceable in the course of ordinary business transactions and thus the criteria for netting is not met, the derivative financial assets and liabilities are carried at their gross amounts in the balance sheet at the reporting date.

Financial assets and liabilities in the framework of the cash pooling scheme are shown on a net basis if there is a right to netting in ordinary business transactions and the Group intends to settle on a net basis.

(41) Capital management

TUI Group's capital management ensures that our goals and strategies can be achieved in the interest of our share-/ bond- and credit-holders as well as other stakeholders. The primary objectives of the Group are as follows:

- Ensuring sufficient liquidity for the Group
- Profitable growth and a sustainable increase in TUI Group's value
- Strengthening our cash generation allowing to invest, pay dividends and strengthen the balance sheet
- Maintaining sufficient debt capacity and an at least unchanged credit rating

Key management variables used in capital management to measure and control the above goals are Return On Invested Capital (ROIC) and the leverage ratio presented in the table below. TUI Group's financial policy aims for a leverage ratio of 3.00 (x) to 2.25 (x).

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		**2019**	2018 adjusted
Ø Invested Capital		5,777.5	4,924.2
Underlying EBITA		893.3	1,142.8
ROIC	**in %**	**15.5**	**23.2**
Gross financial liabilities		2,682.2	2,442.9
Discounted value of financial commitments from lease, rental and leasing agreements		2,579.6	2,653.7
Defined benefit obligation recognised on the balance sheet		758.0	869.7
EBITDAR		1,990.4	2,215.8
Leverage Ratio		**3.0**	**2.7**

Reconciliation to EBITDAR

€ million	2019	2018 adjusted
EBITA (continuing operations)*	**768.4**	**1,054.5**
Amortisation (+) / write-backs (–) of other intangible assets and depreciation (+) / write-backs (–) of property, plant and equipment	509.0	439.8
EBITDA (continuing operations)	**1,277.4**	**1,494.3**
Long-term rental, leasing and leasing expenses	713.0	721.5
EBITDAR (continuing operations)	**1,990.4**	**2,215.8**

* The reconciliation from EBITA to earnings before income taxes is shown in the segment reporting.

Notes on the Cash Flow Statement

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

In the period under review, cash and cash equivalents declined by € 800.3 m to € 1,747.6 m. € 6.1 m (previous year € 0.0 m) of the cash and cash equivalents are included in the balance sheet position 'Assets held for sale'.

(42) Cash inflow from operating activities

Based on the Group result after tax, the cash flow from operating activities is derived using the indirect method. In the financial year under review, the cash inflow from operating activities amounted to € 1,114.9 m (previous year € 1,150.9 m). The cash inflow included interest payments of € 37.8 m (previous year € 29.9 m) and dividends of € 245.8 m (previous year € 226.5 m). Income tax payments resulted in a cash outflow of € 117.5 m (previous year € 236.0 m).

(43) Cash outflow from investing activities

In FY 2019, the cash outflow from investing activities totalled € 1,141.4 m (previous year € 845.7 m). This amount includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of € 987.0 m, including € 4.0 m for interest capitalised as borrowing costs (previous year € 2.2 m). The Group also recorded a cash inflow of € 182.0 m (previous year € 192.4 m) from the sale of property, plant and equipment and intangible assets. In addition, the investing activities include a cash outflow of € 242.3 m for the acquisition of consolidated companies, including € 54.3 m relating to the segment Destination Experiences and € 185.1 m relating to Hotels & Resorts. The Group recorded a cash outflow of € 52.4 m in connection with the sale of the stakes in Corsair SA, while a cash inflow of € 7.5 m was recorded in the period under review from the sale of a joint venture at the end of 2015. The acquisition of stakes and capital increases in an associated company and a joint venture resulted in a cash outflow of € 32.8 m. A cash outflow of € 3.1 m resulted from the acquisition of all stakes in two real estate companies, subsequently merged with TUI AG. A cash outflow of € 13.5 m related to short-term interest-bearing financial investments.

(44) Cash outflow from financing activities

The cash outflow from financing activities totalled € 763.8 m (previous year € 236.9 m). TUI Group companies took out financial liabilities worth € 52.5 m. A cash outflow of € 232.4 m related to the redemption of financial liabilities, including € 122.3 m for finance lease obligations (previous year € 106.5 m). The external revolving credit facility to control the liquidity of the Group due to the seasonality of cash flows was not used as at the balance sheet date. An amount of € 117.9 m was used for interest payments (previous year € 110.8 m), while a cash outflow of € 423.3 m related to dividend payments to TUI AG shareholders and a further outflow of € 52.2 m related to dividend payments to minority shareholders. A cash inflow of € 9.9 m resulted from the issue of employee shares. The purchase of shares issued to TUI Group employees in the framework of the oneShare employee share programme resulted in a cash outflow of € 0.4 m.

(45) Development of cash and cash equivalents

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

Cash and cash equivalents declined by € 10.1 m (previous year € 36.4 m) due to foreign exchange effects.

Other Notes

(46) Significant events after the balance sheet date

In August 2019, TUI AG concluded an agreement about the sale of the two specialist tour operators Berge & Meer and Boomerang in the Central Region segment with the private investment firm GENUI Zwölfte Beteiligungsgesellschaft mbH. Berge & Meer specialises on round trips, while Boomerang focuses on long-haul trips in Oceania, Africa and North / South America. As specialist tour operators, the companies leverage virtually no synergies with the other TUI Group businesses. With effect from 1 October 2019, the companies were sold for a selling price of € 128.3 m. In connection with the sale, TUI expects to record a positive result of rounded € 100 m.

(47) Services of the auditors of the consolidated financial statements

TUI AG's consolidated financial statements have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft. Since FY 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 FY 2019 break down as follows:

Services of the auditors of the consolidated financial statements

€ million	2019	2018
Audit fees for TUI AG and subsidiaries in Germany	3.2	3.4
Audit fees	**3.2**	**3.4**
Review of interim financial statements	1.6	1.7
Other audit related services	0.1	0.2
Other certification and measurement services	**1.7**	**1.9**
Consulting fees	–	0.1
Other services	**–**	**0.1**
Total	**4.9**	**5.4**

(48) Remuneration of Executive and Supervisory Board members acc. to § 314 HGB

In the completed financial year, the remuneration paid to Executive Board members totalled € 3,890.0 k (previous year € 3,792.8 k).

Pension payments for former Executive Board members or their surviving dependants totalled € 6,016.0 k (previous year € 4,963.6 k) in the completed financial year. Pension obligations for former Executive Board members and their surviving dependants amounted to € 79,767.9 k (previous year € 63,738.2 k) at the balance sheet date.

Disclosures of the relevant amounts for individual Board members and further details on the remuneration system are provided in the Remuneration Report included in the Management Report.

(49) Use of exemption provision

The following German subsidiaries fully included in consolidation made use of the exemption provision in accordance with section 264 (3) of the German Commercial Code (HGB):

Use of exemption provisions

Berge & Meer Touristik GmbH, Rengsdorf	TUI aqtiv GmbH, Hanover
DEFAG Beteiligungsverwaltungs GmbH I, Hanover	TUI Aviation GmbH, Hanover
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	TUI Beteiligungs GmbH, Hanover
Flyloco GmbH, Rastatt	TUI Business Services GmbH, Hanover
FOX-TOURS Reisen GmbH, Rengsdorf	TUI Customer Operations GmbH, Hanover
Hapag-Lloyd Executive GmbH, Langenhagen	TUI Deutschland GmbH, Hanover
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	TUI Group Services GmbH, Hanover
Last-Minute-Restplatzreisen GmbH, Rastatt	TUI-Hapag Beteiligungs GmbH, Hanover
Leibniz-Service GmbH, Hanover	TUI Hotel Betriebsgesellschaft mbH, Hanover
l'tur GmbH, Rastatt	TUI Immobilien Services GmbH, Hanover
MEDICO Flugreisen GmbH, Rastatt	TUI InfoTec GmbH, Hanover
MSN 1359 GmbH, Hanover	TUI Insurance Services GmbH, Hanover
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	TUI Leisure Travel Service GmbH, Neuss
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	TUI Magic Life GmbH, Hanover
Robinson Club GmbH, Hanover	TUIfly GmbH, Langenhagen
TICS GmbH Touristische Internet und Call Center Services, Rastatt	TUIfly Vermarktungs GmbH, Hanover
TLT Urlaubsreisen GmbH, Hanover	Wolters Reisen GmbH, Stuhr
TUI 4 U GmbH, Bremen	

(50) Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, has indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are shown in the list of shareholdings published in the Federal Gazette (www.bundesanzeiger.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Financial obligations from order commitments towards related parties primarily relate to the purchasing of hotel services. TUI Group currently has no obligations from order commitments towards the related company TUI Cruises (previous year € 272.7 m).

Transactions with related parties

€ million	2019	2018
Services provided by the Group		
Management and consultancy services	132.9	92.8
Sales of tourism services	134.4	104.3
Other services	0.5	1.5
Total	**267.8**	**198.6**
Services received by the Group		
Rental and leasing agreements	39.1	47.6
Purchase of hotel services	427.8	352.2
Distribution services	4.2	7.9
Other services	17.0	14.3
Total	**488.1**	**422.0**

Transactions with related parties

€ million	2019	2018
Services provided by the Group to		
non-consolidated Group companies	0.5	1.0
joint ventures	110.6	95.5
associates	86.7	39.1
other related parties	70.0	63.0
Total	**267.8**	**198.6**
Services received by the Group from		
non-consolidated Group companies	1.0	6.5
joint ventures	363.4	306.7
associates	105.9	94.4
other related parties	17.8	14.4
Total	**488.1**	**422.0**

Transactions with joint ventures and associates are primarily effected in the Tourism segment. They relate in particular to the tourism services of the hotel companies to the Group's tour operators.

All transactions with related parties were executed on an arm's length basis, applying international comparable uncontrolled price methods in accordance with IAS 24.

Receivables from related parties

€ million	30 Sep 2019	30 Sep 2018
Trade receivables from		
non-consolidated Group companies	0.1	0.1
joint ventures	15.6	33.9
associates	78.0	2.8
other related parties	0.8	1.1
Total	**94.5**	**37.9**
Advances and loans to		
non-consolidated Group companies	–	0.3
joint ventures	56.2	13.2
associates	5.9	5.5
Total	**62.1**	**19.0**
Payments on account to		
joint ventures	30.1	16.8
Total	**30.1**	**16.8**
Other receivables from		
non-consolidated Group companies	1.3	2.1
joint ventures	12.1	11.7
associates	3.1	1.0
other related parties	34.3	34.3
Total	**50.8**	**49.1**

Payables due to related parties

€ million	30 Sep 2019	30 Sep 2018
Trade payables due to		
non-consolidated Group companies	0.2	–
joint ventures	29.0	42.2
associates	65.0	6.2
other related parties	0.2	0.1
Total	**94.4**	**48.5**
Financial liabilities due to		
non-consolidated Group companies	0.3	6.7
joint ventures	137.1	152.7
Total	**137.4**	**159.4**
Other liabilities due to		
non-consolidated Group companies	5.7	6.6
joint ventures	17.8	20.8
associates	8.2	8.0
key management personnel	3.4	13.1
Total	**35.1**	**48.5**

Liabilities to joint ventures included liabilities from finance leases of € 137.1 m (previous year € 152.7 m).

The share of result of associates and joint ventures is shown separately by segment in the segment reporting.

Unifirm Limited, Cyprus, held 24.95 % of the shares in TUI AG as of 30 September 2019. Unifirm Limited is controlled by the family of the Russian entrepreneur Alexei Mordashov, a member of TUI's Supervisory Board.

At the balance sheet date, the joint venture Riu Hotels S.A. holds 3.56 % of the shares in TUI AG. Members of the Riu family hold a stake of 51 % in Riu Hotels S.A. Joan Trían Riu is a member of TUI's Supervisory Board. The amount of compensation claimed by TUI from the other Riu Group shareholders at the balance sheet date is shown as € 34.3 m. This claim results from payments made by TUI attributed to the other shareholders from the Riu Group.

The Executive Board and the Supervisory Board are key management personnel. They are therefore related parties in the meaning of IAS 24 whose compensation must be disclosed separately.

Remuneration of Executive and Supervisory Board

€ million	**2019**	2018
Short-term benefits	8.5	12.5
Post-employment benefits	2.9	2.2
Other long-term benefits (share-based payments)	– 4.9	7.9
Termination benefits	–	0.2
Total	**6.5**	**22.8**

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 sharebase payments is 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. The amounts of the previous year in the table above also include the relating amounts of Mr Baier.

Pension provisions for active Executive Board members total € 16.2 m (previous year € 22.1 m) as at the balance sheet date.

In addition, provisions and payables of € 6.6 m (previous year € 16.5 m) are recognised relating to the long-term incentive programme.

(51) International Financial Reporting Standards (IFRS) not yet applied

New standards endorsed by the EU, but applicable after 30 Sep 2019

Standard	Applicable from	Amendments	Expected impact on financial position and performance
IFRS 16 Leases	1 Jan 2019	IFRS 16 replaces the current IAS 17 (and its interpretations). For lessees, there is no longer the requirement to classify into finance and operating leases. Instead all leases are accounted for according to the so-called 'Rights of Use' approach. In the statement of financial position a lessee is to recognise an asset for the right to use the leased item and a liability for the future lease payments. There are optional exemptions for short-term leases (<12 months) and so-called small-ticket leases. For lessors, the accounting stays largely unchanged. Lessors will continue to classify leases in accordance with the criteria transfered from IAS 17. In addition, IFRS 16 includes several other new requirements, in particular a new definition of a lease, on sale and leaseback transactions and the accounting for subleases.	The new standard will have significant effects on the Group's financial statements. The likely effects are explained below.
IFRIC 23 Uncertainty over Income Tax Treatments	1 Jan 2019	The interpretation complements the rules of IAS 12 on the accounting for income and deferred taxes to clarify the accounting for uncertainties over income tax treatments and transactions by taxation authorities or fiscal courts.	No material impact.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 Jan 2019	The amendments clarify that the impairment rules of IFRS 9 apply to long-term interests in associates and joint ventures that, in substance, form part of the net investment in the associate or joint venture to which the equity method is applied. Nevertheless, (as a second step) these long-term interests will have to be taken into account when the IAS 28 loss allocations are adjusted to the value of the long-term interests.	No material impact.
Various Improvements to IFRS (2015–2017)	1 Jan 2019	The various amendments from the annual improvement project 2015–2017 cycle affect minor changes to IFRS 3, IFRS 13, IAS 12 and IAS 23.	No material impact.
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	1 Jan 2019	Where an amendment, curtailment or settlement of a defined benefit plan occurs, the amendments require a company to use updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	TUI does currently not expect any material impacts.

IFRS 16

The changes in lessee accounting of leases resulting from IFRS 16 will have a significant impact on all parts of the consolidated financial statements and the presentation of the Group's financial position, net assets and earnings position:

- Statement of financial position: To date, the obligations from operating leases only need to be disclosed in the Notes. In future, the rights and obligations arising from all leases must be recognised as rights of use assets and lease liabilities in the lessee's statement of financial position. The right-of-use asset is initially recognised at the present value of future lease payments plus initial direct costs and is subsequently depreciated over the lease term. The lease liability is initially measured at the present value of the lease payments made during the lease term. Following initial recognition, the carrying amount is increased for the effective interest and reduced by lease payments made.
- Income statement: For operating leases currently rent expense is recognised within the functional expense lines. Instead of these expenses a lessee recognises depreciation of the right-of-use asset and interest expenses from the subsequent measurement of the lease liability in the future.
- Cash flow statement: The payments representing a repayment of principal or interest portion of a lease liability will be included in the cash flow from financing activities in future. Only payments that have not been included in the determination of the lease liability and payments from short-term leases and low-value assets for which TUI makes use of respective exemptions will still be allocated to cash flows from operating activities. This change in presentation in

comparison to current recognition of operating lease expenses will result in an increase in cash flows from operating activities and a decrease in cash flows from financing activities.

TUI has launched a Group-wide project to implement the new requirements. The scope of this project included among others the determination of the impacts that IFRS 16 has on the accounting of leases, which were previously classified as operating leases. As a lessee TUI rents moveable assets, like aircraft or vehicles, as well as real estate, like hotel buildings or ground, office buildings, travel agencies, shops and storage spaces.

Based on the evaluation of lease contract data we expect the initial recognition of right-of-use assets of appr. € 2.4 bn and lease liabilities of appr. € 2.3 bn on transition to the new standard as at 1 October 2019. Net debt will increase correspondingly by appr. € 2.3 bn. Retained earnings will not change materially.

In relation to the lease contract population as at 1 October 2019 TUI anticipates an increase of appr. € 595 m in depreciation expenses and of appr. € 95 m in interest expenses instead of lease expense in the income statement. The changes will presumably result in an increase in underlying EBIT amounting to appr. € 75 m and a slight decrease in net income. The retranslation of lease liability in non-functional currencies will result in additional volatility in underlying EBIT and net income.

Being the lessor for TUI there is no change in the accounting for existing leases on transition to IFRS 16 with the following exception. The reclassification of existing subleases based on the right-of-use from the sublease in relation to the headlease resulted in a finance lease classification of three contracts and the recognition of receivables amounting to € 47.7 m.

The expected effects are based on the findings of the IFRS 16 project at the time the financial statements were prepared. For this reason, the above disclosures are subject to uncertainty.

In respect of the accounting choices offered TUI has decided:

- To make use of the recognition and measurement exemptions for short-term leases (i. e. lease term < 12 months) and leases of low-value items. The lease payments will be expensed within functional costs on a straight-line basis over the term of the lease or on another systematic basis.
- To not apply the new requirements to leases of intangible assets.
- For car and IT leases as well as leases of hotel capacity, comprising both lease and non-lease components, to make use of the option offered to not separate the lease components from non-lease components.

In accordance with IFRS 8 TUI will continue to present intercompany leases – in line with the internal steering logic – as if they were IAS 17 Operating leases in future segment reportings.

TUI will adopt IFRS 16 effective 1 October 2019, making use of the 'modified retrospective' approach. Under this transition method, the prior-year comparatives are not restated. Instead the cumulative effect of the transition will be recognised in retained earnings as at 1 October 2019.

Concerning the new definition of a lease TUI does not make use of the choice to 'grandfather' the definition for existing contracts (i. e. 'grandfathering'). Therefore the new requirements will be applied to all contracts existing as at 1 October 2019 that are in scope of IFRS 16 – irrespective of whether TUI acts as the contractual lessee or lessor.

On transition to the new standard TUI will proceed as follows:

- For leases that were previously classified as Operating leases in accordance with IAS 17 the initial lease liability as at 1 October 2019 will be recognised at the net present value of the remaining future lease payments, discounted at the specific incremental borrowing rate. The right-of-use will be initially measured at an amount equal to the lease liability and adjusted for the amount of existing rent prepayments and accrued rent payments.
- For previous long-term leases with a remaining lease term of below one year as at the date of first-application TUI opts to not recognise right-of-use assets and lease liabilities, in line with the election made concerning the short-term lease with a lease term less than 12 months.
- Initial direct costs are not considered upon the initial measurement of the right-of-use as at the transition date.
- When determining the lease term of leases that contain renewal or termination options the available current information will be considered (i.e. 'hindsight').
- At the date of first-time adoption the rights-of-use will not be tested for impairment. Instead TUI will derecognise the existing provisions for onerous lease contracts against the corresponding right-of-use.

The impact of first adopting IFRS 16 when conducting IAS 36 impairment tests are currently under review. Based on the results of the recent impairment tests we do not anticipate material impacts.

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 2019

Standard	Applicable from	Amendments	Expected impact on financial position and performance
Amendments to IFRS 9, IAS 39 & IFRS 7 Interest Rate Benchmark Reform	1 Jan 2020	The amendments provide relief from the possible impact that the reform of interbank offered rates (IBORs) like the LIBOR has on the financial reporting of corporates. They aim to support the continuation of existing hedging relationships despite the replacement of current interest rate benchmarks. In addition disclosures are required about a companies hedging relationships affected by the replacement.	TUI will review the impacts of the amendments on the consolidated financial statements in due time. We currently do not expect any material impacts.
Amendments to IAS 1 & IAS 8 Definition of Materiality	1 Jan 2020	The concept of materiality is an important concept when preparing accounts in accordance with IFRS. The amendments clarify the definition of material and how it should be applied. In addition the amendments ensure that the definition of material is consistent across all IFRS Standards.	No material impact.
Framework Amendments to References to Conceptual Framework in IFRS Standards	1 Jan 2020	The revised Framework includes updated definitions of assets, liabilities as well as new guidelines around measurement, derecognition, presentation and disclosures. References from existing standards to the Framework are being updated. The revised Framework is not subject to the endorsement process.	No impact.
Amendments to IFRS 3 Definition of a Business	1 Jan 2020	The amendments of IFRS 3 provide more guidance on the definition of a business and aim at facilitating the assessment whether a transaction results in the recognition of a group of assets or a business acquisition.	TUI will review the impacts of the interpretation on the consolidated financial statements in due time. We currently do not expect any material impacts.
IFRS 17 Insurance Contracts	1 Jan 2021	IFRS 17 affects the accounting for insurance contracts and replaces IFRS 4.	Not relevant.

(52) TUI Group Shareholdings

Company	Country	Capital share in %
Consolidated companies		
Tourism		
Absolut Holding Limited, Qormi	Malta	99.9
Acampora Travel S.r.l., Sorrent	Italy	100
Adehy Limited, Dublin	Ireland	100
Advent Insurance PCC Limited (Absolut Cell), Qormi	Malta	100
Africa Focus Tours Namibia (Proprietary) Limited, Windhuk	Namibia	100
Antwun S.A., Clémency	Luxembourg	100
ATC African Travel Concept Pty. Ltd., Cape Town	South Africa	50.1
ATC-Meetings and Conferences (Pty) Ltd, Cape Town	South Africa	100
B.D.S Destination Services Tours, Cairo	Egypt	100
B2B d.o.o., Dubrovnik	Croatia	100
Berge & Meer Touristik GmbH, Rengsdorf	Germany	100
Blue Travel Partner Services S.A., Santo Domingo	Dominican Republic	100
Boomerang-Reisen GmbH, Trier	Germany	100
Boomerang-Reisen Vermögensverwaltungs GmbH, Trier	Germany	87.2
BU RIUSA II EOOD, Sofia	Bulgaria	100
Cabotel-Hoteleria e Turismo Lda., Santiago	Cape Verde	100
Cassata Travel s.r.l., Cefalù (Palermo)	Italy	66
Cel Obert SL, Sant Joan de Caselles	Andorra	100
Chaves Hotel & Investimentos S.A., Sal-Rei, Boa Vista Island	Cape Verde	100
Citirama Ltd., Quatre Bornes	Mauritius	100
Club Hotel CV SA, Santa Maria	Cape Verde	100
Club Hôtel Management Tunisia SARL, Djerba	Tunisia	100
Cruisetour AG, Zurich	Switzerland	100
Crystal Holidays, Inc, Wilmington (Delaware)	United States	100
Daidalos Hotel- und Touristikunternehmen A.E., Athens	Greece	89.8
Darecko S.A., Clémency	Luxembourg	100
Destination Services Greece Travel and Tourism SA, Piraeus	Greece	100
Destination Services Morocco SA, Agadir	Morocco	100
Destination Services Singapore Pte Limited, Singapore	Singapore	100
Disma Reizen B.V, Tilburg[1]	Netherlands	100
Disma Reizen Eindhoven B.V, Eindhoven[1]	Netherlands	100
Disma Reizen Oosterhout/Beins Travel B.V., Goirle[1]	Netherlands	100
Disma Reizen Touroperating B.V., Tilburg[1]	Netherlands	100
Egyptian Germany Co. for Hotels Limited, Cairo	Egypt	66.6
Elena SL, Palma de Mallorca	Spain	100
Entreprises Hotelières et Touristiques PALADIEN Lena Mary A.E., Argolis	Greece	100
ETA Turizm Yatirim ve Isletmeleri A.S., Ankara	Turkey	100
Europa 2 Ltd, Valletta	Malta	100
Evre Grup Turizm Yatirim Anonim Sirketi, 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
flyloco GmbH, Rastatt	Germany	100

[1] Merged with TUI Nederland N.V. on 1 Oct 2019

Company	Country	Capital share in %
Follow Coordinate Hotels Portugal Unipessoal Lda, Albufeira	Portugal	100
FOX-TOURS Reisen GmbH, Rengsdorf	Germany	100
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa	India	100
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., 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
German Tur Turizm Ticaret A.S., Izmir	Turkey	100
Groupement Touristique International SAS, Lille	France	100
Gulliver Travel d.o.o., Dubrovnik	Croatia	70
Hannibal Tourisme et Culture SA, Tunis	Tunisia	100
Hapag-Lloyd (Bahamas) Limited, Nassau	Bahamas	100
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	Germany	100
Hapag-Lloyd Reisebüro Hagen GmbH & Co. KG, Hanover	Germany	70
Hellenic EFS Hotel Management E.P.E., Athens	Greece	100
Holiday Center S.A., Cala Serena/Cala d'Or	Spain	100
Holidays Services S.A., Agadir	Morocco	100
Iberotel International A.S., Antalya	Turkey	100
Iberotel Otelcilik A.S., Istanbul	Turkey	100
Imperial Cruising Company SARL, Heliopolis-Cairo	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 LTD, 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, Nicosia	Cyprus	100
Jandia Playa S.A., Morro Jable/Fuerteventura	Spain	100
Kurt Safari (Pty) Ltd, White River - Mpumalanga	South Africa	51
Label Tour EURL, Levallois Perret	France	100
Last-Minute-Restplatzreisen GmbH, Rastatt	Germany	100
Le Passage to India Tours and Travels Pvt Ltd, New Delhi	India	91
Lima Tours S.A.C., Lima	Peru	100
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100
l'tur GmbH, Rastatt	Germany	100
L'TUR Suisse AG, Dübendorf/ZH	Switzerland	99.5
Lunn Poly Limited, Luton	United Kingdom	100
Luso Ds - Agência de Viagens Unipessoal Lda, Faro	Portugal	100
Lusomice Unipessoal Lda., Lisbon	Portugal	100
Magic Hotels SA, Tunis	Tunisia	100
MAGIC LIFE Assets GmbH, Vienna	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
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., Milan	Italy	100
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexico	100
Nazar Nordic AB, Malmo	Sweden	100
Nordotel S.A., San Bartolomé de Tirajana	Spain	100
Nouvelles Frontières Senegal S.R.L., Dakar	Senegal	100

Company	Country	Capital share in %
Nungwi Limited, Zanzibar	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., Beijing	China	100
Pacific World (Shanghai) Travel Agency Co. Limited, Shanghai	China	100
Pacific World Destination East Sdn. Bhd., Penang	Malaysia	65
Pacific World Meetings & Events (Thailand) Limited, Bangkok[2]	Thailand	49
Pacific World Meetings & Events Hellas Travel Limited, Athens	Greece	100
Pacific World Meetings & Events Hong Kong, Limited, Hong Kong SAR	Hong Kong SAR	100
Pacific World Meetings & Events SAM, Monaco	Monaco	100
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore	Singapore	100
Pacific World Meetings and Events France SARL, Nanterre	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, Cairo	Egypt	100
PATS N.V., Oostende	Belgium	100
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	Germany	100
Professor Kohts Vei 108 AS, Stabekk	Norway	100
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	Germany	100
PT. Pacific World Nusantara, Bali	Indonesia	100
RC Clubhotel Cyprus Limited, Limassol	Cyprus	100
RCHM S.A.S., Agadir	Morocco	100
Renco (Zanzibar) Limited, Unguja	Tanzania	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[2]	Spain	50
RIUSA NED B.V., Amsterdam	Netherlands	100
Robinson Austria Clubhotel GmbH, Villach-Landskron	Austria	100
Robinson Club GmbH, Hanover	Germany	100
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100
Robinson Club Maldives Private Limited, Malé	Maldives	100
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100
Robinson Hoteles España S.A., Cala d'Or	Spain	100
Robinson Hotels Portugal S.A., Vila Nova de Cacela	Portugal	67
Robinson Otelcilik A.S., Istanbul	Turkey	100
Santa Maria Hotels SA, Santa Maria	Cape Verde	100
SERAC Travel GmbH, Zermatt	Switzerland	100
Silversun Monitor Pty. Ltd. (will be renamed Umbhaba Eco Lodge), Cape Town	South Africa	80
Skymead Leasing Limited, Luton	United Kingdom	100
Société d'Exploitation du Paladien Marrakech SA, Marrakech	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., Marrakech	Morocco	100
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir	Morocco	100
Sons of South Sinai for Tourism Services and Supplies SAE, Sharm el Sheikh	Egypt	84.1
Specialist Holidays, Inc., Mississauga, Ontario	Canada	100
Stella Polaris Creta A.E., Heraklion	Greece	100

[2] Controlling influence

Company	Country	Capital share in %
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.S., Istanbul	Turkey	100
TdC Agricoltura Società agricola a r.l., Florence	Italy	100
Tec4Jets NV, Oostende	Belgium	100
Tenuta di Castelfalfi S.p.A., Florence	Italy	100
Thomson Reisen GmbH, St. Johann	Austria	100
Thomson Travel Group (Holdings) Limited, Luton	United Kingdom	100
TICS GmbH Touristische Internet und Call Center Services, Rastatt	Germany	100
TLT Reisebüro GmbH, Hanover	Germany	100
TLT Urlaubsreisen GmbH, Hanover	Germany	100
Transfar - Agencia de Viagens e Turismo Lda., Faro	Portugal	100
Travel Choice Limited, Luton	United Kingdom	100
Travel Guide With Offline Maps B.V., Amsterdam	Netherlands	100
TT Hotels Italia S.R.L., Rome	Italy	100
TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret AS, Antalya	Turkey	100
TUI (Suisse) AG, Zurich	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, Hanover	Germany	100
TUI Austria Holding GmbH, Vienna	Austria	100
TUI Belgium NV, Oostende	Belgium	100
TUI Belgium Real Estate N.V., Brussels	Belgium	100
TUI Belgium Retail N.V., Zaventem	Belgium	100
TUI BLUE AT GmbH, Schladming	Austria	100
TUI Bulgaria EOOD, Varna	Bulgaria	100
TUI Curaçao N.V., Curaçao	Land Curaçao	100
TUI Customer Operations GmbH, Hanover	Germany	100
TUI Cyprus Limited, Nicosia	Cyprus	100
TUI Danmark A/S, Copenhagen	Dänemark	100
TUI Destination Experiences Costa Rica SA, San José	Costa Rica	100
TUI Destination Services Cyprus, Nicosia	Cyprus	100
TUI Germany GmbH, Hanover	Germany	100
TUI Dominicana SAS, Higuey	Dominican Republic	100
TUI DS USA, Inc, Wilmington (Delaware)	United States	100
TUI España Turismo SL, Palma de Mallorca	Spain	100
TUI Finland Oy Ab, Helsinki	Finland	100
TUI France SA, Nanterre	France	100
TUI Hellas Travel Tourism and Airlines A.E., Athens	Greece	100
TUI Holding Spain S.L., Palma de Mallorca	Spain	100
TUI Hotel Betriebsgesellschaft mbH, Hanover	Germany	100
TUI Ireland Limited, Luton	United Kingdom	100
TUI Italia S.r.l., Fidenza	Italy	100
TUI Jamaica Limited, Montego Bay	Jamaica	100
TUI Magic Life GmbH, Hanover	Germany	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

Company	Country	Capital share in %
TUI Norge AS, Stabekk	Norway	100
TUI Northern Europe Limited, Luton	United Kingdom	100
TUI Norway Holding AS, Stabekk	Norway	100
TUI Austria GmbH, Vienna	Austria	100
TUI Pension Scheme (UK) Limited, Luton	United Kingdom	100
TUI Poland Dystrybucja Sp. z o.o., Warsaw	Poland	100
TUI Poland Sp. z o.o., Warsaw	Poland	100
TUI PORTUGAL - Agencia de Viagens e Turismo S.A., Faro	Portugal	100
TUI Reisecenter Austria Business Travel GmbH, Vienna	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100
TUI Suisse Retail AG, Zurich	Switzerland	100
TUI Sverige AB, Stockholm	Sweden	100
TUI Technology NV, Zaventem	Belgium	100
TUI Travel (Ireland) Limited, Dublin	Ireland	100
TUI Travel Distribution N.V., Oostende	Belgium	100
TUI UK Italia Srl, Turin	Italy	100
TUI UK Limited, Luton	United Kingdom	100
TUI UK Retail Limited, Luton	United Kingdom	100
TUI UK Transport Limited, Luton	United Kingdom	100
TUIfly GmbH, Langenhagen	Germany	100
TUIfly Nordic AB, Stockholm	Sweden	100
TUIfly Vermarktungs GmbH, Hanover	Germany	100
Tunisie Investment Services Holding S.A., Tunis	Tunisia	100
Tunisie Voyages S.A., Tunis	Tunisia	100
Tunisotel S.A.R.L., Tunis	Tunisia	100
Turcotel Turizm A.S., Istanbul	Turkey	100
Turkuaz Insaat Turizm A.S., Ankara	Turkey	100
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100
Wolters Reisen GmbH, Stuhr	Germany	100
WOT Hotels Adriatic Management d.o.o., Zagreb	Croatia	51
Zanzibar Beach Village Limited, Zanzibar	Tanzania	100
All other segments		
Absolut Insurance Limited, St. Peter Port	Guernsey	100
Canadian Pacific (UK) Limited, Luton	United Kingdom	100
Cast Agencies Europe Limited, Luton	United Kingdom	100
CP Ships (Bermuda) Ltd., Hamilton	Bermuda	100
CP Ships (UK) Limited, Luton	United Kingdom	100
CP Ships Ltd., Saint John	Canada	100
DEFAG Beteiligungsverwaltungs GmbH I, Hanover	Germany	100
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	Germany	100
First Choice Holidays Finance Limited, Luton	United Kingdom	100
First Choice Holidays Limited, Luton	United Kingdom	100
First Choice Olympic Limited, Luton	United Kingdom	100
Hapag-Lloyd Executive GmbH, Langenhagen	Germany	100
Jetset Group Holding (Brazil) Limited, Luton	United Kingdom	100
Jetset Group Holding Limited, Luton	United Kingdom	100
Leibniz-Service GmbH, Hanover	Germany	100
Mala Pronta Viagens e Turismo Ltda., Curitiba	Brazil	100
Manufacturer's Serialnumber 852 Limited, Dublin	Ireland	100
MSN 1359 GmbH, Hanover	Germany	100
PM Peiner Maschinen GmbH, Hanover	Germany	100
Sovereign Tour Operations Limited, Luton	United Kingdom	100
Thomson Airways Trustee Limited, Luton	United Kingdom	100

Company	Country	Capital share in %
travel-Ba.Sys GmbH & Co KG, Mülheim an der Ruhr	Germany	83.5
TUI Ambassador Tours Unipessoal Lda, Lisbon	Portugal	100
TUI Aviation GmbH, Hanover	Germany	100
TUI Beteiligungs GmbH, Hanover	Germany	100
TUI Brasil Operadora e Agencia de Viagens LTDA, Curitiba	Brazil	100
TUI Business Services GmbH, Hanover	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., Beijing	China	75
TUI Colombia Operadora y Agencia de Viajes SAS, Bogota	Colombia	100
TUI Group Fleet Finance Limited, Luton	United Kingdom	100
TUI Group Services GmbH, Hanover	Germany	100
TUI Group UK Healthcare Limited, Luton	United Kingdom	100
TUI Group UK Trustee Limited, Luton	United Kingdom	100
TUI Immobilien Services GmbH, Hanover	Germany	100
TUI India Private Limited, New Delhi	India	100
TUI InfoTec GmbH, Hanover	Germany	100
TUI Insurance Services GmbH, Hanover	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
TUI Travel Holdings Limited, Luton	United Kingdom	100
TUI Travel Limited, Luton	United Kingdom	100
TUI Travel Overseas Holdings Limited, Luton	United Kingdom	100
TUI-Hapag Beteiligungs GmbH, Hanover	Germany	100
Non-consolidated Group companies		
Tourism		
"Schwerin Plus" Touristik-Service GmbH, Schwerin	Germany	80
Airline Consultancy Services S.A.R.L., Casablanca	Morocco	100
Ambassador Tours S.A., Barcelona	Spain	100
AMCP SARL, Montreuil	France	100
Atora GmbH i.L., Kiel	Germany	100
Best4Concept GmbH, Rengsdorf	Germany	100
Boomerang - Solutions GmbH, Trier	Germany	95
Boomerang Reisen - Pacific Tours AG, Zurich	Switzerland	100
Centro de Servicios Destination Management SA de CV, Cancun	Mexico	100
FIRST Reisebüro Güttler Verwaltungs GmbH, Hanover	Germany	75
FIRST Travel GmbH, Hanover	Germany	100
Gebeco Verwaltungsgesellschaft mbH, Kiel	Germany	50.2
HANSEATIC TOURS Reisedienst GmbH, Hamburg	Germany	100
Hapag-Lloyd Reisebüro Hagen Verwaltungs GmbH, Hanover	Germany	70
Hotel Club du Carbet SA, Montreuil	France	100
HV Finance SAS., Levallois-Perret	France	100
Ikaros Travel A.E.(i.L.), Heraklion	Greece	100
Loc Vacances SARL, Chartres de Bretagne	France	100
L'TUR Polska Sp.z o.o., Stettin	Poland	100
L'TUR SARL, Schiltigheim	France	100

Company	Country	Capital share in %
Lunn Poly (Jersey) Limited, St. Helier	Jersey (Kanalinsel)	100
N.S.E. Travel and Tourism A.E. (i.L.), Athens	Greece	100
NEA Synora Hotels Limited (Hinitsa Beach), Porto Heli Argolide	Greece	100
New Eden S.A., Marrakech	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, Penang	Malaysia	100
Résidence Hôtelière Les Pins SARL (i.L.), Montreuil	France	100
Società Consortile a r.l. Tutela dei Viaggiatori TUI Italia, Fidenza (Pr)	Italy	100
Societe de Gestion du resort Al Baraka, Marrakech	Morocco	100
STAR TOURS Reisedienst GmbH, Hamburg	Germany	100
Transat Développement SAS, Ivri-sur-Seine	France	100
Trendturc Turizm Otelcilik ve Ticaret A.S., Istanbul	Turkey	100
Triposo GmbH i.L., Berlin	Germany	100
Triposo Travel B.V., Amsterdam	Netherlands	100
TUI 4 U Poland sp.zo.o., Warsaw	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, Nicosia	Cyprus	100
TUIFly Academy Brussels, Zaventem	Belgium	100
VPM Antilles S.R.L., Levallois Perret	France	100
VPM SA, Levallois Perret	France	100
All other segments		
Bergbau Goslar GmbH, Goslar	Germany	100
Preussag Beteiligungsverwaltungs GmbH XIV, Hanover	Germany	100
Sportsworld Holdings Limited, Luton	United Kingdom	100
travel-Ba.Sys Beteiligungs GmbH, Mülheim an der Ruhr	Germany	83.5
Joint ventures and associates		
Tourism		
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
Alpha Travel (U.K.) Limited, Harrow	United Kingdom	25
Atlantica Hellas A.E., Rhodos	Greece	50
Atlantica Hotels and Resorts Limited, Lemesos	Cyprus	49.9
Bartu Turizm Yatirimlari Anonim Sirketi, Istanbul	Turkey	50
Clubhotel Kleinarl GmbH & Co KG, Flachau	Austria	24
Corsair SA, Rungis	France	25
Daktari Travel & Tours Ltd., Limassol	Cyprus	33.3
DER Reisecenter TUI GmbH, Berlin	Germany	50
Diamondale Limited, Dublin	Ireland	27
Emder Hapag-Lloyd Reisebüro GmbH & Co. KG, Emden	Germany	50
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	Egypt	50
Etapex, S.A., Agadir	Morocco	35
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	Egypt	50
Gebeco Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GRUPOTEL DOS S.A., Can Picafort	Spain	50
Ha Minh Ngan Company Limited, Hanoi	Vietnam	50

Company	Country	Capital share in %
Holiday Travel (Israel) Limited, Airport City	Israel	50
Hydrant Refuelling System NV, Brussels	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 Hotels & Resorts S.A.E., Cairo	Egypt	51
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	50
Karisma Hotels Adriatic d.o.o., Zagreb	Croatia	33.3
Karisma Hotels Caribbean S.A., Panama	Panama	50
Nakheel Riu Deira Islands Hotel FZ CO, Dubai	United Arab Emirates	40
Pollman's Tours and Safaris Limited, Mombasa	Kenya	25
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Ranger Safaris Ltd., Arusha	Tanzania	25
Riu Hotels S.A., Palma de Mallorca	Spain	49
Sharm El Maya Touristic Hotels Co. S.A.E., Cairo	Egypt	50
Südwest Presse + Hapag-Lloyd Reisebüro GmbH & Co.KG, Ulm	Germany	50
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50
Sunwing Travel Group, Inc, Toronto	Canada	49
Teckcenter Reisebüro GmbH, Kirchheim unter Teck	Germany	50
Tikida Bay S.A., Agadir	Morocco	34
TIKIDA DUNES S.A., Agadir	Morocco	30
Tikida Palmeraie S.A., Marrakech	Morocco	33.3
Togebi Holdings Limited, Nicosia	Cyprus	10
Travco Group Holding S.A.E., Cairo	Egypt	50
TRAVELStar GmbH, Hanover	Germany	50
TRAVELStar Touristik GmbH & Co. OHG, Vienna	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
ACCON-RVS Accounting & Consulting GmbH, Berlin	Germany	50

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, 11 December 2019

The Executive Board

Friedrich Joussen	David Burling	Birgit Conix
Sebastian Ebel	Dr Elke Eller	Frank Rosenberger

INDEPENDENT AUDITOR'S REPORT

To TUI AG, Berlin and Hanover/Germany

Report on the audit of the consolidated financial statements and of the combined management report

Audit Opinions

We have audited the consolidated financial statements of TUI AG, Berlin and Hanover/Germany, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2019, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 October 2018 to 30 September 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of TUI AG, Berlin and Hanover/Germany, for the financial year from 1 October 2018 to 30 September 2019, which was combined with the management report of the parent. In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report listed 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 International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2019, and of its financial performance for the financial year from 1 October 2018 to 30 September 2019, 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 the parts of the combined management report listed in the appendix to the auditor's report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (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 German Commercial Code (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.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2018 to 30 September 2019. 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 Recoverability of goodwill
❷ Recoverability of touristic prepayments for hotel services
❸ Recoverability of deferred tax assets
❹ Specific provisions
❺ Accounting of the effects from the withdrawal of the fly permits for the aircrafts of the type Boeing 737 MAX
❻ Revenue recognition under IFRS 15
❼ Disclosures on the future lease accounting under IFRS 16 within the consolidated notes

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 Recoverability of goodwill

Ⓐ In TUI AG's consolidated financial statements as at 30 September 2019, goodwill totalling mEUR 2,985.8 is reported under the statement of financial position item "Goodwill". Goodwill is subject to an impairment test at least once a year, namely as of 30 June of the financial year. Valuation is made by means of a valuation model based on the discounted cash flow method. The outcome of this valuation strongly depends on the estimate of future cash inflows by the management board and the discount rate used. Thus, the valuation is subject to a significant uncertainty. Against this background, we believe that this is a key audit matter.

The Company's disclosures on goodwill are provided in Note (13) of the consolidated notes.

Ⓑ We investigated the process for performing the impairment test on goodwill and conducted an audit of the accounting-relevant controls included therein. Specifically, we convinced ourselves of the appropriateness of the future cash inflows used in the calculation. 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 these figures 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 present value).

❷ Recoverability of touristic prepayments for hotel services

Ⓐ Payments on account for hotel services amounting to mEUR 420.5 are recognised under the statement of financial position item "Touristic prepayments " in TUI AG's consolidated financial statements as at 30 September 2019.

In our opinion, this is a key audit matter, as the measurement of this significant item is based to a large extent on estimates and assumptions made by the management board.

The Company's disclosures on "Touristic prepayments" are provided in Note (19) of the consolidated notes.

Ⓑ We investigated the process of evaluating touristic prepayments and carried out an audit of the accounting-relevant controls contained therein. With the knowledge that there is an increased risk of misstatements in the accounting for 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 carrying amounts by comparing these values with historical values and by means of the contractual bases presented to us. We assessed the recoverability of touristic prepayments in particular in light of the current developments in Turkey and North Africa. For this, we took into account, among other things, the repayment schedules agreed with the hoteliers concerned, the options for offsetting against future overnight accommodation and the framework agreements closed.

❸ Recoverability of deferred tax assets

Ⓐ TUI AG's consolidated financial statements as at 30 September 2019 report deferred tax assets totalling mEUR 202.0 under the statement of financial position item "Deferred tax assets." Recoverability of the capitalised deferred taxes is measured based on forecasts about the future earnings situation.

In our opinion, 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 within the consolidated notes in the section "Accounting policies" and under Note (21).

Ⓑ We involved our own tax experts in our audit of tax issues. Supported by these experts, we assessed the internal processes and controls established for recording tax issues. We assessed the recoverability of deferred tax assets on the basis of internal forecasts on the future taxable income situation of TUI AG and its major subsidiaries. In this context, we referred to the planning prepared by the management board and assessed the appropriateness of the planning basis used. Among other things, these were examined in the light of general and industry-specific market expectations.

❹ Specific provisions

Ⓐ TUI AG's consolidated financial statements as at 30 September 2019 report provisions for maintenance of mEUR 768.9 under the statement of financial position item "Other provisions". Furthermore, provisions for pensions and similar obligations of mEUR 1,068.0 were recognised as of 30 September 2019. In our opinion, 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 accounting and measurement methods within the consolidated notes.

Ⓑ We investigated the process of recognition and measurement of specific provisions and carried out an audit of the accounting-relevant controls contained therein. With the knowledge that there is an increased risk of misstatements in the accounting for 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 carrying amounts by comparing these values with 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 this by comparing them with market data and by including the expertise of our internal pension valuation experts.

❺ Accounting of the effects from the withdrawal of the fly permits for the aircrafts of the type Boeing 737 MAX

Ⓐ In the course of the financial year, the existing fly permits for aircrafts of the type Boeing 737 MAX were withdrawn by the responsible aviation authorities. Within the consolidated financial statements of TUI AG as of 30 September 2019, the statement of financial position item "Property, plant and equipment" includes aircrafts of the type Boeing 737 MAX. Aircrafts of this type are owned by subsidiaries of TUI AG or are used within the group of TUI AG via leases. Furthermore, as of 30 September 2019, the statement of financial position item "Trade receivables and other assets" includes contractually agreed claims towards The Boeing Company. The recognition and measurement of these contractual claims were determined by the management board on the basis of existing contracts with The Boeing Company.

In our opinion, these facts are of special significance for the annual audit, since the accounting of the currently not usable aircrafts and the contractual claims towards the producer as well as the assessment of whether there is a loss excess from operating leases for aircraft of this type are based to a high extent on estimates and assumptions on part of the management board.

The disclosures of the Company on the property, plant and equipment are included within Note (15), those on the trade receivables and other assets are included in Note (17) of the consolidated notes.

Ⓑ We assessed the process of valuation of the aircrafts of the type Boeing 737 MAX that are disclosed under the property, plant and equipment and the process of assessing, whether provisions for impending losses from leases for aircrafts of this type must be set up, as well as the process for recognition and measurement of the contractual claims towards The Boeing Company. With the knowledge that there is an increased risk of misstatements in accounting for estimated values and that the valuation decisions of the legal representatives have a direct and significant effect on the consolidated profit, we have assessed the appropriateness of the carrying amounts by comparing these values with external evidence and by means of the contractual bases presented to us.

Among other things we

- reviewed the assessment of the management board with regard to the future use of the aircrafts of the type Boeing 737 MAX using external available sources;
- estimated the expected economic benefit from the use of the aircrafts of the type Boeing 737 MAX over the term of the leases (operate leases) and compared it with the unavoidable costs under the lease contracts;
- conducted an impairment test of the carrying amounts of aircrafts of the type Boeing 737 MAX. We have compared the carrying amounts of the aircrafts with their recoverable amounts;
- audited the assessment of the management board regarding the legal justification of claims disclosed towards The Boeing Company by means of contractual documents and evaluated the assumptions made by the management board with regard to the actual enforceability of these claims as well as assessed their accountability;
- audited the recoverability of the recognised claims towards The Boeing Company that was assumed by the management board on the basis of external and internal documents.

❻ Revenue recognition under IFRS 15

Ⓐ Revenue of mEUR 18,928.1 is disclosed within the consolidated financial statements of TUI AG as of 30 September 2019. Due to the initial application of IFRS 15 for the accounting for revenue from contracts with customers in the financial year 2018/19, contracts with customers were assessed throughout the entire Group with regard to the provisions under IFRS 15. Revenue and cost of sales from the tour operator business, which have so far been mostly recognised at the beginning of the trip, are now recognised pro rata temporis over the term of the travel under applying the new provisions. In addition, in contrast to the previous accounting, individual income flows (e.g. received passenger-related taxes and aviation fees) are netted against the cost of sales under IFRS 15 in the income statement. Due to the adjustments to be made in accordance with IFRS 15, revenue for financial year 2017/18 was reduced by mEUR 1,055.2 and the corresponding cost of sales were reduced by mEUR 1,058.0 when applying the new provisions. Due to the retrospective application of IFRS 15, the consolidated profit for financial year 2017/18 has declined by mEUR 4.2.

From our point of view, the initial application of IFRS 15 is a key audit matter since the existing numerous contractual provisions and the existing margin of discretion when evaluating these criteria for assessing the timing of the transfer of control, as well as the assessment of whether certain revenues must be netted against the cost of sales, include risks.

The Company's disclosures on revenue and cost of sales are provided under the Notes (1) and (2) as well as under the disclosures on the accounting bases within the notes to the consolidated financial statements.

Ⓑ We analysed the process for the implementation of the provisions under IFRS 15 on the accounting of revenue from contracts with customers. We focused on the evaluation of the management board's interpretation of the revenue realisation criteria and, in particular, on the recognition over time or at a point in time, as well as on whether revenue is disclosed on a net or gross basis.

Among other things, we

- evaluated the most significant discretionary decisions such as, for example, the identification of performance obligations and the assessment regarding the satisfaction of the identified performance obligations at a point in time or over time;
- evaluated the assessment of the management board as to whether the revenue is disclosed on a net or gross basis;
- audited the group-wide implementation of the changed accounting on a sample basis;
- audited the correctness and completeness of the information to be provided in the consolidated notes in accordance with IFRS 15.

❼ Disclosures on the future lease accounting under IFRS 16 within the consolidated notes

Ⓐ Within the consolidated financial statements of TUI AG as at 30 September 2019, the expected effects of the lease accounting provisions in accordance with IFRS 16, which will be applied retrospectively to 1 October 2019 for the first time in the financial year 2019/20, are disclosed in the notes to the consolidated financial statements. In the opinion of the management board, the initial application of IFRS 16 will lead to a recognition of right-of-use assets of approximately bEUR 2.4 as well as to an increase in liabilities of approximately bEUR 2.3 from the initial recognition of the lease liabilities. According to the assessment of the management board, depreciation will increase by approximately mEUR 595 and interest expenses will increase by approximately mEUR 95 while the corresponding lease expenses will decrease. The complete and correct recognition, categorisation and classification of the different leases shall be assured by the centrally controlled, group-wide implementation project using a software solution.

In our opinion, the disclosures on the initial application of IFRS 16 are a key audit matter since the numerous existing leases and the existing margin of discretion include a risk – in particular regarding the valuation – that the disclosures on the impact of the changed lease accounting are materially incorrect. Therefore, the assessment of the disclosures on leases is a key audit matter within the scope of our audit.

The Company's disclosures on the lease accounting under IFRS 16 are provided in Note (51) of the consolidated notes.

Ⓑ We analysed the process for the implementation of the provisions of the new IFRS. With regard to the implementation of IFRS 16, we focused on the assessment of the management board's interpretation of the criteria used for the categorisation and classification of the different contract types and reproduced the measurement of the right-of-use assets and lease liabilities.

Among other things, we

- audited the data entered into the leasing software used on a sample basis. In this context, we reconciled the completeness of the data entry as well as the correctness of the data with the original contracts.
- audited on a sample basis the measurement of leasing contracts in the leasing software used;
- audited the correctness and completeness of the information on IFRS 16 to be provided in the consolidated notes.

Other Information

The management board is responsible for the other information. The other information comprises:

- the unaudited content of those parts of the combined management report listed in the appendix to the auditor's report
- the responsibility statement by management relating to the consolidated financial statements and to the combined management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB) respectively, and

- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our group audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The management board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the management board is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the management board is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (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 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 judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the management board and the reasonableness of estimates made by the management board and related disclosures.
- conclude on the appropriateness of the management board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit 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 IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB).
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the management board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general shareholders' meeting on 12 February 2019. We were engaged by the supervisory board on 18 February 2019 and on 11/14 March 2019. 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).

Limited Review of the Management Board's Declaration of Compliance with the UK Corporate Governance Code

Pursuant to Section 9.8.10 R(1 and 2) of the Listing Rules in the United Kingdom, we were engaged to perform a limited review of the management board's statement pursuant to Section 9.8.6 R (6) of the Listing Rules in the United Kingdom that relate to provisions C.1.1, C.2.1, C.2.3 and C.3.1 to C.3.8 of the UK Corporate Governance Code and management board's statement pursuant to Section 9.8.6 R (3) of the Listing Rules in the United Kingdom in the financial year 2018/19 included in the "Viability statement" of the combined management report and in the section "Going concern reporting according to the UK Corporate Governance Code". We have nothing to report in this regard.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr Hendrik Nardmann.

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 group statement pursuant to Sections 315b and 315c German Commercial Code (HGB) included in section "Non-financial group statement" of the combined management report,
- the statement on corporate governance pursuant to Section 289f and 315d German Commercial Code (HGB) included in the section "Corporate Governance Report" of the combined management report and
- the other parts of the combined management report marked as unaudited.

Hanover/Germany, 11 December 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Christoph B. Schenk
Wirtschaftsprüfer
(German Public Auditor)

Signed: Dr. Hendrik Nardmann
Wirtschaftsprüfer
(German Public Auditor)

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.

FINANCIAL CALENDER

11 DECEMBER 2019
Annual Report 2019

11 FEBRUARY 2020
Annual General Meeting 2020

11 FEBRUARY 2020
Quarterly Statement Q1 2020

MAY 2020
Half-Year Financial Statement 2020

AUGUST 2020
Quarterly Statement Q3 2020

SEPTEMBER 2020
Pre-Close Trading Update

DECEMBER 2020
Annual Report 2020

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Michael Neuhaus (p. 26 – 27, p. 112 – 113); Philipp Rathmer (cover photo);
Rüdiger Nehmzow (p. 152 – 153); TUI Cruises (p. 112 – 113)

The Annual Report of TUI Group, the Magazine and the financial statements of TUI AG are available in German and in English:
annualreport2019.tuigroup.com

This report was published on 11 December 2019.

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