# H1

HALF YEAR FINANCIAL REPORT 2019

H1 result reflects ongoing weak demand environment for Markets & Airlines — Holiday Experiences continues to perform well — Reiterate updated guidance for FY19 underlying EBITA – H2 building blocks in place — Strong strategic positioning, underpinned by our integrated model, digitalisation and platform initiatives

TUI GROUP

# CONTENTS

# H1 2019

## TUI Group – financial highlights

| € million | Q2 2019 | Q2 2018 adjusted | Var. % | H1 2019 | H1 2018 adjusted | Var. % | Var. % at constant currency |
|---|---|---|---|---|---|---|---|
| **Turnover** | **3,101.4** | **3,145.2** | **–1.4** | **6,676.4** | **6,565.9** | **+1.7** | **+1.7** |
| **Underlying EBITA[1]** | | | | | | | |
| Hotels & Resorts | 66.7 | 80.4 | –17.0 | 135.4 | 172.3 | –21.4 | –28.0 |
| Cruises | 59.4 | 56.0 | +6.1 | 106.4 | 93.7 | +13.6 | +13.4 |
| Destination Experiences | –5.6 | –9.9 | +43.4 | –10.4 | –13.3 | +21.8 | +22.6 |
| Holiday Experiences | 120.5 | 126.5 | –4.7 | 231.4 | 252.7 | –8.4 | –12.9 |
| Northern Region | –130.8 | –88.3 | –48.1 | –205.1 | –125.7 | –63.2 | –62.5 |
| Central Region | –90.7 | –89.9 | –0.9 | –127.8 | –144.7 | +11.7 | +11.7 |
| Western Region | –97.3 | –56.5 | –72.2 | –163.9 | –105.1 | –55.9 | –55.9 |
| Markets & Airlines | –318.8 | –234.7 | –35.8 | –496.8 | –375.5 | –32.3 | –32.1 |
| All other segments | –18.7 | –24.8 | +24.6 | –35.2 | –46.9 | +24.9 | +20.0 |
| **TUI Group** | **–217.0** | **–133.0** | **–63.2** | **–300.6** | **–169.7** | **–77.1** | **–84.7** |
| **EBITA[2]** | **–240.1** | **–146.5** | **–63.9** | **–345.9** | **–203.4** | **–70.1** | |
| **Underlying EBITDA[3]** | **–104.3** | **–32.1** | **–224.9** | **–77.5** | **25.4** | **n. a.** | |
| **EBITDA[3]** | **–118.7** | **–39.5** | **–200.5** | **–106.7** | **4.1** | **n. a.** | |
| **EBITDAR[4]** | **48.1** | **120.5** | **–60.1** | **237.7** | **334.9** | **–29.0** | |
| Net loss for the period | –175.1 | –142.3 | –23.0 | –287.2 | –210.6 | –36.4 | |
| Earnings per share € | –0.34 | –0.29 | –17.2 | –0.58 | –0.48 | –20.8 | |
| Net capex and investments | 356.7 | 66.5 | +436.4 | 651.5 | 207.3 | +214.3 | |
| Equity ratio (31 March)[5] % | | | | 21.2 | 20.1 | +1.1 | |
| Net debt position (31 March) | | | | –1,964.1 | –576.0 | –241.0 | |
| Employees (31 March) | | | | 60,135 | 55,773 | +7.8 | |

Differences may occur due to rounding.
This Half Year Financial Report of the TUI Group was prepared for the reporting period H1 2019 from 1 October 2018 to 31 March 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 previous year's figures.
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. Prior-year figures were adjusted accordingly.

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 to page 15 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 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.
4 For the reconciliation from EBITDA to the indicator EBITDAR, long-term leasing and rental expenses are eliminated.
5 Equity divided by balance sheet total in %, variance is given in percentage points.

# INTERIM MANAGEMENT REPORT

## H1 Summary

The increase in the H1 seasonal underlying EBITA loss to €301 m (H1 2018: €170 m loss) reflects the ongoing weak demand environment in Markets & Airlines. Holiday Experiences continues to perform well (reflecting the non-repeat of prior year disposal gains in Riu), benefitting from the integrated model and our investments in differentiated content.

**H1 results at a glance**

| € million | H1 |
|---|---|
| **Underlying EBITA H1 FY18 (originally reported)** | **–159** |
| IFRS 15 impact | –11 |
| **Underlying EBITA H1 FY18 (adjusted)** | **–170** |
| Holiday Experiences | +5 |
| Markets & Airlines | –142 |
| All other segments | +10 |
| **Special items** | |
| Prior year: Riu gains on disposal (Hotels & Resorts) | –38 |
| Prior year: Niki bankruptcy impact (Central Region) | +20 |
| Q1 FY19: Northern Region hedging gain | +29 |
| Q2 FY19: 737 MAX grounding | –5 |
| Q2 FY19: Easter timing | –22 |
| **Underlying EBITA H1 FY19 at constant currency** | **–313** |
| Foreign exchange translation | +12 |
| **Underlying EBITA H1 FY19** | **–301** |

*For further detailed commentary, please see Segmental Performance (pages 7 to 11).*

As expected, the decline in Markets & Airlines' H1 result reflects the knock-on impact of the summer 2018 heatwave, overcapacities in Spain arising from the shift in demand to Eastern Mediterranean, continued Brexit uncertainty, as well as particularly strong comparatives for Nordics in H1 last year. In addition, the result includes the initial impact from the 737 MAX grounding, which commenced in mid-March, and the later timing of Easter this year.

Our strong market positions in Markets & Airlines are an important factor in the success of our integrated model, with a strong customer base and leading market shares. This is what helps to drive the high return on our investments in Holiday Experiences. We remain focussed on delivering the benefits of efficiency and digitalisation across the Group.

In Holiday Experiences, our Hotels & Resorts (reflecting the non-repeat of prior year disposal gains in Riu), Cruises and Destination Experiences segments continue to perform well. This is due to the investment we have made in recent years to expand our differentiated content, and thanks to our integrated model, which drives occupancies, rate and yields in our hotels and cruise ships.

Hotels & Resorts delivered a resilient performance in H1. The result reflects the non-repeat of prior year disposal gains, as well as the continued shift of demand from Spain to Turkey. As Turkey is primarily a Summer destination, and given that we have additional lease commitments in H1 2019 in order to secure additional capacity in that destination, the benefit to the Turkish hotels' result will be H2 weighted. Cruises continues to deliver a strong performance, taking into account additional dry dock and launch costs in H1.

Net debt as at 31 March 2019 was €1,964 m (H1 2018: €576 m). As expected, net debt is returning to the normal seasonal pattern, as we complete reinvestment of disposal proceeds received in recent years. It also reflects the planned ongoing financing of our aircraft order book, with more aircraft being brought into ownership and under finance leases.

Based on our building blocks for H2 growth, we therefore reiterate our updated FY19 underlying EBITA guidance as per our ad hoc announcement of 29 March 2019 of approximately –17 % (assuming 737 MAX flight resumption mid-July) up to approximately –26 % (assuming measures taken in relation to the grounding are extended to end of Summer 2019), compared with underlying EBITA rebased in FY18 of €1,177 m[1]. Please refer to page 5 for further detail on the 737 MAX grounding. We believe that TUI's unique integrated model delivers high returns, and our strategic initiatives provide strong strategic positioning for future growth.

[1] Based on constant currency: FY19 comparative rebased in December 2018 to €1,187 m to take into account €40 m impact for revaluation of Euro loan balance within Turkish Lira entities in FY18, and adjusted further to €1,177 m for retrospective application of IFRS 15

## Outlook and expected development

### HOLIDAY EXPERIENCES

Despite the pressures faced by Markets & Airlines, Holiday Experiences continues to perform well taking into account the Riu gains on disposals in Hotels & Resorts in the previous year. This is due to the investment we have made in recent years to expand our differentiated content and our integrated model (in order to drive occupancies, rates and yields in our hotels and cruise ships).

We have opened 58 own hotels since the merger, with a pipeline of further openings to come. In terms of destinations, we have seen demand continue to shift from Western Mediterranean back to the Eastern Mediterranean and North Africa. In addition, demand for Mexico from US customers has softened, as a result of border tensions and safety concerns. Our portfolio of destinations, unique brands and strong distribution capability leave us well positioned to continue to deliver sector-leading returns in Hotels & Resorts.

In Cruises, we have launched three ships this year (new Mein Schiff 2, Marella Explorer 2, and in May Hanseatic nature) and continue to see good demand for these and the rest of our fleet. Load factor and yield performance remain in line with our expectations. In Destination Experiences, we are on track to deliver the integration of our prior year acquisitions, with continued growth in sales of excursions and activities.

### MARKETS & AIRLINES

In Markets & Airlines, the weak demand environment persists as outlined in our Quarterly Statement Q1 2019, resulting in significant yield and margin pressure. This is driven by a number of factors – reduced demand due to last year's extraordinary hot summer, slowdown of consumer confidence, Brexit uncertainty, shift in demand to the Eastern Mediterranean coupled with overcapacity of flights to Spain, as well as the 737 MAX grounding.

For Summer 2019, 59 % of the total programme has been sold compared with 62 % at this time last year. Bookings are down 3 %, with average selling price up 1 % against strong comparatives[1]. The competitive pricing environment means that this average selling price increase is not at a sufficient level to cover cost inflation. All markets are trading on lower margins then prior year, given the weaker demand environment and oversupply to some destinations such as Spain. We have taken a disciplined approach to capacity, which is flat compared with prior year, at the same time enabling us to protect our strong market leading positions.

[1] These statistics are up to 5 May 2019, shown on a constant currency basis, and relate to all customers whether risk or non-risk

### FOUR STRATEGIC INITIATIVES

We believe that TUI's unique integrated model delivers superior returns, and our strategic initiatives provide strong strategic positioning for future growth.

- Grow Hotel & Cruise business with vertical integration to drive premium returns;
- Protect and where possible extend strong positions in Markets & Airlines through revenue and cost base initiatives. These are focussed on digitalisation, mass-individualisation and upselling; airline efficiency; procurement; increased mobile distribution; and efficiency and standardisation of processes.
- Add scale for own holiday experiences and expand into new markets, with our new GDN-OTA (Global Distribution Network-Online Travel Agent) platform; and
- Add scale in destination experience markets with our new tours and activities platform.

### EXPECTED DEVELOPMENT

We have clear building blocks to deliver growth in H2. In Holiday Experiences we will deliver growth from our investments in hotels, cruises and destination experiences, with the annualisation of investment benefits from last year, plus new hotel openings and ship launches this year. In addition, we expect further recovery in demand for Turkey and North Africa, and the timing benefit of the later Easter. As previously flagged, these benefits will be offset by the one-off costs relating to the 737 MAX grounding, of around € 200 m (assuming grounding until mid-July) up to around € 300 m (assuming grounding until end of Summer). Please refer to page 5 for further detail on the 737 MAX grounding.

TUI has strong strategic positioning for future growth, underpinned by our unique integrated model and strategic initiatives. The lifting of the 737 MAX grounding and a cyclical recovery in Markets & Airlines, would support growth beyond FY19, which will be further enhanced by revenue opportunities and cost base improvements. Additional growth will be delivered by growth investments in hotels and cruise ships, based on normalised run-rate net capex and investments (estimated to be around 3.5 % of turnover) and ring-fenced investments by joint ventures, as well as our scalable GDN-OTA and destination experiences platforms.

# Report on changes in expected development

On 29 March 2019, we informed the markets via an ad hoc announcement that, following the grounding of the 737 MAX aircraft, TUI has made arrangements in order to guarantee customers' holidays. The Group is utilising spare aircraft of its fleet, extending expiring leases for aircraft that were supposed to be replaced by 737 MAX aircraft, as well as leasing in additional aircraft. TUI's fleet, which comprises around 150 aircraft, currently includes 15 grounded 737 MAX for the UK, Belgium, the Netherlands and Sweden. A further eight 737 MAX are scheduled for delivery after the lifting of the grounding.

Assuming 737 MAX flight resumption latest by mid-July, the Group currently expects to see a one-off impact on underlying EBITA of approximately € 200 m in connection with the 737 MAX grounding. This impact is especially attributable to costs related to the replacement of aircraft, higher fuel costs, other disruption costs, and the anticipated impact on trading. As a result of this one-off impact, the Executive Board of TUI AG has updated the guidance and now expects an underlying EBITA for FY19 of approximately minus 17 % compared with FY18 of € 1,177 m rebased[1].

As stated in the ad hoc announcement of 29 March 2019, the Executive Board of TUI AG expects a further negative one-off effect if it does not become sufficiently certain in the course of May that flying the 737 MAX will resume by mid-July. TUI will then need to fully extend the measures until the end of the summer season. TUI confirms the expectation disclosed in the ad hoc notification of 29 March 2019 for this additional one-of impact until 30 September 2019 of up to € 100 m. For this scenario, the Executive Board of TUI AG had also updated the guidance on underlying EBITA for FY19 to up to minus 26 % compared with FY18 of € 1,177 m rebased[1].

Due to the application of IFRS 15, turnover for FY18 has been adjusted to € 18.5 bn. Our guidance of around 3 % turnover growth in FY19[2] remains unchanged.

[1] Based on constant currency: FY19 comparative rebased in December 2018 to € 1,187 m to take into account € 40 m impact for revaluation of Euro loan balance within Turkish Lira entities in FY18, and adjusted further to € 1,177 m for retrospective application of IFRS 15

[2] Based on constant currency: Based on constant currency; prior year comparatives presented in accordance with IFRS 15

# Structure and strategy of TUI Group

## Reporting structure

The present Half Year Financial Report 2019 is essentially based on TUI Group's reporting structure set out in the Annual Report for 2018.

→ *See Annual Report 2018 from page 32*

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. Prior-year figures were adjusted accordingly.

## Group targets and strategy

TUI Group's strategy set out in the Annual Report 2018 remains unchanged.

→ *Details see Annual Report 2018 from page 28*

# Consolidated earnings

### Turnover

| € million | Q2 2019 | Q2 2018 adjusted | Var. % | H1 2019 | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| Hotels & Resorts | 131.7 | 143.1 | – 8.0 | 271.0 | 287.9 | – 5.9 |
| Cruises | 234.1 | 205.6 | + 13.9 | 424.6 | 396.9 | + 7.0 |
| Destination Experiences | 144.5 | 26.3 | + 449.4 | 302.8 | 65.6 | + 361.6 |
| Holiday Experiences | 510.3 | 375.0 | + 36.1 | 998.4 | 750.4 | + 33.0 |
| Northern Region | 1,023.0 | 1,098.0 | – 6.8 | 2,123.3 | 2,226.6 | – 4.6 |
| Central Region | 934.4 | 1,002.0 | – 6.7 | 2,224.7 | 2,235.6 | – 0.5 |
| Western Region | 513.9 | 518.9 | – 1.0 | 1,057.1 | 1,064.6 | – 0.7 |
| Markets & Airlines | 2,471.3 | 2,618.9 | – 5.6 | 5,405.1 | 5,526.8 | – 2.2 |
| All other segments | 119.8 | 151.3 | – 20.8 | 272.9 | 288.7 | – 5.5 |
| **TUI Group** | **3,101.4** | **3,145.2** | **– 1.4** | **6,676.4** | **6,565.9** | **+ 1.7** |
| **TUI Group at constant currency** | **3,092.1** | **3,145.2** | **– 1.7** | **6,677.9** | **6,565.9** | **+ 1.7** |

### Underlying EBITA

| € million | Q2 2019 | Q2 2018 adjusted | Var. % | H1 2019 | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| Hotels & Resorts | 66.7 | 80.4 | – 17.0 | 135.4 | 172.3 | – 21.4 |
| Cruises | 59.4 | 56.0 | + 6.1 | 106.4 | 93.7 | + 13.6 |
| Destination Experiences | – 5.6 | – 9.9 | + 43.4 | – 10.4 | – 13.3 | + 21.8 |
| Holiday Experiences | 120.5 | 126.5 | – 4.7 | 231.4 | 252.7 | – 8.4 |
| Northern Region | – 130.8 | – 88.3 | – 48.1 | – 205.1 | – 125.7 | – 63.2 |
| Central Region | – 90.7 | – 89.9 | – 0.9 | – 127.8 | – 144.7 | + 11.7 |
| Western Region | – 97.3 | – 56.5 | – 72.2 | – 163.9 | – 105.1 | – 55.9 |
| Markets & Airlines | – 318.8 | – 234.7 | – 35.8 | – 496.8 | – 375.5 | – 32.3 |
| All other segments | – 18.7 | – 24.8 | + 24.6 | – 35.2 | – 46.9 | + 24.9 |
| **TUI Group** | **– 217.0** | **– 133.0** | **– 63.2** | **– 300.6** | **– 169.7** | **– 77.1** |
| **TUI Group at constant currency** | **– 229.4** | **– 133.0** | **– 72.5** | **– 313.4** | **– 169.7** | **– 84.7** |

### EBITA

| € million | Q2 2019 | Q2 2018 adjusted | Var. % | H1 2019 | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| Hotels & Resorts | 66.7 | 80.3 | – 16.9 | 135.4 | 172.2 | – 21.4 |
| Cruises | 59.4 | 56.0 | + 6.1 | 106.4 | 93.7 | + 13.6 |
| Destination Experiences | – 9.6 | – 10.1 | + 5.0 | – 18.5 | – 13.9 | – 33.1 |
| Holiday Experiences | 116.5 | 126.2 | – 7.7 | 223.3 | 252.0 | – 11.4 |
| Northern Region | – 136.7 | – 92.7 | – 47.5 | – 227.7 | – 134.4 | – 69.4 |
| Central Region | – 92.3 | – 92.5 | + 0.2 | – 131.3 | – 151.0 | + 13.0 |
| Western Region | – 101.6 | – 59.7 | – 70.2 | – 170.0 | – 118.2 | – 43.8 |
| Markets & Airlines | – 330.6 | – 244.9 | – 35.0 | – 529.0 | – 403.6 | – 31.1 |
| All other segments | – 26.0 | – 27.8 | + 6.5 | – 40.2 | – 51.8 | + 22.4 |
| **TUI Group** | **– 240.1** | **– 146.5** | **– 63.9** | **– 345.9** | **– 203.4** | **– 70.1** |

# Segmental performance

## Holiday Experiences

**Holiday Experiences**

| € million | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| Turnover | 510.3 | 375.0 | +36.1 | 998.4 | 750.4 | +33.0 |
| Underlying EBITA | 120.5 | 126.5 | –4.7 | 231.4 | 252.7 | –8.4 |
| Underlying EBITA at constant currency | 109.1 | 126.5 | –13.8 | 220.0 | 252.7 | –12.9 |

**Hotels & Resorts**

| | | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|---|
| Total turnover | in € million | 277.8 | 267.9 | +3.7 | 591.3 | 563.3 | +5.0 |
| Turnover | in € million | 131.7 | 143.1 | –8.0 | 271.0 | 287.9 | –5.9 |
| Underlying EBITA | in € million | 66.7 | 80.4 | –17.0 | 135.4 | 172.3 | –21.4 |
| Underlying EBITA at constant currency rates | in € million | 55.8 | 80.4 | –30.6 | 124.0 | 172.3 | –28.0 |
| **Capacity hotels total[1]** | **in '000** | **7,632** | **7,322** | **+4.2** | **16,767** | **16,192** | **+3.5** |
| Riu | | 4,187 | 4,038 | +3.7 | 8,601 | 8,433 | +2.0 |
| Robinson | | 607 | 556 | +9.2 | 1,284 | 1,247 | +3.0 |
| Blue Diamond | | 1,072 | 958 | +11.9 | 2,020 | 1,767 | +14.3 |
| **Occupancy rate hotels total[2]** | **in % / variance in % points** | **79** | **80** | **–1** | **77** | **77** | **–** |
| Riu | | 86 | 88 | –2 | 84 | 87 | –3 |
| Robinson | | 64 | 62 | +2 | 68 | 63 | +5 |
| Blue Diamond | | 83 | 80 | +3 | 78 | 79 | –1 |
| **Average revenue per bed hotels total[3,4]** | **in €** | **80** | **76** | **+4.5** | **72** | **69** | **+3.5** |
| Riu | | 72 | 72 | – | 69 | 68 | +0.6 |
| Robinson | | 105 | 105 | – | 96 | 97 | –1.4 |
| Blue Diamond | | 139 | 131 | +6.5 | 127 | 120 | +6.6 |

Turnover measures include fully consolidated companies, all other KPIs incl. companies measured at equity. In total turnover no turnover is carried for Blue Diamond as the joint venture is consolidated at equity.

1 Group owned or leased hotel beds multiplied by opening days per quarter
2 Occupied beds divided by capacity
3 Arrangement revenue divided by occupied beds
4 Previous year revenue per bed restated to reflect revised PY rate at Blue Diamond

- Hotels & Resorts underlying EBITA for H1 decreased by €37 m, reflecting the non-repeat of prior year disposal gains in Riu totalling €38 m. Occupancy remained high, at 77 %. Average revenue per bed increased by 4 %, reflecting foreign exchange translation (mainly due to strengthening of the US dollar).
- In Riu, underlying EBITA decreased compared with prior year, due to the non-repeat of disposal gains and driven by the continued shift of demand from Western to Eastern Mediterranean. In addition, demand from US customers for Mexico was softer, as a result of border tensions and safety concerns. Although lower than prior year, occupancy remains strong at 84 %. Average rate increased by 1 %, reflecting foreign exchange translation.
- The result for Robinson was slightly below prior year as the result of a club closure for renovation during Q1, and seasonal losses of newly opened clubs. H1 occupancy grew by 5 % points to 68 %, driven by increased demand for clubs in Turkey and North

Africa, as well as the build-up of demand for new clubs which opened last year.

- Blue Diamond delivered an increase in underlying EBITA as a result of new hotel openings. The increase in average rate is due to foreign exchange translation.
- Although demand for our Turkish hotels continues to improve, this is not so apparent from the H1 (especially Q2) result due to the Summer weighted seasonality of these resorts, and due to the additional lease commitments taken in order to secure additional capacity. We therefore expect earnings improvement for Turkey to be more H2 weighted.
- Since merger, 58 hotels have been opened, 69 % of which are in lower capital intensity models (managed or owned via joint venture).

**Cruises**

| | | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|---|
| Turnover[1] | in € million | 234.1 | 205.6 | +13.9 | 424.6 | 396.9 | +7.0 |
| Underlying EBITA | in € million | 59.4 | 56.0 | +6.1 | 106.4 | 93.7 | +13.6 |
| Underlying EBITA at constant currency | in € million | 59.1 | 56.0 | +5.5 | 106.3 | 93.7 | +13.4 |
| **Occupancy** | **in %** | | | | | | |
| | **variance in % points** | | | | | | |
| TUI Cruises | | 98 | 100 | –2 | 99 | 99 | – |
| Marella Cruises[2] | | 99 | 98 | +1 | 100 | 100 | – |
| Hapag-Lloyd Cruises | | 79 | 77 | +2 | 77 | 76 | +1 |
| **Passenger days** | **in '000** | | | | | | |
| TUI Cruises | | 1,445 | 1,248 | +15.9 | 2,817 | 2,514 | +12.1 |
| Marella Cruises[2] | | 738 | 559 | +32.1 | 1,442 | 1,251 | +15.3 |
| Hapag-Lloyd Cruises | | 79 | 93 | –14.5 | 150 | 168 | –10.3 |
| **Average daily rates[3]** | **in €** | | | | | | |
| TUI Cruises | | 146 | 147 | –0.8 | 148 | 148 | –0.3 |
| Marella Cruises[2,4] | **in £** | 154 | 143 | +7.2 | 145 | 136 | +6.5 |
| Hapag-Lloyd Cruises | | 683 | 653 | +4.5 | 639 | 600 | +6.6 |

1 No turnover is carried for TUI Cruises as the joint venture is consolidated at equity
2 Rebranded from Thomson Cruises in October 2017
3 Per day and passenger
4 Inclusive of transfers, flights and hotels due to the integrated nature of Marella Cruises, in GBP

- Cruises underlying EBITA increased by € 13 m in H1. Growth was driven by Marella and Hapag-Lloyd Cruises.
- The TUI Cruises result was ahead of prior year. As expected, the increase in capacity was offset by the earlier than originally planned launch of new Mein Schiff 2 in the low yield Q2 season, a planned dry dock for Mein Schiff Herz, and the exit of Mein Schiff 1 from the fleet in H2 FY18.
- TUI Cruises occupancy and average daily rate for H1 were in line with prior year, a good performance given the significant increase in German cruise capacity this year. The lower occupancy and slightly lower average daily rate in Q2 reflect the earlier launch of new Mein Schiff 2, meaning that sales started relatively close to launch.
- Marella Cruises underlying EBITA increased due to the launch of Marella Explorer in H2 FY18 (formerly Mein Schiff 1) and good performance across the fleet, offset partly by dry dock days for the Marella Discovery and exit of the Spirit at the start of FY19.
- Hapag-Lloyd Cruises underlying EBITA increased on prior year, driven by the non-repeat of prior year dry dock and improved occupancy and rates across the fleet, partially offset by the exit of Hanseatic at the start of FY19.

**Destination Experiences**

| € million | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| Total turnover | 191.5 | 61.1 | +213.4 | 417.8 | 144.4 | +189.3 |
| Turnover | 144.5 | 26.3 | +449.4 | 302.8 | 65.6 | +361.6 |
| Underlying EBITA | −5.6 | −9.9 | +43.4 | −10.4 | −13.3 | +21.8 |
| Underlying EBITA at constant currency | −5.8 | −9.9 | +41.4 | −10.3 | −13.3 | +22.6 |

- H1 earnings growth was driven by the integration of last year's acquisition of Destination Management, offset partly by start-up losses in Musement. As a result of these acquisitions, Destination Experiences sold 2.4 million excursions and activities in H1, almost double the number of last year.
- Our growth expectations for Destination Experiences are intact, driven by integration of acquisitions and launch of Musement as a fully digitalised, open platform for sales of excursions & activities.

## Markets & Airlines

**Markets & Airlines**

| | | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|---|
| Turnover | in € million | 2,471.3 | 2,618.9 | −5.6 | 5,405.1 | 5,526.8 | −2.2 |
| Underlying EBITA | in € million | −318.8 | −234.7 | −35.8 | −496.8 | −375.5 | −32.3 |
| Underlying EBITA at constant currency | in € million | −318.2 | −234.7 | −35.6 | −495.9 | −375.5 | −32.1 |
| Direct distribution mix[1] | in % variance in % points | 74 | 75 | −1 | 74 | 74 | – |
| Online mix[2] | in % variance in % points | 51 | 50 | +1 | 50 | 49 | +1 |
| Customers | in '000 | 2,879 | 3,086 | −6.7 | 6,546 | 6,709 | −2.4 |

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

- As expected, the Markets & Airlines H1 result reflects the reduced demand due to the summer 2018 heatwave, overcapacities in Spain arising from the shift in demand to Eastern Mediterranean, continued Brexit uncertainty, as well as particularly strong comparatives for Nordics in H1 last year. In addition, the result includes the initial €5m impact from the 737 MAX grounding, which commenced in mid-March, and the €22m due to the later timing of Easter this year.
- The current year result for Northern Region includes €29m gain which was crystallised on a hedge which is no longer required.

### Northern Region

| | | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|---|
| Turnover | in € million | 1,023.0 | 1,098.0 | – 6.8 | 2,123.3 | 2,226.6 | – 4.6 |
| Underlying EBITA | in € million | –130.8 | – 88.3 | – 48.1 | – 205.1 | –125.7 | – 63.2 |
| Underlying EBITA at constant currency | in € million | –130.3 | – 88.3 | – 47.6 | – 204.2 | –125.7 | – 62.5 |
| Direct distribution mix[1] | in % variance in % points | 92 | 91 | +1 | 92 | 92 | – |
| Online mix[2] | in % variance in % points | 67 | 66 | +1 | 67 | 65 | + 2 |
| Customers | in '000 | 1,009 | 1,114 | – 9.4 | 2,246 | 2,363 | – 4.9 |

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

- In UK and Nordics, H1 demand was impacted by the factors outlined above. Customer volumes declined 5 % on prior year and margins were significantly lower. Nordics was particularly badly affected by the reduced demand due to last Summer's heatwave, with an 8 % drop in customer volumes and load factor reduction.
- In addition, the later timing of Easter negatively impacted underlying EBITA by € 14 m, and the grounding of the 737 MAX increased costs by € 1 m.
- Share of earnings for Canada also decreased in the quarter, primarily as a result of the year on year impact of fuel and currency rates.
- These factors were partly offset by a € 29 m gain which crystallised during Q1 on a hedge which is no longer required.

### Central Region

| | | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|---|
| Turnover | in € million | 934.4 | 1,002.0 | – 6.7 | 2,224.7 | 2,235.6 | – 0.5 |
| Underlying EBITA | in € million | – 90.7 | – 89.9 | – 0.9 | –127.8 | –144.7 | +11.7 |
| Underlying EBITA at constant currency | in € million | – 90.6 | – 89.9 | – 0.8 | –127.8 | –144.7 | +11.7 |
| Direct distribution mix[1] | in % variance in % points | 49 | 49 | – | 49 | 49 | – |
| Online mix[2] | in % variance in % points | 21 | 21 | – | 21 | 20 | +1 |
| Customers | in '000 | 976 | 1,062 | – 8.1 | 2,380 | 2,435 | – 2.3 |

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

- The improvement in Central Region underlying earnings was driven primarily by Germany, as a result of the non-repeat of the impact of the bankruptcy of Niki (€ 20 m receivable write-off in prior year) as well as reduced overheads.
- This was partly offset by weaker trading (for the reasons outlined above), the later timing of Easter (€ 7 m) and higher airline cost base due to the loss of the Air Berlin / Niki contract.
- Customer volumes for Central Region decreased by 2 % in H1, reflecting a reduction in airline capacity in Germany, offset partly by a significant volume increase in Poland as we continue to drive growth in that market.
- Increasing the level of direct distribution continues to be a key focus especially for our German business. Direct distribution for Central Region in H1 was 49 % in H1, with online distribution at 21 %.

**Western Region**

| | | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|---|
| Turnover | in € million | 513.9 | 518.9 | –1.0 | 1,057.1 | 1,064.6 | –0.7 |
| Underlying EBITA | in € million | –97.3 | –56.5 | –72.2 | –163.9 | –105.1 | –55.9 |
| Underlying EBITA at constant currency | in € million | –97.3 | –56.5 | –72.2 | –163.9 | –105.1 | –55.9 |
| Direct distribution mix[1] | in % variance in % points | 76 | 75 | +1 | 76 | 75 | +1 |
| Online mix[2] | in % variance in % points | 60 | 58 | +2 | 60 | 58 | +2 |
| Customers | in '000 | 894 | 910 | –1.7 | 1,920 | 1,911 | +0.5 |

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

- In Western Region, margins across all three markets (Belgium, Netherlands, France) were impacted by weak trading and the factors outlined above. In addition, especially in France, the 'Gilets Jaunes' protests drove negative consumer sentiment.
- Customer volumes for the region were broadly flat year on year, with growth in Benelux offset by capacity reductions in France.
- In addition, the result reflects a higher level of airline disruption and staffing costs, as well as 737 MAX grounding costs of (€ 4 m) and the timing of Easter (€ 1 m).

**All other segments**

| € million | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| Turnover | 119.8 | 151.3 | –20.8 | 272.9 | 288.7 | –5.5 |
| Underlying EBITA | –18.7 | –24.8 | +24.8 | –35.2 | –46.9 | +24.9 |
| Underlying EBITA at constant currency | –20.3 | –24.8 | +18.1 | –37.5 | –46.9 | +20.0 |

- The result for All other segments improved due to the reduction in head office costs and benefits from aircraft financing.
- Corsair's revenues and earnings deteriorated on prior year due to increased delay, fuel and maintenance costs and the impact of the 'Gilet Jaunes' protests in France. On 18 March TUI announced the disposal of a majority stake in Corsair.

# Financial position and net assets

## Cash Flow / Net capex and investments / Net debt

The cash outflow from operating activities increased by € 274.0 m to € 717.5 m. As well as the lower earnings in H1 2019, this was driven by a higher working capital outflow for the payment of hotel creditors than prior year, mainly as a result of increased capacity in Summer 2018 in Central Region.

Net debt is defined as financial debt less cash and cash equivalents and future short-term interest-bearing investments. As expected, net debt level is returning to the normal seasonal pattern, as we complete reinvestment of disposal proceeds received in recent years. It also reflects the planned ongoing financing of our aircraft order book, with more aircraft being brought into ownership and under finance leases.

**Net debt**

| € million | **31 Mar 2019** | 31 Mar 2018 | Var. % |
|---|---|---|---|
| Financial debt | – 3,101.4 | –1,977.8 | – 56.8 |
| Cash and cash equivalents | 1,091.6 | 1,338.1 | –18.4 |
| Short-term interest-bearing investments | 45.7 | 63.7 | – 28.3 |
| **Net debt** | **–1,964.1** | **– 576.0** | **– 241.0** |

**Net capex and investments**

| € million | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| **Cash gross capex** | | | | | | |
| Hotels & Resorts | 107.5 | 53.0 | +102.8 | 186.6 | 115.1 | + 62.1 |
| Cruises | 53.8 | 2.7 | n. a. | 200.0 | 38.1 | + 424.9 |
| Destination Experiences | 7.6 | 1.3 | + 484.6 | 9.6 | 2.9 | + 231.0 |
| Holiday Experiences | 169.0 | 57.0 | +196.5 | 396.3 | 156.1 | +153.9 |
| Northern Region | 19.8 | 15.9 | + 24.5 | 30.5 | 23.4 | + 30.3 |
| Central Region | 8.7 | 3.3 | +163.6 | 14.6 | 10.2 | + 43.1 |
| Western Region | 9.7 | 6.9 | + 40.6 | 21.0 | 13.0 | + 61.5 |
| Markets & Airlines | 38.1 | 26.1 | + 46.0 | 66.2 | 46.6 | + 42.1 |
| All other segments | 59.5 | 37.6 | + 58.2 | 81.2 | 92.8 | –12.5 |
| **TUI Group** | **266.6** | **120.7** | **+120.9** | **543.6** | **295.6** | **+ 83.9** |
| Net pre delivery payments on aircraft | – 22.4 | – 60.7 | + 63.1 | – 54.4 | – 20.2 | –169.3 |
| Financial investments | 85.2 | 13.6 | + 526.5 | 146.7 | 24.2 | + 506.2 |
| Divestments | 27.2 | –7.1 | n. a. | 15.6 | – 92.3 | n. a. |
| **Net capex and investments** | **356.7** | **66.5** | **+ 436.4** | **651.5** | **207.3** | **+ 214.3** |

The increase in net capex and investments in H1 2019 was mainly driven by the acquisition of Marella Explorer 2, acquisitions in Hotels & Resorts related to our core hotel brands Riu, Robinson and TUI Blue as well as the acquisitions of the online platform Musement and further companies from Hotelbeds. The development of divestments was related to the sale of the majority stake in Corsair, while the prior-year figure included the sale of three Riu hotels.

## Assets and liabilities

**Assets and liabilities**

| € million | **31 Mar 2019** | 30 Sep 2018 adjusted | Var. % |
|---|---|---|---|
| Non-current assets | 11,519.8 | 10,663.2 | + 8.0 |
| Current assets | 4,023.7 | 4,939.4 | – 18.5 |
| **Assets** | **15,543.5** | **15,602.6** | **– 0.4** |
| Equity | 3,290.4 | 4,280.0 | – 23.1 |
| Provisions | 2,077.7 | 2,111.2 | – 1.6 |
| Financial liabilities | 3,101.4 | 2,442.9 | + 27.0 |
| Other liabilities | 7,074.0 | 6,768.5 | + 4.5 |
| **Liabilities** | **15,543.5** | **15,602.6** | **– 0.4** |

Prior-year figures adjusted due to retrospective application of IFRS 15 and PPA adjustments for Destination Management

As at 31 March 2019, TUI Group's balance sheet total amounted to € 15.5 bn, nearly at the level of financial year end 30 September 2018. The equity ratio stood at 21.2 %, falling below its level of 27.4 % as at 30 September 2018.

→ *Details see Notes from page 24*

## Foreign Exchange / Fuel

Our strategy of hedging the majority of our jet fuel and currency requirements for future seasons, as detailed below, remains unchanged. This gives us certainty of costs when planning capacity and pricing. The following table shows the percentage of our forecast requirement that is currently hedged for Euros, US Dollars and jet fuel for our Markets & Airlines, which account for over 90 % of our Group currency and fuel exposure.

**Foreign Exchange / Fuel**

| % | Summer 2019 | Winter 2019 / 20 |
|---|---|---|
| Euro | 92 | 70 |
| US Dollars | 89 | 74 |
| Jet Fuel | 92 | 81 |

As at 9 May 2019

# Comments on the consolidated income statement

TUI Group's results reflect the significant seasonal swing in tourism between the winter and summer travel months. The Group seeks to counteract the seasonal swing through a broad range of holiday offerings in the summer and winter season and its presence in different travel markets worldwide with varying annual cycles.

The consolidated income statement reflects the seasonality of the tourism business, with negative results generated in the period from October to March.

**Income statement of the TUI Group for the period from 1 Oct 2018 to 31 Mar 2019**

| € million | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| Turnover | 3,101.6 | 3,145.3 | –1.4 | 6,676.4 | 6,565.9 | +1.7 |
| Cost of sales | 3,088.5 | 3,052.1 | +1.2 | 6,519.1 | 6,288.6 | +3.7 |
| **Gross profit** | **13.1** | **93.2** | **–85.9** | **157.3** | **277.3** | **–43.3** |
| Administrative expenses | 317.4 | 313.9 | +1.1 | 638.2 | 620.7 | +2.8 |
| Other income | 7.4 | 2.9 | +155.2 | 12.9 | 48.6 | –73.5 |
| Other expenses | 12.6 | – | n. a. | 13.9 | 0.3 | n. a. |
| Impairment of financial assets | 1.6 | 2.1 | –23.8 | –2.8 | 27.0 | n. a. |
| Financial income | 21.9 | 3.5 | +525.7 | 69.9 | 17.7 | +294.9 |
| Financial expenses | 29.5 | 31.0 | –4.8 | 79.1 | 68.1 | +16.2 |
| Share of result of joint ventures and associates | 72.9 | 73.4 | –0.7 | 107.3 | 114.2 | –6.0 |
| **Earnings before income taxes from continuing operations** | **–245.8** | **–174.0** | **–41.3** | **–381.0** | **–258.3** | **–47.5** |
| Income taxes | –70.7 | –31.7 | –123.0 | –93.8 | –47.7 | –96.6 |
| **Result from continuing operations** | **–175.1** | **–142.3** | **–23.0** | **–287.2** | **–210.6** | **–36.4** |
| **Group loss** | **–175.1** | **–142.3** | **–23.0** | **–287.2** | **–210.6** | **–36.4** |
| Group loss attributable to shareholders of TUI AG | –202.0 | –171.7 | –17.6 | –341.3 | –280.9 | –21.5 |
| Group loss attributable to non-controlling interest | 26.9 | 29.4 | –8.5 | 54.1 | 70.3 | –23.0 |

Prior-year figures adjusted due to retrospective application of IFRS 15 and previous year's structure adjusted due to the first-time application of IFRS 9

In the first half of 2019, turnover totalled €6.7 bn, up 1.7% year-on-year. This increase reflects the expanded business volume resulting from the acquisition of the Destination Management division of Hotelbeds Group and the Italian Technology Start-up Musement, offset by decreased turnover in Markets & Airlines.

The year-on-year decline in the result from continuing operations was attributable to a weaker operating performance in Markets & Airlines, profits from the sale of two hotel companies, a hotel and one aircraft included in previous year's numbers, partly offset by higher financial income.

## Alternative performance measures

Key indicators used to manage the TUI Group are underlying EBITA and EBITA.

EBITA comprises earnings before interest, taxes and goodwill impairments. EBITA includes amortisation of other intangible assets. It does not include the result from the measurement of interest hedges.

Underlying EBITA has been adjusted for gains 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.

The table below shows a reconciliation of earnings before taxes from continuing operations to underlying earnings.

**Reconciliation to underlying earnings**

| € million | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| **Reconciliation to underlying earnings:** | | | | | | |
| Earnings before income taxes* | **–245.8** | **–174.0** | **–41.3** | **–381.0** | **–258.3** | **–47.5** |
| plus: Net interest expense | 5.2 | 26.2 | –80.2 | 32.7 | 51.8 | –36.9 |
| plus: Expense from the measurement of interest hedges | 0.5 | 1.3 | –61.5 | 2.4 | 3.1 | –22.6 |
| EBITA* | –240.1 | –146.5 | –63.9 | –345.9 | –203.4 | –70.1 |
| **Adjustments:** | | | | | | |
| less: Losses on disposals | 11.1 | – | | 11.1 | – | |
| plus: Restructuring expense | 0.1 | 4.3 | | 1.6 | 13.4 | |
| plus: Expense from purchase price allocation | 9.5 | 7.4 | | 18.0 | 15.0 | |
| plus: Expense from other one-off items | 2.4 | 1.8 | | 14.6 | 5.3 | |
| **Underlying EBITA*** | **–217.0** | **–133.0** | **–63.2** | **–300.6** | **–169.7** | **–77.1** |

* Prior-year figures adjusted due to restrospective application of IFRS 15

One-off items carried here include adjustments for income and expense items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the segments and the Group more difficult or causing distortions. 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.

In H1 2019, adjustments (including individual items and purchase price allocations) totaling € 45.3 m (previous year: € 33.7 m) were made. The individual items adjusted in the quarter under review mainly relate to one-off payments in connection with the conversion of the pension plan in the United Kingdom to a defined contribution plan and the loss on the Corsair disposal. In the prior-year period, in addition to expenses from purchase price allocations, restructuring costs for the integration of Transat in France and the restructuring of our German airline in particular had to be adjusted.

The TUI Group's operating loss adjusted for one-off effects increased by € 130.9 m to € 300.6 m in H1 2019.

**Key figures of income statement**

| € million | Q2 2019 | Q2 2018 adjusted | Var. % | H1 2019 | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| **Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)** | **48.1** | **120.5** | **–60.1** | **237.7** | **334.9** | **–29.0** |
| Operating rental expenses | 166.8 | 160.0 | +4.3 | 344.4 | 330.8 | +4.1 |
| **Earnings before interest, income taxes, depreciation and impairment (EBITDA)** | **–118.7** | **–39.5** | **–200.5** | **–106.7** | **4.1** | **n.a.** |
| Depreciation/amortisation less reversals of depreciation* | –121.4 | –107.0 | –13.4 | –239.2 | –207.5 | –15.3 |
| **Earnings before interest, income taxes and impairment of goodwill (EBITA)** | **–240.1** | **–146.5** | **–63.9** | **–345.9** | **–203.4** | **–70.1** |
| **Earnings before interest and income taxes (EBIT)** | **–240.1** | **–146.5** | **–63.9** | **–345.9** | **–203.4** | **–70.1** |
| Expense from the measurement of interest hedges | –0.5 | –1.3 | +61.5 | –2.4 | –3.1 | +22.6 |
| Net interest expense | –5.2 | –26.2 | +80.2 | –32.7 | –51.8 | +36.9 |
| **Earnings before income taxes (EBT)** | **–245.8** | **–174.0** | **–41.3** | **–381.0** | **–258.3** | **–47.5** |

* On property, plant and equipment, intangible assets, financial and other assets

# Other segment indicators

**Underlying EBITDA**

| € million | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| Hotels & Resorts | 91.8 | 107.1 | –14.3 | 186.1 | 221.6 | –16.0 |
| Cruises | 79.9 | 69.6 | +14.8 | 146.5 | 127.0 | +15.4 |
| Destination Experiences | –1.7 | –7.7 | +77.9 | –2.6 | –9.1 | +71.4 |
| Holiday Experiences | 170.0 | 169.0 | +0.6 | 330.0 | 339.5 | –2.8 |
| Northern Region | –117.6 | –73.6 | –59.8 | –179.2 | –102.7 | –74.5 |
| Central Region | –84.6 | –84.7 | +0.1 | –116.5 | –134.7 | +13.5 |
| Western Region | –92.3 | –52.5 | –75.8 | –154.0 | –97.0 | –58.8 |
| Markets & Airlines | –294.5 | –210.8 | –39.7 | –449.7 | –334.4 | –34.5 |
| All other segments | 20.2 | 9.7 | +108.2 | 42.2 | 20.3 | +107.9 |
| **TUI Group** | **–104.3** | **–32.1** | **–224.9** | **–77.5** | **25.4** | **n. a.** |

**EBITDA**

| € million | **Q2 2019** | Q2 2018 adjusted | Var. % | **H1 2019** | H1 2018 adjusted | Var. % |
|---|---|---|---|---|---|---|
| Hotels & Resorts | 91.8 | 107.1 | –14.3 | 186.0 | 221.5 | –16.0 |
| Cruises | 79.9 | 69.6 | +14.8 | 146.5 | 127.0 | +15.4 |
| Destination Experiences | –3.5 | –7.9 | +55.7 | –6.5 | –9.7 | +33.0 |
| Holiday Experiences | 168.2 | 168.8 | –0.4 | 326.0 | 338.8 | –3.8 |
| Northern Region | –120.4 | –75.0 | –60.5 | –195.8 | –105.5 | –85.6 |
| Central Region | –85.6 | –87.3 | +1.9 | –118.6 | –139.3 | +14.9 |
| Western Region | –95.5 | –54.6 | –74.9 | –157.8 | –107.8 | –46.4 |
| Markets & Airlines | –301.5 | –216.9 | –39.0 | –472.2 | –352.6 | –33.9 |
| All other segments | 14.6 | 8.6 | +69.8 | 39.5 | 17.9 | +120.7 |
| **TUI Group** | **–118.7** | **–39.5** | **–200.5** | **–106.7** | **4.1** | **n. a.** |

**Employees**

| | **31 March 2019** | 31 March 2018 adjusted | Var. % |
|---|---|---|---|
| Hotels & Resorts | 20,217 | 19,068 | +6.0 |
| Cruises* | 348 | 313 | +11.2 |
| Destination Experiences | 6,527 | 3,333 | +95.8 |
| Holiday Experiences | 27,092 | 22,714 | +19.3 |
| Northern Region | 12,636 | 13,268 | –4.8 |
| Central Region | 10,751 | 10,491 | +2.5 |
| Western Region | 6,129 | 6,058 | +1.2 |
| Markets & Airlines | 29,516 | 29,817 | –1.0 |
| All other segments | 3,527 | 3,242 | +8.8 |
| **TUI Group** | **60,135** | **55,773** | **+7.8** |

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

# Corporate Governance

## Composition of the Boards

In H1 2019 the composition of the Supervisory Board of TUI AG changed as follows:

Ms Carmen Riu Güell had declared her resignation from office with effect as of the close of the Annual General Meeting on 12 February 2019. As her successor Joan Trian Riu was elected to the Supervisory Board for a full term of approximately five years.

There were no changes in the composition of TUI AG's Executive Board in H1 2019.

The current, complete composition of the Executive Board and Supervisory Board is listed on our website, where it has been made permanently available to the public.

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

# Risk and Opportunity 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. Full details of our risk governance framework and principal risks can be found in the Annual Report 2018.

*Details see Risk Report in our Annual Report 2018, from page 40*

## Active principal risks

IT development & strategy; growth strategy; integration & restructuring opportunities; corporate & social responsibilities; information security; impact of Brexit

## Monitored principal risks

Destination disruption; customer demand*; input cost volatility; seasonal cashflow profile; legal & regulatory compliance; health & safety; supplier reliance; joint venture partnerships

* The principal risks Macroeconomic and Competition & Customer Preferences, included in the 2018 Annual Report are both related to trading and therefore have been consolidated and renamed to Customer Demand

With regard to the UK's exit from the EU in 2019, 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 agreement for aviation between the EU and the UK post Brexit to protect consumer choice with the relevant UK and EU ministers and officials, and are in regular exchange with relevant regulatory authorities. While the date for the UK's exit from the EU has recently been delayed until latest 31st October 2019, 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 risks flagged in the Report on changes in expected development related to 737 MAX grounding fall within the supplier reliance and destination disruption principal risk categories. As per our Ad-hoc Risk Reporting guidelines included in the Annual Report 2018, the grounding was reported directly to the Executive Board outside of the quarterly process.

*Report on changes in expected development see page 5*

# INTERIM FINANCIAL STATEMENTS

**Income statement of the TUI Group for the period from 1 Oct 2018 to 31 Mar 2019**

| € million | Notes | H1 2019 | H1 2018 adjusted |
|---|---|---|---|
| Turnover | (1) | 6,676.4 | 6,565.9 |
| Cost of sales | (2) | 6,519.1 | 6,288.6 |
| **Gross profit** | | **157.3** | **277.3** |
| Administrative expenses | (2) | 638.2 | 620.7 |
| Other income | (3) | 12.9 | 48.6 |
| Other expenses | (4) | 13.9 | 0.3 |
| Impairment of financial assets | | – 2.8 | 27.0 |
| Financial income | (5) | 69.9 | 17.7 |
| Financial expenses | (5) | 79.1 | 68.1 |
| Share of result of joint ventures and associates | (6) | 107.3 | 114.2 |
| **Earnings before income taxes from continuing operations** | | **– 381.0** | **– 258.3** |
| Income taxes | (7) | – 93.8 | – 47.7 |
| **Result from continuing operations** | | **– 287.2** | **– 210.6** |
| **Group loss** | | **– 287.2** | **– 210.6** |
| Group loss attributable to shareholders of TUI AG | | – 341.3 | – 280.9 |
| Group loss attributable to non-controlling interest | (8) | 54.1 | 70.3 |

**Earnings per share**

| € | H1 2019 | H1 2018 adjusted |
|---|---|---|
| Basic and diluted earnings per share | – 0.58 | – 0.48 |
| from continuing operations | – 0.58 | – 0.48 |

**Condensed statement of comprehensive income of the TUI Group for the period from 1 Oct 2018 to 31 Mar 2019**

| € million | **H1 2019** | H1 2018 adjusted |
|---|---|---|
| **Group loss** | **–287.2** | **–210.6** |
| Remeasurements of defined benefit obligations and related fund assets | –53.1 | 79.1 |
| Other comprehensive income of companies measured at equity that will not be reclassified | –51.9 | – |
| Fair value gain/loss on investments in equity instruments designated as at FVTOCI | –0.7 | – |
| Income tax related to items that will not be reclassified | 19.4 | –13.4 |
| **Items that will not be reclassified to profit or loss** | **–86.3** | **65.7** |
| Foreign exchange differences | 67.4 | –66.6 |
| Cash flow hedges | –342.8 | 21.3 |
| Other comprehensive income of companies measured at equity that may be reclassified | 2.6 | 25.7 |
| Income tax related to items that may be reclassified | 67.7 | –4.5 |
| **Items that may be reclassified to profit or loss** | **–205.1** | **–24.1** |
| **Other comprehensive income** | **–291.4** | **41.6** |
| **Total comprehensive income** | **–578.6** | **–169.0** |
| attributable to shareholders of TUI AG | –644.7 | –234.6 |
| attributable to non-controlling interest | 66.1 | 65.6 |

**Financial position of the TUI Group as at 31 Mar 2019**

| € million | Notes | **31 Mar 2019** | 30 Sep 2018 adjusted | 1 Oct 2017 adjusted |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill | (9) | 3,027.5 | 2,914.5 | 2,889.5 |
| Other intangible assets | | 664.5 | 627.1 | 548.1 |
| Property, plant and equipment | (10) | 5,475.1 | 4,899.2 | 4,253.7 |
| Investments in joint ventures and associates | | 1,439.8 | 1,402.3 | 1,284.1 |
| Trade and other receivables | (14) | 81.1 | 103.3 | 138.7 |
| Derivative financial instruments | (14) | 51.2 | 83.2 | 79.9 |
| Other financial assets | (14) | 43.4 | 54.3 | 69.5 |
| Touristic payments on account | | 205.5 | 157.3 | 185.2 |
| Other non-financial assets | | 232.6 | 184.4 | 73.1 |
| Income tax assets | | 9.6 | 9.6 | – |
| Deferred tax assets | | 289.5 | 228.0 | 326.0 |
| **Non-current assets** | | **11,519.8** | **10,663.2** | **9,847.8** |
| Inventories | | 115.4 | 118.5 | 110.2 |
| Trade and other receivables | (14) | 785.9 | 821.9 | 700.9 |
| Derivative financial instruments | (14) | 318.8 | 441.8 | 215.4 |
| Other financial assets | (14) | 45.7 | 18.7 | 11.9 |
| Touristic payments on account | | 1,350.4 | 731.3 | 583.9 |
| Other non-financial assets | | 166.9 | 139.9 | 81.7 |
| Income tax assets | | 149.0 | 113.8 | 98.7 |
| Cash and cash equivalents | (14), (17) | 1,091.6 | 2,548.0 | 2,516.1 |
| Assets held for sale | | – | 5.5 | 9.6 |
| **Current assets** | | **4,023.7** | **4,939.4** | **4,328.4** |
| **Total assets** | | **15,543.5** | **15,602.6** | **14,176.2** |

**Financial position of the TUI Group as at 31 Mar 2019**

| € million | Notes | 31 Mar 2019 | 30 Sep 2018 adjusted | 1 Oct 2017 adjusted |
|---|---|---|---|---|
| **Equity and liabilities** | | | | |
| Subscribed capital | | 1,502.9 | 1,502.9 | 1,501.6 |
| Capital reserves | | 4,200.5 | 4,200.5 | 4,195.0 |
| Revenue reserves | | −3,117.4 | −2,058.2 | −2,798.3 |
| **Equity before non-controlling interest** | | **2,586.0** | **3,645.2** | **2,898.3** |
| Non-controlling interest | | 704.4 | 634.8 | 594.0 |
| **Equity** | **(13)** | **3,290.4** | **4,280.0** | **3,492.3** |
| | | | | |
| Pension provisions and similar obligations | (11) | 1,008.5 | 962.2 | 1,094.7 |
| Other provisions | | 661.0 | 768.1 | 801.4 |
| **Non-current provisions** | | **1,669.5** | **1,730.3** | **1,896.1** |
| Financial liabilities | (12), (14) | 2,511.3 | 2,250.7 | 1,761.2 |
| Derivative financial instruments | (14) | 42.3 | 12.8 | 50.4 |
| Other financial liabilities | (14) | 19.1 | 14.4 | 43.9 |
| Other non-financial liabilities | | 97.1 | 89.0 | 106.3 |
| Income tax liabilities | | 71.4 | 108.8 | 150.2 |
| Deferred tax liabilities | | 90.4 | 195.3 | 106.4 |
| **Non-current liabilities** | | **2,831.6** | **2,671.0** | **2,218.4** |
| **Non-current provisions and liabilities** | | **4,501.1** | **4,401.3** | **4,114.5** |
| | | | | |
| Pension provisions and similar obligations | (11) | 30.0 | 32.6 | 32.7 |
| Other provisions | | 378.2 | 348.3 | 349.9 |
| **Current provisions** | | **408.2** | **380.9** | **382.6** |
| Financial liabilities | (12), (14) | 590.1 | 192.2 | 171.9 |
| Trade payables | (14) | 1,899.6 | 2,692.5 | 2,433.1 |
| Derivative financial instruments | (14) | 179.9 | 65.7 | 217.2 |
| Other financial liabilities | (14) | 92.1 | 93.3 | 103.8 |
| Touristic advance payments received | | 4,043.6 | 2,824.8 | 2,700.4 |
| Other non-financial liabilities | | 461.0 | 585.7 | 495.1 |
| Income tax liabilities | | 77.5 | 86.2 | 65.3 |
| **Current liabilities** | | **7,343.8** | **6,540.4** | **6,186.8** |
| **Current provisions and liabilities** | | **7,752.0** | **6,921.3** | **6,569.4** |
| **Total provisions and liabilities** | | **15,543.5** | **15,602.6** | **14,176.2** |

## Condensed statement of changes in Group equity for the period from 1 Oct 2018 to 31 Mar 2019

| € million | Subscribed capital | Capital reserves | Revenue reserves | Equity before non-controlling interest | Non-controlling interest | **Total** |
|---|---|---|---|---|---|---|
| **Balance as at 30 Sep 2018 (reported)** | **1,502.9** | **4,200.5** | **–2,005.3** | **3,698.1** | **635.5** | **4,333.6** |
| Adoption of IFRS 15 | – | – | –51.9 | –51.9 | – | –51.9 |
| Adjustment PPA Destination Management | – | – | –1.0 | –1.0 | –0.7 | –1.7 |
| **Balance as at 30 Sep 2018 (adjusted)** | **1,502.9** | **4,200.5** | **–2,058.2** | **3,645.2** | **634.8** | **4,280.0** |
| Adoption of IFRS 9 | – | – | 5.8 | 5.8 | – | 5.8 |
| **Balance as at 1 Oct 2018** | **1,502.9** | **4,200.5** | **–2,052.4** | **3,651.0** | **634.8** | **4,285.8** |
| Dividends | – | – | –423.3 | –423.3 | – | –423.3 |
| Share-based payment schemes | – | – | 3.0 | 3.0 | – | 3.0 |
| Effects on the acquisition of non-controlling interest | – | – | – | – | 3.5 | 3.5 |
| **Group loss** | **–** | **–** | **–341.3** | **–341.3** | **54.1** | **–287.2** |
| Foreign exchange differences | – | – | 55.6 | 55.6 | 11.8 | 67.4 |
| Financial assets at FVOCI | – | – | –0.7 | –0.7 | – | –0.7 |
| Cash Flow Hedges | – | – | –343.0 | –343.0 | 0.2 | –342.8 |
| Remeasurements of defined benefit obligations and related fund assets | – | – | –53.1 | –53.1 | – | –53.1 |
| Other comprehensive income of companies measured at equity | – | – | –49.3 | –49.3 | – | –49.3 |
| Taxes attributable to other comprehensive income | – | – | 87.1 | 87.1 | – | 87.1 |
| **Other comprehensive income** | **–** | **–** | **–303.4** | **–303.4** | **12.0** | **–291.4** |
| Total comprehensive income | – | – | –644.7 | –644.7 | 66.1 | –578.6 |
| **Balance as at 31 Mar 2019** | **1,502.9** | **4,200.5** | **–3,117.4** | **2,586.0** | **704.4** | **3,290.4** |

## Condensed statement of changes in Group equity for the period from 1 Oct 2017 to 31 Mar 2018

| € million | Subscribed capital | Capital reserves | Revenue reserves | Equity before non-controlling interest | Non-controlling interest | Total |
|---|---|---|---|---|---|---|
| **Balance as at 30 Sep 2017 (reported)** | **1,501.6** | **4,195.0** | **–2,756.9** | **2,939.7** | **594.0** | **3,533.7** |
| Adoption of IFRS 15 | – | – | –41.4 | –41.4 | – | –41.4 |
| **Balance as at 1 Oct 2017 (adjusted)** | **1,501.6** | **4,195.0** | **–2,798.3** | **2,898.3** | **594.0** | **3,492.3** |
| Dividends | – | – | –381.8 | –381.8 | – | –381.8 |
| Share-based payment schemes | – | – | 1.0 | 1.0 | – | 1.0 |
| **Group loss** | **–** | **–** | **–280.9** | **–280.9** | **70.3** | **–210.6** |
| Foreign exchange differences | – | – | –61.9 | –61.9 | –4.7 | –66.6 |
| Cash Flow Hedges | – | – | 21.3 | 21.3 | – | 21.3 |
| Remeasurements of defined benefit obligations and related fund assets | – | – | 79.1 | 79.1 | – | 79.1 |
| Other comprehensive income of companies measured at equity | – | – | 25.7 | 25.7 | – | 25.7 |
| Taxes attributable to other comprehensive income | – | – | –17.9 | –17.9 | – | –17.9 |
| **Other comprehensive income** | **–** | **–** | **46.3** | **46.3** | **–4.7** | **41.6** |
| Total comprehensive income | – | – | –234.6 | –234.6 | 65.6 | –169.0 |
| **Balance as at 31 Mar 2018** | **1,501.6** | **4,195.0** | **–3,413.7** | **2,282.9** | **659.6** | 2,942.5 |

## Condensed cash flow statement of the TUI Group

| € million | Notes | H1 2019 | H1 2018 |
|---|---|---|---|
| Cash outflow from operating activities | (17) | –717.5 | –443.5 |
| Cash outflow from investing activities | (17) | –679.1 | –261.2 |
| Cash outflow from financing activities | (17) | –72.5 | –470.6 |
| **Net change in cash and cash equivalents** | | **–1,469.1** | **–1,175.3** |
| Change in cash and cash equivalents due to exchange rate fluctuation | | 12.7 | –2.4 |
| **Cash and cash equivalents at beginning of period** | | **2,548.0** | **2,516.1** |
| **Cash and cash equivalents at end of period** | | **1,091.6** | **1,338.4** |
| of which included in the balance sheet as assets held for sale | | – | 0.3 |

# NOTES

## General

The TUI Group, with its major subsidiaries and other shareholdings, operates in the tourism business. TUI AG based in Hanover and Berlin, Germany, is TUI Group's parent company and a listed corporation under German law. The shares in the Company are traded on the London Stock Exchange and the Hanover and Frankfurt Stock Exchanges.

The condensed interim consolidated financial statements of TUI AG and its subsidiaries cover the period from 1 October 2018 to 31 March 2019. The interim consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are stated in million euros (€m).

The interim consolidated financial statements were released for publication by the Executive Board of TUI AG on 13 May 2019.

## Accounting principles

### DECLARATION OF COMPLIANCE

The interim consolidated financial statements for the period ended 31 March 2019 comprise condensed interim consolidated financial statements and an interim Group management report in accordance with § 115 of the German Securities Trading Act (WpHG).

The interim consolidated financial statements were prepared in conformity with the International Financial Reporting Standards (IFRS) of the International Acounting Standards Board (IASB) and the relevant Interpretations of the IFRS Interpretation Committee (IFRS IC) for interim financial reporting applicable in the European Union.

In accordance with IAS 34, the Group's interim financial statements are published in a condensed form compared with the consolidated annual financial statements and should therefore be read in combination with TUI AG's consolidated financial statements for financial year 2018. The interim financial statements were reviewed by the Group's auditors.

### GOING CONCERN REPORT ACCORDING TO THE UK CORPORATE GOVERNANCE CODE

TUI Group meets its day-to-day working capital requirements through cash in hand, bank balances and loans from financial institutions. As at 31 March 2019, TUI Group's net debt position (financial liabilities less short-term interest-bearing bank balances) totals € 1,964.1 m (as at 30 September 2018 net financial assets of € 123.6 m). The increase in net debt versus year-end is driven by normal seasonal cash outflows, mainly within the tour operator.

The Group's main financial liabilities and credit lines as at 31 March 2019 are:

- a bond 2016 / 21 with a nominal value of € 300.0 m, issued by TUI AG, maturing in October 2021,
- € 150.0 m drawn from an external revolving credit facility worth € 1,535.0 m maturing in July 2022, used to manage the seasonality of the Group's cash flows and liquidity,
- Schuldschein with a maximum maturity until July 2028 with a nominal value of € 425.0 m, issued by TUI AG,
- short-term euro commercial papers worth € 220.5 m,
- further liabilities to banks worth € 460.4 m, and
- finance lease obligations worth € 1,526.9 m.

The revolving credit facility agreement contains certain financial covenants, which were fully complied with at the reporting date.

The expectations and forecasts have shown that TUI Group will continue to have sufficient funds available from borrowings and operating cash flows in order to meet its payment obligations for the foreseeable future and guarantee its ability to continue as a going concern.

In conformity 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 consolidated financial statements.

### ACCOUNTING AND MEASUREMENT METHODS

The preparation of the interim financial statements requires management to make estimates and judgements that affect the reported values of assets, liabilities and contingent liabilities as at the balance sheet date and the reported values of revenues and expenses during the reporting period. Actual results may deviate from the estimates.

The accounting and measurement methods adopted in the preparation of the interim financial statements as at 31 March 2019 are materially consistent with those followed in preparing the previous consolidated financial statements for the financial year ended 30 September 2018. Exceptions to this are the standards and interpretations applied for the first time in financial year 2019, in particular the standards on Revenue Recognition (IFRS 15) and recognition of Financial Instruments (IFRS 9), applied as at 1 October 2018.

The income taxes were recorded based on the best estimate of the weighted average tax rate that is expected for the whole financial year.

## NEWLY APPLIED STANDARDS

Since the beginning of the financial year 2019 the following standards and interpretations amended or newly issued by the IASB have been applied by TUI for the first time either mandatorily or voluntarily:

**New applied standards in financial year 2019**

| Standard | Applicable from | Amendments | Impact on financial statements |
|---|---|---|---|
| **Amendments to IFRS 2** Classification and Measurement of Share-based Payment transactions | 1.1.2018 | The amendments clarify the accounting for certain share based payment transactions. | Not material. |
| **IFRS 9** Financial Instruments | 1.1.2018 | 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 | 1.1.2019 (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 | 1.1.2018 | 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 | 1.1.2018 | 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 pract to simplify first-time adoption. | |
| **Amendments to IAS 40** Transfer of Investment Property | 1.1.2018 | 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 | 1.1.2018 | 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 initally recognises the advance consideration. | No impact. |

The amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”, published on 12 September 2016 and effective for the first time in the financial year under review, are not relevant for TUI Group.

**IFRS 9**

The first-time application of IFRS 9 primarily has the following effects on TUI:

- Financial assets were reclassified based on the relevant business models for managing the financial assets and the cash flows characteristics associated with the financial assets. With the exception of the equity and debt instruments previously classified as "financial assets available for sale" under IAS 39 (see next item), this reclassification did not result in any material changes in measurement categories. Based on our assessment, all financial assets previously measured at amortised cost also meet the conditions for classification as "measured 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 classified in the measurement category "financial assets available for sale" are designated as measured at fair value through profit or loss under IFRS 9. The determination of the fair values of the investments measured at cost under IAS 39 resulted in an overall increase in the carrying amount of €22.9 m due to the transition to IFRS 9, recognised in other comprehensive income in line with the transition requirements.
- The classification of financial liabilities did not give rise to any changes in measurement categories. TUI does not apply the so-called fair value option. The transition from IAS 39 to IFRS 9 therefore had no effect.
- An impairment loss is recognised for financial assets measured at amortised cost. The simplified approach is applied to trade receivables and all expected losses over the term of the contract are recognised upon initial recognition. In this context, TUI uses historical loss rates adjusted for credit default swaps (CDS) rates. For all other financial assets within the scope of IFRS 9, such as touristic loans, impairments 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. The CDS rates are also used as 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 credit losses over the term. 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 million upon transition to IFRS 9, which was recognised directly in equity. As a result, the impairment loss changed from € 96.6 million to € 118.4 million.
- TUI Group exercises the option to continue to apply the hedge accounting requirements of IAS 39 under IFRS 9.

In the retrospective first-time application of IFRS 9, TUI Group exercises the option not to restate comparative periods but to continue presenting them in line with previous IAS 39 rules. The cumulative first-time application effect from the transition to IFRS 9 is recognised in equity as at 1 October 2018.

The table below shows the reconciliation of the categories and carrying amounts of the financial assets and the effects of the transition to IFRS 9 on the Group's equity.

**Reconciliation of the carrying amounts of financial assets from IAS 39 to IFRS 9 as at 1 Oct 2018**

| € million | Measurement according to IAS 39 | Carrying amount according to IAS 39 as at 30 Sep 2018 | Valuation approach according to IFRS 9 | Reclassifications | Remeasurements | 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 | 3,473.2 | AC | – | −21.8 | 3,451.4 | −21.8 |
| Financial assets at fair value recognised through profit or loss | FAHfT | 40.3 | FVPL | – | – | 40.3 | – |
| Financial assets at amortised cost | AfS | 18.7 | AV | – | – | 18.7 | – |
| 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** |

The value adjustment effect of €21.8 million on financial assets at amortised cost 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 | AfS | 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 |

### 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 € 41.4 m (after tax). The application of IFRS 15 lead 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. 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 as well as denied boarding compensation, shown on a net basis under revenues under IFRS 15.
- 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 liaibilities 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 will almost completely offset one another on constant business volumes.

## 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.

Additionally, Purchase Price Allocation restatements for the business Destination Management resulted in a restatement of prior-year comparatives in the statement of financial position (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 31 Mar 2018**

| € million | before adjustment | Adoption of IFRS 15 | Amendment income statement structure | adjusted |
|---|---|---|---|---|
| Turnover | 6,813.5 | – 247.6 | – | 6,565.9 |
| Cost of sales | 6,558.7 | – 244.2 | – 25.9 | 6,288.6 |
| **Gross profit** | **254.8** | **– 3.4** | **25.9** | **277.3** |
| Administrative expenses | 621.4 | 0.4 | – 1.1 | 620.7 |
| Impairment of financial assets | – | – | 27.0 | 27.0 |
| Share of result of joint ventures and associates | 121.5 | – 7.3 | – | 114.2 |
| **Earnings before income taxes** | **– 247.2** | **– 11.1** | **–** | **– 258.3** |
| Income taxes | – 47.0 | – 0.7 | – | – 47.7 |
| **Result from continuing operations** | **– 200.2** | **– 10.4** | **–** | **– 210.6** |
| **Group loss** | **– 200.2** | **– 10.4** | **–** | **– 210.6** |
| Group loss for the year attributable to shareholders of TUI AG | – 270.5 | – 10.4 | – | – 280.9 |

## RESTATEMENT OF EARNINGS PER SHARE

**Reconciliation to the adjusted earnings per share of the TUI Group for the period from 1 Oct 2017 to 31 Mar 2018**

| € | before adjustment | Adoption of IFRS 15 | adjusted |
|---|---|---|---|
| **Basic and diluted earnings per share** | **– 0.46** | **– 0.02** | **– 0.48** |
| from continuing operations | – 0.46 | – 0.02 | – 0.48 |

## RESTATEMENT OF CONDENSED STATEMENT OF COMPREHENSIVE INCOME

**Restated items of the condensed statement of comprehensive income of the TUI Group for the period from 1 Oct 2017 to 31 Mar 2018**

| € million | before adjustment | Adoption of IFRS 15 | adjusted |
|---|---|---|---|
| **Group loss** | **– 200.2** | **– 10.4** | **– 210.6** |
| **Items that will not be reclassified to profit or loss** | **65.7** | **–** | **65.7** |
| Foreign exchange differences | – 67.7 | 1.1 | – 66.6 |
| **Items that may be reclassified to profit or loss** | **– 25.2** | **1.1** | **– 24.1** |
| **Other comprehensive income** | **40.5** | **1.1** | **41.6** |
| **Total comprehensive income** | **– 159.7** | **– 9.3** | **– 169.0** |
| attributable to shareholders of TUI AG | – 225.3 | – 9.3 | – 234.6 |

## 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 | Amendment balance sheet structure | adjusted |
|---|---|---|---|---|---|
| | | | | | 30 Sep 2018 |
| **Assets** | | | | | |
| Goodwill | 2,958.6 | – | – 44.1 | – | 2,914.5 |
| Other intangible assets | 569.9 | – | 57.2 | – | 627.1 |
| Investments in joint ventures and associates | 1,436.6 | – 34.3 | – | – | 1,402.3 |
| Trade and other receivables | 287.7 | – | – | –184.4 | 103.3 |
| Other non-financial assets | – | – | – | 184.4 | 184.4 |
| Deferred tax assets | 225.7 | 2.3 | – | – | 228.0 |
| **Non-current assets** | **10,682.1** | **– 32.0** | **13.1** | **–** | **10,663.2** |
| Trade and other receivables | 981.9 | – | –1.4 | –158.6 | 821.9 |
| Other financial assets | – | – | – | 18.7 | 18.7 |
| Touristic payments on account | 720.2 | 11.1 | – | – | 731.3 |
| Other non-financial assets | – | – | – | 139.9 | 139.9 |
| **Current assets** | **4,929.7** | **11.1** | **–1.4** | **–** | **4,939.4** |
| **Total assets** | **15,611.8** | **– 20.9** | **11.7** | **–** | **15,602.6** |
| **Equity and liabilities** | | | | | |
| Revenue reserves | **– 2,005.3** | **– 51.9** | **–1.0** | **–** | **– 2,058.2** |
| **Equity before non-controlling interest** | **3,698.1** | **– 51.9** | **–1.0** | **–** | **3,645.2** |
| Non-controlling interest | 635.5 | – | – 0.7 | – | 634.8 |
| **Equity** | **4,333.6** | **– 51.9** | **–1.7** | **–** | **4,280.0** |
| Other financial liabilities | 103.4 | – | – | – 89.0 | 14.4 |
| Other non-financial liabilities | **–** | **–** | **–** | **89.0** | **89.0** |
| Deferred tax liabilities | 184.5 | – 2.6 | 13.4 | – | 195.3 |
| **Non-current liabilities** | **2,660.2** | **– 2.6** | **13.4** | **–** | **2,671.0** |
| **Non-current provisions and liabilities** | **4,390.5** | **– 2.6** | **13.4** | **–** | **4,401.3** |
| Trade payables | 2,937.3 | – 240.2 | – | – 4.6 | 2,692.5 |
| Other financial liabilities | 674.4 | – | – | – 581.1 | 93.3 |
| Touristic advance payments received | 2,551.0 | 273.8 | – | – | 2,824.8 |
| Other non-financial liabilities | – | – | – | 585.7 | 585.7 |
| **Current liabilities** | **6,506.8** | **33.6** | **–** | **–** | **6,540.4** |
| **Current provisions and liabilities** | **6,887.7** | **33.6** | **–** | **–** | **6,921.3** |
| **Total equity and liabilities** | **15,611.8** | **– 20.9** | **11.7** | **–** | **15,602.6** |

| | 1 Oct 2017 | | | |
|---|---|---|---|---|
| | before adjustment | Adoption of IFRS 15 | Amendment balance sheet structure | adjusted |
| | | | | |
| | 2,889.5 | – | – | 2,889.5 |
| | 548.1 | – | – | 548.1 |
| | 1,306.2 | −22.1 | – | 1,284.1 |
| | 211.8 | – | −73.1 | 138.7 |
| | – | – | 73.1 | 73.1 |
| | 323.7 | 2.3 | – | 326.0 |
| | **9,867.6** | **−19.8** | **–** | **9,847.8** |
| | 794.5 | – | −93.6 | 700.9 |
| | – | – | 11.9 | 11.9 |
| | 573.4 | 10.5 | – | 583.9 |
| | – | – | 81.7 | 81.7 |
| | **4,317.9** | **10.5** | **–** | **4,328.4** |
| | **14,185.5** | **−9.3** | **–** | **14,176.2** |
| | | | | |
| | **−2,756.9** | **−41.4** | **–** | **−2,798.3** |
| | **2,939.7** | **−41.4** | **–** | **2,898.3** |
| | 594.0 | – | – | 594.0 |
| | **3,533.7** | **−41.4** | **–** | **3,492.3** |
| | 150.2 | – | −106.3 | 43.9 |
| | **–** | **–** | **106.3** | **106.3** |
| | 109.0 | −2.6 | – | 106.4 |
| | **2,221.0** | **−2.6** | **–** | **2,218.4** |
| | **4,117.1** | **−2.6** | **–** | **4,114.5** |
| | 2,653.3 | −219.3 | −0.9 | 2,433.1 |
| | 598.0 | – | −494.2 | 103.8 |
| | 2,446.4 | 254.0 | – | 2,700.4 |
| | – | – | 495.1 | 495.1 |
| | **6,152.1** | **34.7** | **–** | **6,186.8** |
| | **6,534.7** | **34.7** | **–** | **6,569.4** |
| | **14,185.5** | **−9.3** | **–** | **14,176.2** |

## Group of consolidated companies

The consolidated financial statements include all material subsidiaries over which TUI AG has control. Control requires TUI AG to have decision-making power over the relevant activities, be exposed to variable returns and have entitlements regarding the returns, or have the ability to affect the level of those variable returns through its decision-making power.

The interim financial statements as at 31 March 2019 comprised a total of 288 subsidiaries of TUI AG.

**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 | 16 | 1 | 3 |
| Acquisition | 13 | 1 | – |
| Expansion of business operations | 3 | – | 3 |
| Disposals | 13 | – | – |
| Liquidation | 10 | – | – |
| Sale | 1 | – | – |
| Merger | 2 | – | – |
| **Balance at 31 Mar 2019** | **288** | **18** | **30** |

* excl. TUI AG

## Acquisitions – Divestments

### ACQUISITIONS OF THE CURRENT FINANCIAL YEAR

In H1 2019, companies and businesses were acquired for a total consideration of € 142.5 m, exclusively consisting of cash.

**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 |
|---|---|---|---|---|---|
| Musement S.p.A., Milano, Italy (subgroup) | Technology Start-up | TUI Holding Spain S.L. | 2.10.18 | 100 % | 35.5 |
| Reisebüro Oggersheim Frank Jochim GmbH, Ludwigshafen | Travel Agent | TUI Deutschland GmbH | 1.1.19 | 100 % | 2.5 |
| Evre Grup Turizm Yatirim Anonim Sirketi, Ankara, Turkey (subgroup) | Accommodation Service | Robinson Club GmbH | 14.2.19 | 100 % | 71.8 |
| Business Destination Management | Destination Service | various | 5.11.18 – 27.12.18 | various* | 31.3 |
| 5 Travel Agencies in Germany | Travel Agent | TUI Deutschland GmbH | 1.11.18 – 1.1.19 | n. a. | 1.4 |
| **Total** | | | | | **142.5** |

* Five subsidiaries, two thereof with non-controlling interest, and one affiliated non-consolidated company.

The acquisitions of travel agencies in Germany in the first half of financial year 2019 were carried out as asset deals. The goal of these acquisitions and the acquisition of the travel agency Reisebüro Oggersheim Frank Jochim GmbH, Ludwigshafen, is to increase the footprint in the German market. These acquisitions will be disclosed as 'Travel Agencies' in the following.

The acquisition of the technology start-up Musement S.p.A., Milan, Italy, aiming to strengthen the growth sector TUI Destination Experiences, included the acquisition of four additional companies. The acquisition served to acquire a digital platform, which is one of the leading online providers of destination activities, tours and excursions. The goal of the transaction is to strengthen TUI's position in this business and expand its holiday experiences portfolio. Apart from the purchase price for the acquisition of the stake totalling € 35.5 m, TUI also acquired receivables from the former owners against the company and liabilities of the acquired company worth € 4.7 m.

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 course of the first-time consolidation a revaluation loss worth € 1.8 m was disclosed in other comprehensive income.

**Reconciliation to goodwill as at the date of first-time consolidation**

| € million | Musement S.p.A. (subgroup) | Travel Agencies | Evre Grup Turizm Yatirim A.S. (subgroup) | Business Destination Management |
|---|---|---|---|---|
| Consideration transferred | 35.5 | 3.9 | 71.8 | 31.3 |
| Fair value of interests held immediately before the acquisition date | – | – | 12.6 | – |
| Non-controlling interests | – | – | – | 3.5 |
| Net Assets at fair value | –1.6 | 1.0 | 62.6 | 22.4 |
| **Goodwill** | **37.1** | **2.9** | **21.8** | **12.4** |

The difference arising between the consideration transferred and the acquired revalued net assets was provisionally carried as goodwill. It primarily constitutes a part of the future earnings potential and synergy effects. Goodwill capitalised in the period under review includes an amount of € 1.2 m which is expected to be tax-deductible.

**Statement of financial position as at the date of first-time consolidation**

| € million | Musement S.p.A. (subgroup) | Travel Agencies | Evre Grup Turizm Yatirim A.S. (subgroup) | Business Destination Management |
|---|---|---|---|---|
| Other intangible assets | 9.8 | 0.5 | 3.4 | 3.3 |
| Property, plant and equipment | 0.1 | 0.3 | 86.1 | 1.1 |
| Investments | – | – | 0.1 | – |
| **Fixed assets** | **9.9** | **0.8** | **89.6** | **4.4** |
| Inventories | – | – | 0.3 | – |
| Trade receivables | 0.3 | 0.3 | 0.8 | 6.1 |
| Other assets | 0.6 | 0.8 | 4.2 | 11.2 |
| Cash and cash equivalents | 0.7 | – | 0.2 | 16.6 |
| Deferred tax liabilities | 1.9 | – | 15.7 | 1.4 |
| Other provisions | 0.4 | 0.5 | 0.5 | 2.3 |
| Financial liabilities | – | – | 9.5 | – |
| Other liabilities | 10.8 | 0.4 | 6.8 | 12.2 |
| **Equity** | **–1.6** | **1.0** | **62.6** | **22.4** |
| attributable to shareholders of TUI AG | –1.6 | 1.0 | 62.6 | 18.9 |
| attributable to non-controlling interest | – | – | – | 3.5 |

The gross amounts of the acquired trade receivables totalled € 0.3 m for Musement S.p.A., Milan and € 0.8 m for Evre Grup Turizm Yatirim A.S., Ankara and € 0.3 m for the travel agencies at the date of acquisition. No impairments were carried.

Especially the measurement of other intangible assets of Musement S.p.A., Milan, and specific acquired assets and liabilities of Evre Grup Turizm Yatirim Anonim Sirketi, Ankara, and the travel agency Reisebüro Oggersheim Frank Jochim GmbH, Ludwigshafen, was not yet finalised as at the reporting date based on the information available.

In financial year 2018, a purchase agreement was concluded between HNVR Midco Limited, the seller, and TUI AG. Under the agreement, HNVR Midco Limited was obliged to transfer the stakes in 53 companies forming the Destination Management division. Due to local legal requirements, six companies were not transferred until the current financial year 2019, finalising the total transaction as scheduled. The purchase price for the transfers to be finalised in the current financial year totals € 31.3 m. The total purchase price including the purchase price for the companies acquired in the previous year amounts to € 126.1 m.

The Destination Management business primarily provides the delivery of services and leisure activities in the holiday destinations and services for the cruise sector. The goal of the acquisition is to expand the Group's global market presence in the activities and excursions business and deliver operational synergies so as to become one of the world's leading providers of destination services.

Non-controlling interests were measured as the corresponding share of current equity instruments in the amounts carried for the identifiable net assets of the acquired business division. The gross amounts of the acquired trade receivables of this year's transferrred companies of Destination Management amounted to € 6.3 m as at the acquisition date. Impairments were carried at an amount of € 0.2 m.The goodwill provisionally capitalised for the Destination Management companies transferred in financial year 2019 totals € 12.4 m. Due to the provisional nature of amount determined, that goodwill constitutes expected synergies plus potential measurement adjustments of intangible assets.

The measurement of some parts of the assets and liabilities acquired in the framework of the acquisition of Destination Management was not yet finalised as at the reporting date. Due to the high complexity resulting from the acquisition of a large number of companies with different business areas and currency areas, the numbers presented are provisional for the time being. While identification of intangible assets has been finalised, measurement is not yet finalised and the determined values remain provisional.

**Turnover and profit contribution of newly acquired entities**

| € million | Musement S.p.A. (subgroup) | Evre Grup Turizm Yatirim A.S. (subgroup) | Business Destination Management |
|---|---|---|---|
| Turnover from first-time consolidation | **9.9** | **2.0** | **22.4** |
| Profit / Loss from first-time consolidation | –4.9 | –1.0 | 0.3 |
| Pro-Forma turnover from 1 Oct 2018 until 31 Mar 2019 | 9.9 | 7.4 | 32.3 |
| Pro-Forma loss from 1 Oct 2018 until 31 Mar 2019 | –4.9 | – | –1.5 |

The revenues and profit contributions delivered by the other acquired companies were immaterial, even if the acquired companies had already been included in consolidation as at 1 October 2018.

### ACQUISITIONS OF THE PRIOR FINANCIAL YEAR

As at 31 March 2019, the purchase price allocation of the Destination Management companies already acquired as at the end of financial year 2018 was adjusted to the current status of the measurement process as follows:

**Impact of changes in purchase price allocations and adjustments on the consolidated statement of financial position of the business unit Destination Management**

| € million | Fair value at date of acquisition (31 Jul 2018) | Adjustment | Fair values at date of first-time consolidation |
|---|---|---|---|
| Other intangible assets | 0.9 | 58.6 | 59.5 |
| Property, plant and equipment | 7.3 | – | 7.3 |
| Investments in joint ventures and associates | 4.5 | – | 4.5 |
| **Fixed assets** | **12.7** | **58.6** | **71.3** |
| Inventories | 0.1 | – | 0.1 |
| Trade receivables | 68.9 | –1.4 | 67.5 |
| Other assets | 64.5 | – | 64.5 |
| Cash and cash equivalents | 47.8 | – | 47.8 |
| Deferred tax liabilities | 0.2 | 13.8 | 14.0 |
| 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** | **–** | **16.9** |

The adjustments caused an increase in cost of sales and expenses of purchase price allocations by € 1.3 m and a decrease in income taxes by € 0.3 m in previous year. The provisional goodwill has been adjusted from € 82.3 m by € 44.1 m to an amount of € 38.2 m.

In the presented financial statements, the purchase price allocations for the Cruisetour AG, Zurich, Suisse, the Croisimonde AG, Zug, Suisse and the three travel agencies acquired in the first half-year of the prior financial year were finalised without a material impact on the consolidated statement of financial position. The purchase price allocation of last year's acquisition of Antwun S.A. is not yet finalised in terms of specific receivables and liabilities due to an outstanding report.

After the balance sheet date no material acquisitions have been completed.

**DIVESTMENTS**

On 15 March 2019, Corsair S.A. was sold to Diamondale Ltd for one euro. At the same time, a 27 % stake in Diamondale Ltd. was acquired for one euro. This investment is carried as an associate in TUI AG's consolidated financial statements. Other shareholders in Diamondale Ltd. are Intro Aviation GmbH and a trust fund for the benefit of the employees of Corsair S.A. The divestment of Corsair S.A. resulted in a loss of € 11.1 m, carried under Other expenses. This loss includes income from the reclassification of amounts previously recognised in Other Comprehensive Income.

**Condensed balance sheet of Corsair S.A. as at 15 Mar 2019**

| € 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** |

## Notes to the consolidated income statement

TUI Group's results reflect the significant seasonal swing in tourism between the winter and summer travel months. The Group seeks to counteract the seasonal swing through a broad range of holiday offerings in the summer and winter season and its presence in different travel markets worldwide with varying annual cycles. The consolidated income statement reflects the seasonality of the tourism business, with the consequence that the result generated in the period from October to March is negative. Due to the seasonality of the business, a comparison of the first half year's results with the full-year results is not meaningful.

### (1) TURNOVER

Turnover grew by 1.7 % year-on-year in H1. The turnover growth is driven primarily by an increase in the business volume as a result of the acquisitions of Destination Management from Hotelbeds Group and the Italian technology start-up Musement, offset by decreased turnover in Markets & Airlines.

**External revenue allocated by destinations for the period from 1 Oct 2018 to 31 Mar 2019**

| € million | Spain (incl. Canary Islands) | Other European destinations | Carribean, Mexico, USA & Canada | North Africa & Turkey | Rest of Africa, Ind. Ocean, Asia | Other | **H1 2019 Total** |
|---|---|---|---|---|---|---|---|
| Hotels & Resorts | 77.7 | 19.1 | 99.8 | 20.0 | 58.4 | – | 275.0 |
| Cruises | 74.8 | 48.7 | 149.2 | – | 134.6 | 23.9 | 431.2 |
| Destination Experiences | 25.7 | 104.3 | 77.0 | 8.9 | 71.1 | 18.6 | 305.6 |
| **Holiday experiences** | **178.2** | **172.1** | **326.0** | **28.9** | **264.1** | **42.5** | **1,011.8** |
| Northern Region | 788.3 | 392.8 | 429.5 | 117.3 | 367.6 | 13.8 | 2,109.3 |
| Central Region | 639.4 | 481.4 | 225.1 | 323.9 | 542.2 | 13.3 | 2,225.3 |
| Western Region | 253.2 | 133.8 | 306.8 | 153.5 | 192.3 | 16.7 | 1,056.3 |
| **Markets & Airlines** | **1,680.9** | **1,008.0** | **961.4** | **594.7** | **1,102.1** | **43.8** | **5,390.9** |
| All other segments | 1.8 | 28.2 | 80.6 | 3.2 | 149.9 | 10.0 | 273.7 |
| **Total** | **1,860.9** | **1,208.3** | **1,368.0** | **626.8** | **1,516.1** | **96.3** | **6,676.4** |

**External revenue allocated by destinations for the period from 1 Oct 2017 to 31 Mar 2018 (adjusted)**

| € million | Spain (incl. Canary Islands) | Other European destinations | Carribean, Mexico, USA & Canada | North Africa & Turkey | Rest of Africa, Ind. Ocean, Asia | Other | **H1 2018 Total** |
|---|---|---|---|---|---|---|---|
| Hotels & Resorts | 114.3 | 19.2 | 97.5 | 13.3 | 50.2 | – | 294.5 |
| Cruises | 94.2 | 44.7 | 164.7 | 1.0 | 46.2 | 53.6 | 404.4 |
| Destination Experiences | 25.1 | 17.0 | 18.2 | 2.3 | 3.5 | 0.1 | 66.2 |
| **Holiday experiences** | **233.6** | **80.9** | **280.4** | **16.6** | **99.9** | **53.7** | **765.1** |
| Northern Region | 853.6 | 409.6 | 462.0 | 87.5 | 386.5 | 14.7 | 2,213.9 |
| Central Region | 719.0 | 493.6 | 242.7 | 235.0 | 533.0 | 10.9 | 2,234.2 |
| Western Region | 286.8 | 146.2 | 263.8 | 146.5 | 206.9 | 13.5 | 1,063.7 |
| **Markets & Airlines** | **1,859.4** | **1,049.4** | **968.5** | **469.0** | **1,126.4** | **39.1** | **5,511.8** |
| All other segments | 1.0 | 26.9 | 93.3 | 0.8 | 157.5 | 9.5 | 289.0 |
| **Total** | **2,094.0** | **1,157.2** | **1,342.2** | **486.4** | **1,383.8** | **102.3** | **6,565.9** |

### (2) COST OF SALES AND ADMINISTRATIVE EXPENSES

Cost of sales represent the expenses incurred to deliver tourism services. In addition to the expenses for staff costs, depreciation, amortisation, rent and leasing, they include all costs incurred by the Group in connection with the procurement and delivery of airline services, hotel accommodation and cruises as well as distribution costs.

Administrative expenses comprise all expenses incurred in connection with the performance of administrative functions and break down as follows:

**Administrative expenses**

| € million | **H1 2019** | H1 2018 adjusted |
|---|---|---|
| Staff cost | 365.1 | 362.0 |
| Rental and leasing expenses | 32.5 | 27.0 |
| Depreciation, amortisation and impairment | 39.9 | 37.9 |
| Others | 200.7 | 193.8 |
| **Total** | **638.2** | **620.7** |

The cost of sales and administrative expenses include the following expenses for staff, depreciation / amortisation, rent and leasing:

**Staff cost**

| € million | **H1 2019** | H1 2018 |
|---|---|---|
| Wages and salaries | 969.5 | 941.1 |
| Social security contributions, pension costs and benefits | 227.4 | 217.5 |
| **Total** | **1,196.9** | **1,158.6** |

**Depreciation / amortisation / impairment**

| € million | **H1 2019** | H1 2018 |
|---|---|---|
| Depreciation and amortisation of other intangible assets and property, plant and equipment | 238.4 | 203.2 |
| Impairment of other intangible assets and property, plant and equipment | – | 4.8 |
| **Total** | **238.4** | **208.0** |

**Rental and leasing expenses**

| € million | **H1 2019** | H1 2018 |
|---|---|---|
| Rental and leasing expenses | 358.8 | 349.5 |

### (3) OTHER INCOME

In H1 2019, other income mainly resulted from the sale of aircraft assets. In the prior year, this item had primarily included income from the sale of two hotel companies as well as a hotel.

### (4) OTHER EXPENSES

Other expenses include an amount of € 11.1 m for the loss arising from the sale of Corsair S.A.

### (5) FINANCIAL RESULT

The improvement in the financial result from €– 50.4 m in the first half of the previous year to €– 9.2 m in the current financial year results above all from a reversal of a provision for interest due to a revaluation of tax liabilities, from changes in foreign exchange rates relating to financial instruments, and the closing out of foreign exchange hedges no longer required.

### (6) SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES

**Share of result of joint ventures and associates**

| € million | **H1 2019** | H1 2018 adjusted |
|---|---|---|
| Hotels & Resorts | 41.9 | 37.6 |
| Cruises | 54.0 | 53.3 |
| Destination Experiences | 5.2 | 4.2 |
| **Holiday Experiences** | **101.1** | **95.1** |
| Northern Region | 5.1 | 18.1 |
| Central Region | 1.0 | 0.7 |
| Western Region | 0.2 | 0.2 |
| **Markets & Airlines** | **6.3** | **19.0** |
| All other segments | – 0.1 | 0.1 |
| **Total** | **107.3** | 114.2 |

### (7) INCOME TAXES

The tax income arising in the first half of 2019 is partly driven by the seasonality of the tourism business. Due to a revaluation of tax liabilities, tax liabilities worth € 40.5 m were reversed.

### (8) GROUP LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST

The Group result attributable to non-controlling interests is substantially a profit, primarily relating to RIUSA II Group at an amount of € 52.9 m (previous year € 70.7 m).

## Notes to the financial position of the TUI Group

### (9) GOODWILL

Goodwill rose by € 76.6 m due to acquisitions and by € 36.4 m due to foreign currency translation.

### (10) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment totals € 5,475.1 m, up by € 575.9 m as against the financial year-end. The increase is primarily attributable to the purchase of aircraft assets worth € 313.2 m, spent to acquire six aircraft under finance leases, for which a total of € 205.8 m of finance lease liabilities were carried as liabilities in the statement of financial position. In addition, Marella Cruises acquired Explorer 2 for € 115.7 m and invested a further € 46.3 m to refurbish the ship. The Hotels & Resorts segment acquired hotel assets totalling € 310.0 m, partly through company acquisitions. Exchange differences resulted in an increase in property, plant and equipment of € 91.8 m, partly offset by depreciation / amortisation for H1 2019 and the completion of disposals, in particular the sale of Corsair S.A.

### (11) PENSION PROVISIONS AND SIMILAR OBLIGATIONS

Pension commitments rose mainly due to lower discount rates as a result of the considerable decline in interest rate levels in the UK and Germany. In the UK, this increase was more than offset by contributions to the pension plan and a sound development of plan assets.

Pension provisions for unfunded plans and plans with a shortfall in coverage grew by € 43.7 m to € 1,038.5 m as against the end of the financial year.

Pension plans with an excess of plan assets over funded obligations carried under other non-financial assets grew by € 49.9 m to € 175.0 m as against 30 September 2018.

### (12) FINANCIAL LIABILITIES

Non-current financial liabilities rose by € 260.6 m to € 2,511.3 m as against 30 September 2018 . This was mainly driven by an increase in liabilities from finance leases of € 172.5 m and an increase in liabilities to banks of € 87.6 m.

As at 31 March 2019, current financial liabilities grew by € 397.9 m to € 590.1 m as against 30 September 2018. The increase mainly results from the use of short-term credit lines and alternative short-term refinancing options to cover the payments due in the wake of the seasonality in tourism.

### (13) CHANGES IN EQUITY

Overall, equity decreased by € 989.6 m to € 3,290.4 m as against 30 September 2018. Due to the first-time application of IFRS 9 equity decreased by € 5.8 m taking into consideration deferred taxes.

In the first half of 2019, TUI AG paid a dividend of € 0.72 per no-par value share. Total dividend payments to the shareholders amounted to € 423.3 m (previous year € 381.8 m).

The Group loss in the first half of the year is attributable to the seasonality of the tourism business.

The proportion of gains and losses from cash flow hedges for future cash flows includes an amount of €– 342.8 m (pre-tax) carried under other comprehensive income in equity outside profit and loss (previous year € 21.3 m).

The revaluation of pension obligations is also carried under other comprehensive income in equity outside profit and loss.

## (14) FINANCIAL INSTRUMENTS

**Carrying amounts and fair values according to classes and measurement categories according to IFRS 9 as at 31 Mar 2019**

| € million | **Carrying amount** | Category according to IFRS 9: At amortised cost | Category according to IFRS 9: Fair value with no effect on profit and loss without recycling | Category according to IFRS 9: Fair value with no effect on profit and loss with recycling | Category according to IFRS 9: Fair value through profit and loss | Values according to IAS 17 (leases) | Carrying amount of financial instruments | Fair value of financial instruments |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Trade receivables and other receivables | 867.0 | 867.0 | – | – | – | – | 867.0 | 867.0 |
| Derivative financial instruments | | | | | | | | |
| Hedging transactions | 319.5 | – | – | 319.5 | – | – | 319.5 | 319.5 |
| Other derivative financial instruments | 50.5 | – | – | – | 50.5 | – | 50.5 | 50.5 |
| Other financial assets | 89.1 | 45.7 | 40.7 | – | 2.7 | – | 89.1 | 89.1 |
| Cash and cash equivalents | 1,091.6 | 1,091.6 | – | – | – | – | 1,091.6 | 1,091.6 |
| **Liabilities** | | | | | | | | |
| Financial liabilities | 3,101.4 | 1,574.5 | – | – | – | 1,526.9 | 1,574.5 | 1,679.0 |
| Trade payables | 1,899.6 | 1,899.6 | – | – | – | – | 1,899.6 | 1,899.6 |
| Derivative financial instruments | | | | | | | | |
| Hedging transactions | 203.1 | – | – | 203.1 | – | – | 203.1 | 203.1 |
| Other derivative financial instruments | 19.1 | – | – | – | 19.1 | – | 19.1 | 19.1 |
| Other financial liabilities | 111.2 | 111.2 | – | – | – | – | 111.2 | 111.2 |

**Carrying amounts and fair values according to classes and measurement categories according to IAS 39 as at 30 Sep 2018**

| € million | Carrying amount | Category according to IAS 39: At amortised cost | Category according to IAS 39: At cost | Category according to IAS 39: Fair value with no effect on profit and loss | Category according to IAS 39: Fair value through profit and loss | Values according to IAS 17 (Leases) | Carrying amount of financial instruments | Fair value of financial instruments |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Trade receivables and other receivables | 925.2 | 925.2 | – | – | – | – | 925.2 | 925.2 |
| 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 | 2,442.9 | 1,100.3 | – | – | – | 1,342.6 | 1,100.3 | 1,163.6 |
| Trade payables | 2,692.5 | 2,692.5 | – | – | – | – | 2,692.5 | 2,692.5 |
| 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 | – | – | – | – | 107.7 | 107.7 |

Due to the short remaining terms of cash and cash equivalents, current trade and other receivables, current trade payables and other financial liabilities, the carrying amounts are taken as realistic estimates of the fair values.

The fair values of non-current trade and other receivables correspond to the present values of the cash flows associated with the assets, using current interest parameters which reflect market- and counterparty-related changes in terms and expectations.

**Aggregation according to measurement categories under IFRS 9 as at 31 Mar 2019**

| € million | Carrying amount of financial instruments Total | Fair value |
|---|---|---|
| Financial assets | – | – |
| at amortised cost | 2,004.3 | 2,004.3 |
| at fair value recognised directly in equity without recycling | 40.7 | 40.7 |
| at fair value recognised directly in equity with recycling | – | – |
| at fair value through profit or loss | 53.2 | 53.2 |
| Financial liabilities | | |
| at amortised cost | 3,585.3 | 3,690.0 |
| at fair value recognised directly in equity | 19.1 | 19.1 |

**Aggregation according to measurement categories under IAS 39 as at 30 Sep 2018**

| | At amortised cost | At cost | Fair value | | Carrying amount of financial instruments | Fair value |
|---|---|---|---|---|---|---|
| € million | | | with no effect on profit and loss | through profit and loss | Total | |
| Loans and receivables | 3,473.2 | – | – | – | 3,473.2 | 3,473.2 |
| Financial assets | | | | | | |
| available for sale | 18.7 | 27.6 | 26.7 | – | 73.0 | 73.0 |
| held for trading | – | – | – | 40.3 | 40.3 | 40.3 |
| Financial liabilities | | | | | | |
| at amortised cost | 3,900.5 | – | – | – | 3,900.5 | 3,963.8 |
| held for trading | – | – | – | 22.5 | 22.5 | 22.5 |

### FAIR VALUE MEASUREMENT

The following table presents the fair values of the recurring, non-recurring and other financial instruments recognised at fair value in accordance with the underlying measurement levels. The individual levels have been defined as follows in line with the input factors:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: input factors for the measurement are quoted market price other than those mentioned in Level 1, directly (as market price quotation) or indirectly (derivable from market price quotation) observable in the market for the asset or liability.
- Level 3: input factors for the measurement of the asset or liability are based on non-observable market data.

**Hierarchy of financial instruments measured at fair value as at 31 Mar 2019**

| € million | Total | Fair value hierarchy Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Other financial assets | 43.4 | – | – | 43.4 |
| Derivative financial instruments | | | | |
| Hedging transactions | 319.5 | – | 319.5 | – |
| Other derivative financial instruments | 50.5 | – | 50.5 | – |
| **Liabilities** | | | | |
| Derivative financial instruments | | | | |
| Hedging transactions | 203.1 | – | 203.1 | – |
| Other derivative financial instruments | 19.1 | – | 19.1 | – |

**Hierarchy of financial instruments measured at fair value as of 30 Sep 2018**

| € million | Total | Fair value hierarchy Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Other 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 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 the first half of the current financial year, in accordance with the first-time application of IFRS 9, it should be noted that investments measured at cost in accordance with IAS 39 are measured at fair value due to the changeover to IFRS 9. These investments are therefore included in the fair value measurement for the first time. They are reported in Level 3 of the valuation hierarchy. TUI 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 is available is based on the market price quotation at the balance sheet date. An active market exists if price quotations are easily and regularly available from a stock exchange, traders, brokers, price service providers or regulatory authorities, and if these prices represent actual and regular market transactions between independent business partners. These financial instruments are categorised within Level 1. The fair values correspond to the nominal values multiplied by the price quotations at the balance sheet date.

Level 1 financial instruments primarily comprise shares of listed companies classified as other financial assets and bonds issued in the class of other financial liabilities measured at amortised cost.

### LEVEL 2 FINANCIAL INSTRUMENTS

The fair values of financial instruments not traded in an active market, e.g. over the counter derivatives (OTC), are determined by means of valuation techniques. These valuation techniques maximise the use of observable market data and minimise the use of Group-specific assumptions. If all essential input factors for the determination of the fair value of an instrument are observable, the instrument is categorised within Level 2.

If one or several of the essential input factors are not based on observable market data, the instrument is categorised within Level 3.

The specific valuation techniques used for the measurement of financial instruments are:

- 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 observable yield curves and the respective credit spread, which depends on the credit rating.
- For over the counter derivatives, the fair value 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 value calculations of optional hedging instruments are determined using standard market valuation methods. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.
- Other valuation techniques, e.g. discounting future cash flows, are used for the measurement of the fair values of other financial instruments.

LEVEL 3 FINANCIAL INSTRUMENTS

The following table shows the development of the values of the financial instruments measured at fair value on a recurring basis categorised within Level 3 of the measurement hierarchy.

**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. transfer) | 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 | – | – 34.8 | – |
| sale | – | – 0.2 | – |
| consolidation | – | – 34.6 | – |
| Total gains or losses for the period | – | 1.1 | – |
| recognised through profit and loss | – | – | – |
| recognised in other comprehensive income | – | 1.1 | – |
| **Balance as at 31 Mar 2019** | **–** | **43.4** | **–** |

**(15) CONTINGENT LIABILITIES**

As at 31 March 2019, contingent liabilities totalled € 153.0 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.

As at 31 March 2019, contingent liabilities mainly relate to the provision of guarantees for the benefit of hotel and aviation activities.

## (16) OTHER FINANCIAL COMMITMENTS

**Nominal values of other financial commitments**

| € million | 31 Mar 2019 | 30 Sep 2018 |
|---|---|---|
| Commitments from operating lease, rental and charter contracts | 3,016.3 | 2,810.9 |
| Order commitments in respect of capital expenditure | 3,245.6 | 3,883.3 |
| Other financial commitments | 75.5 | 70.2 |
| **Total** | **6,337.4** | **6,764.4** |

The increase in commitments from operating lease, rental and charter agreements of € 205.4 m as at 31 March 2019 resulted in particular from commitments for new hotel projects.

As at 31 March 2019, order commitment in respect of capital expenditure declined by a total of € 637.7 m as against 30 September 2018. This was mainly attributable to the delivery of aircrafts and a cruise ship in the United Kingdom.

## (17) NOTE TO THE GROUP'S CASH FLOW STATEMENT

In the reporting period, cash and cash equivalents declined by € 1,456.4 m to € 1,091.6 m.

The cash outflow from operating activities totalled € 717.5 m (previous year € 443.5 m) in the period under review.

The cash outflow from investing activities totals € 679.1 m (previous year € 261.2 m). It comprises a cash outflow for investments in property, plant and equipment and intangible assets of € 604.2 m. The Group also recorded an inflow of € 147.4 m from the sale of property, plant and equipment and intangible assets. The cash flow from investing activities also includes outflows of € 143.6 m in connection with the acquisition of consolidated companies and € 51.5 m in connection with the sale of shares in Corsair SA. An outflow of € 27.7 m was recorded for short-term interest-bearing investments.

The cash outflow from financing activities totalled € 72.5 m (previous year € 470.6 m). TUI AG drew an amount of € 150.0 m from the external revolving credit facility to manage the seasonality of the Group's cash flows and liquidity as at the reporting date, and in addition took out further short-term loans worth € 395.5 m. Other TUI Group companies took out loans worth € 7.8 m. The cash outflow for the redemption of finance liabilities totalled € 148.1 m, including € 56.5 m for finance leases. An amount of € 54.4 m was used for interest payments, while € 423.3 m was utilised for dividends to TUI AG shareholders.

Cash and cash equivalents also increased by € 12.7 m due to changes in exchange rates (previous year decline of € 2.4 m).

Cash and cash equivalents worth € 122.4 m were subject to restrictions on disposal as at 31 March 2019. The amount includes € 116.5 m (previous year € 116.5 m) for cash collateral received, deposited by Belgian tax authorities with a Belgian subsidiary in financial year 2013 against the backdrop of long-standing litigation concerning VAT refunds for the period from 2001 to 2011 without acknowledgement of debt in order to suspend the accrual of interest for the two parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee, which restricted TUI's ability to dispose of the cash and cash equivalents. The other restrictions relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

## (18) SEGMENT INDICATORS

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. Also, the Crystal Ski companies delivering services in the destinations were reclassified from Northern Region to Destination Experiences. The prior year's figures were restated accordingly to reflect the changes in segmentation.

**Turnover by segment for the period from 1 Oct 2018 to 31 Mar 2019**

| € million | External | Group | H1 2019 Total |
|---|---|---|---|
| Hotels & Resorts | 271.0 | 320.3 | 591.3 |
| Cruises | 424.6 | – | 424.6 |
| Destination Experiences | 302.8 | 115.0 | 417.8 |
| Consolidation | – | –3.0 | –3.0 |
| **Holiday Experiences** | **998.4** | **432.3** | **1,430.7** |
| Northern Region | 2,123.3 | 7.0 | 2,130.3 |
| Central Region | 2,224.7 | 9.2 | 2,233.9 |
| Western Region | 1,057.1 | 15.7 | 1,072.8 |
| Consolidation | – | –25.2 | –25.2 |
| **Markets & Airlines** | **5,405.1** | **6.7** | **5,411.8** |
| All other segments | 272.9 | 317.4 | 590.3 |
| Consolidation | – | –756.4 | –756.4 |
| **Total** | **6,676.4** | **–** | **6,676.4** |

**Turnover by segment for the period from 1 Oct 2017 to 31 Mar 2018**

| € million | External adjusted | Group adjusted | H1 2018 Total adjusted |
|---|---|---|---|
| Hotels & Resorts | 287.9 | 275.4 | 563.3 |
| Cruises | 396.9 | – | 396.9 |
| Destination Experiences | 65.6 | 78.8 | 144.4 |
| Consolidation | – | –1.4 | –1.4 |
| **Holiday Experiences** | **750.4** | **352.8** | **1,103.2** |
| Northern Region | 2,226.6 | 4.8 | 2,231.4 |
| Central Region | 2,235.6 | 7.6 | 2,243.2 |
| Western Region | 1,064.6 | 20.7 | 1,085.3 |
| Consolidation | – | –29.2 | –29.2 |
| **Markets & Airlines** | **5,526.8** | **3.9** | **5,530.7** |
| All other segments | 288.7 | 275.9 | 564.6 |
| Consolidation | – | –632.6 | –632.6 |
| **Total** | **6,565.9** | **–** | **6,565.9** |

The tables below present the performance indicator underlying EBITA. 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 costs and conditional purchase price payments as well as other expenses for and income from one-off items. 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 amount and their frequency of occurrence. These items include in particular major reorganisation and integration expenses not meeting the requirements of IAS 37, key expenses in connection with litigation, gains and losses from the sale of aircraft and other major business transactions with a one-off character.

EBITA is defined as earnings before interest, taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. It does not include the result from the measurement of interest rate hedges.

In H1 2019, underlying EBITA includes a result of € 107.3 m (previous year € 114.2 m) from joint ventures and associates, primarily generated within Holiday Experiences.

**Underlying EBITA by segment**

| € million | **H1 2019** | H1 2018 adjusted |
|---|---|---|
| Hotels & Resorts | 135.4 | 172.3 |
| Cruises | 106.4 | 93.7 |
| Destination Experiences | –10.4 | –13.3 |
| **Holiday Experiences** | **231.4** | **252.7** |
| Northern Region | –205.1 | –125.7 |
| Central Region | –127.8 | –144.7 |
| Western Region | –163.9 | –105.1 |
| **Markets & Airlines** | **–496.8** | **–375.5** |
| All other segments | –35.2 | –46.9 |
| **Continuing operations** | **–300.6** | **–169.7** |
| Discontinued operations | – | – |
| **Total** | **–300.6** | **–169.7** |

**Reconciliation to earnings before income taxes of the continuing operations of the TUI Group**

| € million | **H1 2019** | H1 2018 adjusted |
|---|---|---|
| **Underlying EBITA of continuing operations** | **–300.6** | **–169.7** |
| Result on disposal* | –11.1 | – |
| Restructuring expense* | –1.6 | –13.4 |
| Expense from purchase price allocation* | –18.0 | –15.0 |
| Expense from other one-off items* | –14.6 | –5.3 |
| **EBITA of continuing operations** | **–345.9** | **–203.4** |
| Net interest expense | –32.7 | –51.8 |
| Expense from measurement of interest hedges | –2.4 | –3.1 |
| **Earnings before income taxes of continuing operations** | **–381.0** | **–258.3** |

* For a description of the adjustments see the management report

### (19) RELATED PARTIES

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains direct and indirect relationships with related parties. All transactions with related parties were executed on an arm's length basis, based on international comparable price methods in accordance with IAS 24, as before.

In H1 2019, Riu Hotels S.A. increased its equity stake in TUI AG to 3.6 %. More detailed information on related parties is provided under Other Notes in the Notes on the consolidated financial statements for 2018.

### (20) INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) NOT YET APPLIED

For the effects of the new accounting rules for leases, we refer to our Annual Report for 2018. In relation to those comments, the following additional findings have emerged:

#### IFRS 16

TUI will apply IFRS 16 as at 1 October 2019 based on the modified retrospective approach. Under this method, the prior year's comparative period is not restated. The effect of the transition will be recognised in equity outside profit and loss as at 1 October 2019. For leases with a remaining term of less than one year as at the date of first-time application, TUI will not recognise any right-of-use assets nor any lease liabilities, in line with the exercise of the option relating to short-term leases of 12 months or less. TUI intends to exercise the option not to measure the right-of-use assets at an amount equal to the lease liabilities as at the date of first-time application for most of its aircraft leases, but to recognise them at the carrying amounts as if the standard had applied at the inception of the lease, but discounted with the incremental borrowing rate of interest at the point of first-time application.

TUI Group has launched a Group-wide project for the implementation of the rules and an IFRS 16 lease accounting software. The Group has not yet completed its assessment of the impact of the new rules on the accounting for provisions for aircraft maintenance costs in aircraft leases carried out within this project, its interaction with the feasibility of an initial retrospective measurement of the right-of-use-asset from long-term aircraft leases and the updating of the lease data captured for portfolio changes, modifications and remeasurements that have occurred in the meantime. A reliable estimate of the quantitative effects of the new rules on TUI Group's consolidated financial statements is therefore not currently possible.

# RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for Interim financial reporting and in the accordance with (German) principles of proper accounting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim 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 for the remaining months of the financial year.

Hanover, 13 May 2019

The Executive Board

Friedrich Joussen
Birgit Conix
David Burling
Sebastian Ebel
Dr. Elke Eller
Frank Rosenberger

# REVIEW REPORT

To TUI AG, Berlin / Germany and Hanover / Germany

We have reviewed the condensed interim consolidated financial statements – comprising the statement of financial position, the income statement, the condensed statement of comprehensive income, the condensed statement of cash flows, the condensed statement of changes in equity as well as selected explanatory notes to the financial statements – and the interim Group management report for the period from 1 October 2018 until 31 March 2019 of TUI AG, which are components of the half-year financial report pursuant to § 115 WpHG (Wertpapierhandelsgesetz: German Securities Trading Act).The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report which has been prepared in accordance with the requirements of the WpHG applicable to interim Group management reports is the responsibility of the entity's Management Board. Our responsibility is to express a report on the condensed interim consolidated financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review in compliance with professional standards such that we can preclude through critical evaluation, with limited assurance, that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim Group management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim Group management reports. A review is limited primarily to inquiries of personnel of the entity and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim Group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Hanover / Germany, 13 May 2019

**Deloitte GmbH**
Wirtschaftsprüfungsgesellschaft

Christoph B. Schenk
German Public Auditor

Dr. Hendrik Nardmann
German Public Auditor

# Cautionary statement regarding forward-looking statements

The present Report contains various statements relating to TUI's future development. These statements are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, they are not guarantees of future performance since our assumptions involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Such factors include market fluctuations, the development of world market prices for commodities and exchange rates or fundamental changes in the economic environment. TUI does not intend to and does not undertake any obligation to update any forward-looking statements in order to reflect events or developments after the date of this Statement.

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# FINANCIAL CALENDAR

**15 MAY 2019**
Half Year Financial Report 2019

**13 AUGUST 2019**
Quarterly Statement Q3 2019

**SEPTEMBER 2019**
Pre-Close Trading Update

**DECEMBER 2019**
Annual Report 2019

**FEBRUARY 2020**
Annual General Meeting 2020

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The English and a German version of this
Half Year Financial Report are available on the web:
www.tuigroup.com/en-en/investors

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