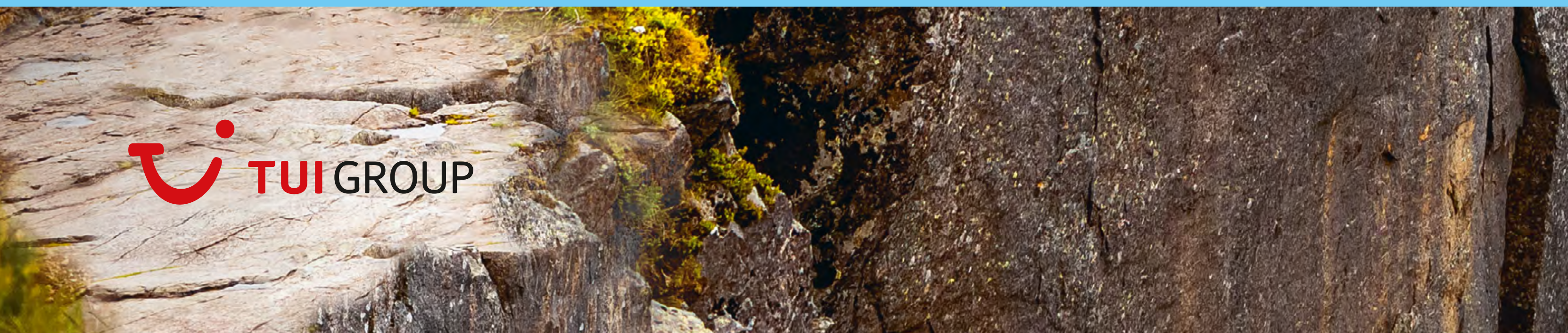
HALF YEAR FINANCIAL REPORT 2018

H1

On track to deliver our growth targets — Good H1 performance — Strong demand continues for our hotels, cruises and holidays — Delivering our growth strategy based on investments, market demand and digitalisation — On track to deliver at least 10 % underlying EBITA growth in FY2018*

* Assuming constant foreign exchange rates are applied to the result in the current and prior period.



TUI GROUP

CONTENTS

H1 2018

TUI Group – financial highlights

€ million	Q2 2018	Q2 2017 restated	Var. %	H1 2018	H1 2017 restated	Var. %	Var. % at constant currency
Turnover	**3,264.1**	**3,071.8**	**+6.3**	**6,813.5**	**6,353.8**	**+7.2**	**+8.5**
Underlying EBITA [1]							
Hotels & Resorts	84.8	73.6	+15.2	179.2	122.8	+45.9	+48.2
Cruises	54.9	46.9	+17.1	92.4	75.0	+23.2	+24.0
Destination Experiences	–9.1	–2.5	–264.0	–9.3	0.3	n. a.	–
Holiday Experiences	130.6	118.0	+10.7	262.3	198.1	+32.4	+35.0
Northern Region	–89.4	–108.7	+17.8	–120.5	–138.0	+12.7	+11.8
Central Region	–89.4	–91.3	+2.1	–145.8	–143.7	–1.5	–1.6
Western Region	–59.7	–54.5	–9.5	–105.6	–102.2	–3.3	–3.3
Sales & Marketing	–238.5	–254.5	+6.3	–371.9	–383.9	+3.1	+2.8
All other segments	–25.8	–17.5	–47.4	–49.0	–28.5	–71.9	–56.6
TUI Group	**–133.7**	**–154.0**	**+13.2**	**–158.6**	**–214.3**	**+26.0**	**+29.8**
Discontinued operations	–	–3.1	n. a.	–	–15.3	n. a.	–
Total	**–133.7**	**–157.1**	**+14.9**	**–158.6**	**–229.6**	**+30.9**	**+34.5**
EBITA [2,3]	**–147.2**	**–182.4**	**+19.3**	**–192.3**	**–251.9**	**+23.7**	
Underlying EBITDA [3]	**–31.5**	**–59.9**	**+47.4**	**37.8**	**–27.3**	**n. a.**	
EBITDA [3]	**–40.2**	**–82.1**	**+51.0**	**15.3**	**–52.3**	**n. a.**	
Net loss for the period	–141.5	–163.9	+13.7	–200.2	–245.5	+18.5	
Earnings per share [3] €	–0.29	–0.32	+9.4	–0.46	–0.51	+9.8	
Net capex and investments	66.5	365.8	–81.8	207.3	695.1	–70.2	
Equity ratio (31 March) [4] %				21.3	20.0	+1.3	
Net debt position (31 March) [3]				576.0	1,404.1	–59.0	
Employees (31 March)				55,773	58,698	–5.0	

Differences may occur due to rounding.
This Half Year Financial Report of the TUI Group was prepared for the reporting period H1 2018 from 1 October 2017 to 31 March 2018. The terms for previous periods were renamed 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 on disposal of financial investments, restructuring measures according to IAS 37, all effects of purchase price allocations, ancillary acquisition costs and conditional purchase price payments and other expenses for and income from one-off items. Please also refer to page 14 for further details.

2 We define EBITA as earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges and in the prior year also earnings effects from container shipping.

3 Continuing operations.

4 Equity divided by balance sheet total in %, variance is given in percentage points.

INTERIM MANAGEMENT REPORT

On track to deliver our growth targets

- We have delivered a good H1 performance, with a further improvement in the seasonal result. Turnover increased by 7.2 % to € 6,813.5 m and underlying EBITA improved by 26.0 % to € –158.6 m. Growth in earnings was delivered as a result of continued strong demand for our Holiday Experiences – including additional hotel and cruise ship capacity as we continue to deploy the proceeds of disposals into higher returning assets – and a good portfolio performance by Sales & Marketing.
- The key drivers of the year on year improvement in underlying EBITA are shown in the table below.

H1 results at a glance

€ million	H1 2018
Underlying EBITA H1 FY2017	**– 214**
Holiday Experiences	+ 28
Sales & Marketing	+ 11
All other segments	– 16
Riu hotel disposals (Q1)	+ 38
Impact Niki bankruptcy (Q1)	– 20
Easter timing impact	+ 22
Foreign exchange translation	– 8
Underlying EBITA H1 FY2018	**– 159**

Please see pages 7 to 11 for further commentary on segmental performance.

During H1 we announced the following strategic developments:

- We will become the world's leading provider of destination experiences, with the acquisition of Destination Management from Hotelbeds Group. The acquisition is expected to complete in H2 FY2018, funded from the remaining proceeds of business disposals.
- Due to the continued strong demand for TUI Cruises, Mein Schiff Herz (previously Mein Schiff 2) will remain within the TUI Cruises fleet. Marella Cruises will instead acquire SkySea Golden Era from Royal Caribbean. The ship will be renamed Marella Explorer 2, launching Summer 2019.
- In addition, approval has been given for a third new build expedition cruise ship for Hapag-Lloyd Cruises. Planning and negotiation will shortly launch for a scheduled delivery of the further Hanseatic class ship in 2021.

Current trading

HOLIDAY EXPERIENCES

Our portfolio of over 380 hotels continue to perform very well, thanks to the strength of our portfolio of destinations, new hotel openings and integrated model. Following a very strong performance in the past few years in Spain and more subdued demand for Turkey and North Africa, we are seeing a continued rebalancing towards the latter destinations, as well as strong demand for Greece (where we have over 40 Group and own concept hotels). Other destinations such as the Caribbean and Cape Verde also continue to see good demand. Our hotel and club brands will continue to expand their offering with five openings in Summer 2018 plus further openings in FY2019. We also continue to streamline the existing portfolio, having disposed of three Riu hotels in Q1 and with repositionings under the TUI Blue and TUI Magic Life brands in FY2018. The renovation of the Robinson Jandia Playa in Fuerteventura is also underway, with the closure of this popular club for most of FY2018.

In Cruises new launches are scheduled for TUI Cruises, Marella Cruises and Hapag-Lloyd Cruises in 2018, 2019, 2021 and 2023. Demand for our cruises remains strong, with higher yields year on year for the periods currently on sale in all three brands. In Marella, Majesty exited the fleet in November 2017 and Spirit will exit in November 2018, and from Summer 2019 the entire fleet will be fully all-inclusive.

Volumes in Destination Experiences (formerly Destination Services) are expected to develop in line with our Sales & Marketing business. The acquisition of the Destination Management business of Hotelbeds Group is expected to complete in H2 FY2018, adding a further 25 countries to our global destination presence.

SALES & MARKETING

As expected, Winter 2017 / 18 closed out well, with revenues up 5 % on prior year and bookings up 3 %. Growth was driven by North Africa, Cape Verde, Thailand and Turkey, with stable demand for Spain.

Summer 2018 is also progressing well, with 59 % of the programme sold, in line with prior year. Following a couple of very strong years, Spain remains the number one destination by customer volume for Sales & Marketing, but with year on year growth driven by destinations such as Turkey, North Africa and Greece. We also see good growth in bookings for other smaller destinations such as Bulgaria, Cyprus and Croatia.

Sales & Marketing – Current trading Summer 2018 *

YoY variation %	Total revenue	Total customers	Total ASP	Programme sold (%)
Northern Region	+4	+2	+2	60
Central Region	+11	+8	+3	60
Western Region	+4	+3	+1	58
Total	**+7**	**+5**	**+2**	**59**

* These statistics are up to 29 April 2018, shown on a constant currency basis and relate to all customers whether risk or non-risk.

In Northern Region, Nordics continue to deliver a strong, earlier booking performance (+ 8 % currently, although the prior year comparatives will strengthen in the coming months). Margins are ahead of prior year, reflecting an increase in demand for Turkey and Greece, the introduction of our proprietary Cyrus yield management system and actions taken by management to improve the efficiency of the business. UK demand is resilient, with bookings up 1 % on prior year, and margin performance continues to normalise in line with our expectations, reflecting the impact on the cost base of the weaker Pound Sterling. As expected, the UK is seeing a growth in demand for non-Euro destinations such as Turkey, North Africa, Bulgaria and Croatia, as well as a shortening of the average duration of holidays.

Within Central Region, bookings from Germany are up 4 %. This reflects a significant increase in bookings to Turkey, North Africa and Greece, as well as the continued popularity of Spain. Strong mainstream holiday bookings are partly offset by lower bookings at this stage for some of our specialist brands, however, we expect this to improve as we trade through the Summer. Despite an increase in capacity (following the bankruptcy of Air Berlin / Niki and subsequent changes to the TUI airline fleet), load factor is ahead of prior year, helping to limit exposure to the lates market. The Central Region bookings and revenue performance also reflects our strategy to grow market share significantly in Poland.

In Western Region, bookings in Belgium and Netherlands are ahead of prior year (+ 6 % overall), with growth destinations in general similar to the other source markets. This is partly offset by trading in France, where bookings are currently down on prior year, mainly due to lower sales of tours. These were previously traded under the Transat brand and have now switched to TUI, with some disruption to sales by third party distributors. We remain focussed on the continued integration of the Transat business and delivering an improved result in France this year.

Outlook

- We reiterate our guidance of our Annual Report 2017.
- We are continuing to deliver our growth strategy as set out in December 2017, based on market demand, digitalisation and investments, including the announcements in H1 of further actions to enhance our destination experiences business and accelerate growth in cruise.
- Based on a good H1 performance and strong current trading we are on track to deliver at least 10 % underlying EBITA growth in FY2018.
- We are delivering our ambition – strong strategic positioning, strong earnings growth and strong cash generation, with underlying EBITA doubling between FY2014 and FY2020.

Expected development of Group turnover, underlying EBITA and adjustments[1]

		Expected development vs. PY
€ million	2017	**2018**
Turnover [2]	18,535	around 3 % growth
Underlying EBITA	1,102	at least 10 % growth
Adjustments	76	approx. € 80 m cost

[1] Variance year-on-year assuming constant foreign-exchange rates are applied to the result in the current and prior period and based on the current group structure; guidance relates to continuing operations and excludes the acquisition of the Destination Management business from Hotelbeds Group.

[2] Excluding cost inflation relating to currency movements.

Structure and strategy of TUI Group

Reporting structure

The present Half Year Financial Report 2018 is essentially based on TUI Group's reporting structure set out in the Annual Report for 2017.

From Q1 FY2018 on, our segment reporting to reflect the growing strategic importance of the services delivered in our destinations. Since the beginning of financial year 2018, Destination Experiences (formerly Destination Services), a crucial element of our customers' holiday experience, has been reported as a separate segment alongside Hotels & Resorts and Cruises within Holiday Experiences. The key figures of the new segment were carried under Other Tourism in the completed financial year 2017. The other companies previously reported as part of the Other Tourism segment are now carried under All other segments; the Group totals have remained unchanged. The prior year comparatives have been restated.

See Annual Report 2017 from page 24

Group targets and strategy

TUI Group's strategy set out in the Annual Report 2017 remains unchanged.

Details see Annual Report 2017 from page 20

Consolidated earnings

Turnover

€ million	Q2 2018	Q2 2017 restated	Var. %	H1 2018	H1 2017 restated	Var. %
Hotels & Resorts	143.1	158.8	– 9.9	287.9	300.0	– 4.0
Cruises	203.3	194.0	+ 4.8	395.6	345.9	+ 14.4
Destination Experiences	21.4	23.4	– 8.5	59.8	54.6	+ 9.5
Holiday Experiences	367.8	376.2	– 2.2	743.3	700.5	+ 6.1
Northern Region	1,145.2	1,096.3	+ 4.5	2,324.1	2,204.3	+ 5.4
Central Region	1,040.0	887.1	+ 17.2	2,305.9	2,028.0	+ 13.7
Western Region	548.6	564.6	– 2.8	1,132.3	1,114.0	+ 1.6
Sales & Marketing	2,733.8	2,548.0	+ 7.3	5,762.3	5,346.3	+ 7.8
All other segments	162.5	147.6	+ 10.1	307.9	307.0	+ 0.3
TUI Group	**3,264.1**	**3,071.8**	**+ 6.3**	**6,813.5**	**6,353.8**	**+ 7.2**
TUI Group at constant currency	**3,312.6**	**3,071.8**	**+ 7.8**	**6,894.0**	**6,353.8**	**+ 8.5**
Discontinued operations	–	293.9	n. a.	–	546.3	n. a.
Total	**3,264.1**	**3,365.7**	**– 3.0**	**6,813.5**	**6,900.1**	**– 1.3**

Underlying EBITA

€ million	Q2 2018	Q2 2017 restated	Var. %	H1 2018	H1 2017 restated	Var. %
Hotels & Resorts	84.8	73.6	+ 15.2	179.2	122.8	+ 45.9
Cruises	54.9	46.9	+ 17.1	92.4	75.0	+ 23.2
Destination Experiences	– 9.1	– 2.5	– 264.0	– 9.3	0.3	n. a.
Holiday Experiences	130.6	118.0	+ 10.7	262.3	198.1	+ 32.4
Northern Region	– 89.4	– 108.7	+ 17.8	– 120.5	– 138.0	+ 12.7
Central Region	– 89.4	– 91.3	+ 2.1	– 145.8	– 143.7	– 1.5
Western Region	– 59.7	– 54.5	– 9.5	– 105.6	– 102.2	– 3.3
Sales & Marketing	– 238.5	– 254.5	+ 6.3	– 371.9	– 383.9	+ 3.1
All other segments	– 25.8	– 17.5	– 47.4	– 49.0	– 28.5	– 71.9
TUI Group	**– 133.7**	**– 154.0**	**+ 13.2**	**– 158.6**	**– 214.3**	**+ 26.0**
TUI Group at constant currency	**– 125.1**	**– 154.0**	**+ 18.8**	**– 150.5**	**– 214.3**	**+ 29.8**
Discontinued operations	–	– 3.1	n. a.	–	– 15.3	n. a.
Total	**– 133.7**	**– 157.1**	**+ 14.9**	**– 158.6**	**– 229.6**	**+ 30.9**

EBITA

€ million	Q2 2018	Q2 2017 restated	Var. %	H1 2018	H1 2017 restated	Var. %
Hotels & Resorts	84.7	72.4	+ 17.0	179.1	120.0	+ 49.3
Cruises	54.9	46.9	+ 17.1	92.4	75.0	+ 23.2
Destination Experiences	– 9.3	– 3.1	– 200.0	– 9.9	– 0.8	n. a.
Holiday Experiences	130.3	116.2	+ 12.1	261.6	194.2	+ 34.7
Northern Region	– 93.8	– 114.5	+ 18.1	– 129.2	– 148.1	+ 12.8
Central Region	– 91.8	– 86.4	– 6.2	– 151.5	– 140.2	– 8.1
Western Region	– 62.9	– 80.1	+ 21.5	– 118.7	– 128.8	+ 7.8
Sales & Marketing	– 248.5	– 281.0	+ 11.6	– 399.4	– 417.1	+ 4.2
All other segments	– 29.0	– 17.6	– 64.8	– 54.5	– 29.0	– 87.9
TUI Group	**– 147.2**	**– 182.4**	**+ 19.3**	**– 192.3**	**– 251.9**	**+ 23.7**
Discontinued operations	–	– 6.6	n. a.	–	– 22.2	n. a.
Total	**– 147.2**	**– 189.0**	**+ 22.1**	**– 192.3**	**– 274.1**	**+ 29.8**

Segmental performance

Holiday Experiences

Hotels & Resorts

		Q2 2018	Q2 2017	Var. %	H1 2018	H1 2017	Var. %
Total turnover	in € million	267.9	281.4	–4.8	563.3	564.6	–0.2
Turnover	in € million	143.1	158.8	–9.9	287.9	300.0	–4.0
Underlying EBITA	in € million	84.8	73.6	+15.2	179.2	122.8	+45.9
Underlying EBITA at constant currency rates	in € million	91.7	73.6	+24.6	182.0	122.8	+48.2
Capacity hotels total[1, 4]	**in '000**	**7,322.1**	**7,173.5**	**+2.1**	**16,192.0**	**15,542.1**	**+4.2**
Riu		4,038.1	4,180.8	–3.4	8,433.1	8,382.9	+0.6
Robinson		555.8	512.8	+8.4	1,246.9	1,167.0	+6.9
Blue Diamond		957.8	677.0	+41.4	1,767.4	1,254.4	+40.9
Occupancy rate hotels total[2] in %, variance in % points		**79.6**	**78.4**	**+1.1**	**77.1**	**75.3**	**+1.8**
Riu		88.5	90.5	–2.0	86.5	88.2	–1.7
Robinson		62.2	60.1	+2.1	63.0	62.4	+0.6
Blue Diamond		80.0	80.2	–0.3	78.8	81.1	–2.3
Average revenue per bed hotels total[3]	**in €**	**79**	**78**	**+2.1**	**71**	**70**	**+2.3**
Riu		72	75	–3.5	68	69	–1.6
Robinson		105	101	+3.7	97	93	+4.1
Blue Diamond		154	144	+6.7	138	125	+9.8

Turnover measures include fully consolidated companies, all other KPIs incl. companies measured at equity.
[1] Group owned or leased hotel beds multiplied by opening days per quarter
[2] Occupied beds divided by capacity
[3] Arrangement revenue divided by occupied beds
[4] Previous year's total capacity now includes Blue Diamond

- Hotels & Resorts delivered a strong result in H1, with higher overall occupancy and average rate. Further hotels were opened in H1, bringing the total number of openings since merger to 38.
- We also continued to streamline our existing portfolio. As previously announced, three hotels were sold by Riu in Q1, realising a gain of €38 m. In addition, hotels have been repositioned to TUI Blue and TUI Magic Life.
- Riu continues to deliver a strong operational performance, with high occupancy rates reflecting its year-round destination portfolio. Average revenue per bed performance reflects the impact of foreign exchange translation, in particular on our Mexican hotels – excluding this, revenue per bed was up 7 % year on year. The strong operational performance and year on year benefit of hotel openings were partly offset by the impact of hurricanes in the Caribbean (resulting in the closure of a hotel in St. Martin) and loss of earnings from the three hotels which were sold in Q1.
- Robinson's H1 performance was in line with prior year, with new clubs in the Maldives and Thailand in ramp up phase, and the closure of a club in Fuerteventura for renovation.
- Blue Diamond delivered further growth in earnings, despite hurricane disruption, reflecting growth in the hotel portfolio.
- The result also reflects an improved performance in our hotels in Turkey, as demand continues to strengthen.
- The Hotels & Resorts result includes €3 m impact from the earlier timing of Easter.

Cruises

		Q2 2018	Q2 2017	Var. %	H1 2018	H1 2017	Var. %
Turnover[1]	in € million	203.3	194.0	+4.8	395.6	345.9	+14.4
Underlying EBITA	in € million	54.9	46.9	+17.1	92.4	75.0	+23.2
Underlying EBITA at constant currency rates	in € million	55.2	46.9	+17.7	93.0	75.0	+24.0
Occupancy	**in %, variance in % points**						
TUI Cruises		99.6	100.0	–0.4	98.9	99.7	–0.8
Marella Cruises[2]		98.4	98.1	+0.3	99.6	99.6	0.0
Hapag-Lloyd Cruises		77.2	76.0	+1.2	76.4	73.8	+2.6
Passenger days	**in '000**						
TUI Cruises		1,247.6	1,024.2	+21.8	2,514.0	2,031.7	+23.7
Marella Cruises[2]		558.8	562.3	–0.6	1,250.6	1,090.0	+14.7
Hapag-Lloyd Cruises		92.9	89.3	+4.0	167.8	163.7	+2.5
Average daily rates[3]	**in €**						
TUI Cruises		147	150	–2.0	148	147	+0.7
Marella Cruises[2, 4]	**in £**	143	131	+9.2	136	127	+7.1
Hapag-Lloyd Cruises		653	633	+3.2	600	595	+0.8

[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

- Cruises result increased in H1, with additional capacity in TUI Cruises and Marella Cruises, and a strong yield performance across all three brands.
- TUI Cruises earnings increased due to the addition of Mein Schiff 6 in May 2017, with a continued strong performance across the rest of the fleet.
- Marella Cruises earnings increased primarily due to the addition of Marella Discovery in May 2017. Majesty exited the fleet in November 2017.
- Hapag-Lloyd Cruises earnings were in line with prior year, with a good underlying performance offsetting year on year dry dock effects.

Destination Experiences

€ million	Q2 2018	Q2 2017 restated	Var. %	H1 2018	H1 2017 restated	Var. %
Total turnover	56.2	53.5	+5.0	138.6	127.0	+9.1
Turnover	21.4	23.4	–8.5	59.8	54.6	+9.5
Underlying EBITA	–9.1	–2.5	–264.0	–9.3	0.3	n. a.
Underlying EBITA at constant currency rates	–8.7	–2.5	–248.0	–7.6	0.3	n. a.

- Destination Experiences' H1 underlying EBITA result reflects a change made since prior year to the way in which Sales & Marketing are recharged. This results in a phasing of earnings into H2.
- Excluding the impact of this change, Destination Experiences delivered a good operational performance. H1 arrival guests grew by 5 %, with increased earnings in Spain, Portugal and Greece as well as improved trading in Turkey and Tunisia.

SALES & MARKETING

Sales & Marketing

		Q2 2018	Q2 2017 restated	Var. %	H1 2018	H1 2017 restated	Var. %
Turnover	in € million	2,733.8	2,548.0	+ 7.3	5,762.3	5,346.3	+ 7.8
Underlying EBITA	in € million	– 238.5	– 254.5	+ 6.3	– 371.9	– 383.9	+ 3.1
Underlying EBITA at constant currency rates	in € million	– 240.3	– 254.5	+ 5.6	– 373.3	– 383.9	+ 2.8
Direct distribution mix [1]	in %, variance in % points	75	75	–	74	73	+ 1.0
Online mix [2]	in %, variance in % points	50	49	+ 1.0	49	47	+ 2.0
Customers	in '000	3,077	2,883	+ 6.7	6,692	6,344	+ 5.5

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

- Sales & Marketing delivered a good portfolio performance in H1. Turnover grew by 8 %, reflecting 5 % increase in customer volumes and higher selling prices in the UK (primarily as a result of currency cost inflation) as well as the earlier timing of Easter.
- Direct and online distribution mix also continued to increase, to 74 % and 49 % respectively.
- The H1 underlying EBITA result includes € 19 m benefit from the earlier timing of Easter.

Northern Region

		Q2 2018	Q2 2017 restated	Var. %	H1 2018	H1 2017 restated	Var. %
Turnover	in € million	1,145.2	1,096.3	+ 4.5	2,324.1	2,204.3	+ 5.4
Underlying EBITA	in € million	– 89.4	– 108.7	+ 17.8	– 120.5	– 138.0	+ 12.7
Underlying EBITA at constant currency rates	in € million	– 90.8	– 108.7	+ 16.5	– 121.7	– 138.0	+ 11.8
Direct distribution mix [1]	in %, variance in % points	91	90	+ 1.0	92	90	+ 2.0
Online mix [2]	in %, variance in % points	66	63	+ 3.0	65	63	+ 2.0
Customers	in '000	1,114	1,117	– 0.3	2,363	2,363	0.0

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

- Nordics delivered significant growth in earnings in H1, with a very strong trading performance. We are particularly pleased with the improvement in margin, reflecting the benefit of the TUI rebrand, implementation of Cyrus yield management and One CRM, and realisation of operational efficiencies.
- In the UK, demand remains resilient, with customer volumes in line with prior year. Trading margins have continued to normalise as expected, as a result of the weaker Pound Sterling. The TUI rebrand was completed successfully with an additional cost of € 20 m in H1.
- Our Canadian joint venture delivered a good performance in H1, with further growth in earnings.
- The Northern Region result includes € 15 m benefit from the earlier timing of Easter.

Central Region

		Q2 2018	Q2 2017	Var. %	H1 2018	H1 2017	Var. %
Turnover	in € million	1,040.0	887.1	+ 17.2	2,305.9	2,028.0	+ 13.7
Underlying EBITA	in € million	– 89.4	– 91.3	+ 2.1	– 145.8	– 143.7	– 1.5
Underlying EBITA at constant currency rates	in € million	– 89.7	– 91.3	+ 1.8	– 146.0	– 143.7	– 1.6
Direct distribution mix[1]	in %, variance in % points	50	49	+ 1.0	49	47	+ 2.0
Online mix[2]	in %, variance in % points	23	19	+ 4.0	21	17	+ 4.0
Customers	in '000	1,054	885	+ 19.0	2,418	2,146	+ 12.7

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

- Germany continues to see strong demand for holidays, with volumes up 10 % in H1. Direct and online distribution mix improved further, to 48 % and 21 % respectively.
- The Central Region result reflects the non-repeat (€ 24 m) of last year's sickness event in TUI fly.
- This was offset by the write off of € 20 m wet lease receivable as a result of the Niki insolvency. Following the insolvencies of Air Berlin and Niki, TUI fly has taken back some aircraft and crew, with the remainder being wet leased out under a new agreement. As outlined at Q1, there has been some impact on the airline cost base which was not fully recovered through trading and efficiency, however, we expect this to improve over time.
- The Central Region result includes € 2 m benefit from the earlier timing of Easter.

Western Region

		Q2 2018	Q2 2017	Var. %	H1 2018	H1 2017	Var. %
Turnover	in € million	548.6	564.6	– 2.8	1,132.3	1,114.0	+ 1.6
Underlying EBITA	in € million	– 59.7	– 54.5	– 9.5	– 105.6	– 102.2	– 3.3
Underlying EBITA at constant currency rates	in € million	– 59.8	– 54.5	– 9.7	– 105.6	– 102.2	– 3.3
Direct distribution mix[1]	in %, variance in % points	75	73	+ 2.0	75	72	+ 3.0
Online mix[2]	in %, variance in % points	58	57	+ 1.0	58	56	+ 2.0
Customers	in '000	910	881	+ 3.3	1,911	1,835	+ 4.1

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

- Benelux performed well in H1, benefitting from good trading, as well as the non-repeat of rebrand costs in Belgium and Schiphol night flying restrictions last year.
- France remains challenging. Whilst the integration of the Transat business is going well, volumes have been impacted by the transition from the Transat to TUI brand, therefore the result includes additional marketing costs to support the rebrand. In addition, the result reflects the inclusion of Transat's trading losses at the start of the year (the business was acquired end of October 2016). We remain focussed on improving the French result in the full year.
- The Western Region result includes € 2 m benefit from the earlier timing of Easter.

All other segments

€ million	Q2 2018	Q2 2017 restated	Var. %	H1 2018	H1 2017 restated	Var. %
Turnover	162.5	147.6	+ 10.1	307.9	307.0	+ 0.3
Underlying EBITA	– 25.8	– 17.5	– 47.4	– 49.0	– 28.5	– 71.9
Underlying EBITA at constant currency rates	– 23.0	– 17.5	– 31.4	– 44.6	– 28.5	– 56.6

- As previously stated, the H1 result includes the impact of a significant planned aircraft maintenance event (D check) in Corsair.
- In addition the variance to prior year reflects the revaluation of share based payments (in relation to senior management long term incentive schemes), based on the increase in TUI share price.

Financial position and net assets

Cash Flow / Net capex and investments / Net debt

The cash outflow from operating activities increased by € 165.0 m to € 443.5 m. This was due in particular to higher advance payments to hotels, payments for the integration of Transat in France and the deconsolidation of the Travelopia Group.

From this interim report, we have adjusted the definition of our net debt. While net debt has so far been calculated as the balance between current and non-current financial debt and cash and cash equivalents, we will also consider future short-term interest-bearing investments as a deduction item. The majority of these investments becomes due between three and six months. In accordance with IFRS regulations, these investments are not shown as cash and cash equivalents in the consolidated balance sheet but within current trade receivables and other assets. This adjustment had no effect on the previous year.

Net debt

€ million	H1 2018	H1 2017	Var. %
Financial debt	1,977.8	2,027.4	– 2.4
Cash and cash equivalents	1,338.1	623.3	+ 114.7
Short-term interest-bearing investments	63.7	–	n. a.
Net debt	**576.0**	**1,404.1**	**– 59.0**

The net debt position of the continuing operations improved by € 828.1 m to € 576.0 m. The year-on-year improvement was attributable mainly to the receipt of disposal proceeds not yet fully reinvested.

Net capex and investments

€ million	Q2 2018	Q2 2017 restated	Var. %	H1 2018	H1 2017 restated	Var. %
Cash gross capex						
Hotels & Resorts	53.0	71.8	– 26.2	115.1	130.6	– 11.9
Cruises	2.7	223.8	– 98.8	38.1	247.2	– 84.6
Destination Experiences	1.3	0.4	+ 225.0	2.1	2.6	– 19.2
Holiday Experiences	57.0	296.0	– 80.7	155.3	380.4	– 59.2
Northern Region	15.9	13.5	+ 17.8	24.2	25.9	– 6.6
Central Region	3.3	4.1	– 19.5	10.2	7.3	+ 39.7
Western Region	6.9	6.4	+ 7.8	13.0	13.7	– 5.1
Sales & Marketing	26.1	24.0	+ 8.8	47.4	46.9	+ 1.1
All other segments	37.6	23.4	+ 60.7	92.9	48.3	+ 92.3
TUI Group	**120.7**	**343.4**	**– 64.9**	**295.6**	**475.5**	**– 37.8**
Discontinued operations	–	4.5	n. a.	–	10.6	n. a.
Total	**120.7**	**347.9**	**– 65.3**	**295.6**	**486.1**	**– 39.2**
Net pre delivery payments on aircraft	– 60.7	33.7	n. a.	– 20.2	117.5	n. a.
Financial investments	13.6	1.0	n. a.	24.2	103.1	– 76.5
Divestments	– 7.1	– 16.8	+ 57.7	– 92.3	– 11.6	– 695.7
Net capex and investments	**66.5**	**365.8**	**– 81.8**	**207.3**	**695.1**	**– 70.2**

The decline in net capex and investments was mainly driven by the acquisition of a cruise ship for Marella Cruises and of Transat last year as well as the sale of three Riu hotels in Q1 2018.

Assets and liabilities

Assets and liabilities

€ million	31 Mar 2018	30 Sep 2017	Var. %
Non-current assets	10,088.8	9,867.6	+ 2.2
Current assets	3,944.3	4,317.9	– 8.7
Assets	**14,033.1**	**14,185.5**	**– 1.1**
Equity	2,993.2	3,533.7	– 15.3
Provisions	2,098.4	2,278.7	– 7.9
Financial liabilities	1,977.8	1,933.1	+ 2.3
Other liabilities	6,963.7	6,440.0	+ 8.1
Liabilities	**14,033.1**	**14,185.5**	**– 1.1**

As at 31 March 2018, TUI Group's balance sheet total amounted to € 14.0 bn, a decrease of 1.1 % compared to financial year end 30 September 2017. The equity ratio stood at 21.3 %, falling below its level of 24.9 % as at 30 September 2017.

Details see Notes from page 30

Fuel / Foreign exchange

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 Sales & Marketing, which account for over 90 % of our Group currency and fuel exposure.

Foreign Exchange / Fuel

%	Summer 2018	Winter 2018 / 19
Euro	93	67
US Dollar	96	77
Jet Fuel	91	79

As at 3 May 2018

Comments on the consolidated income statement

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

In the first half of 2018, turnover totalled € 6.8 bn, up 7.2 % year-on-year. At constant currency rates, turnover grew by 8.5 % year-on-year in H1 2018. Apart from the 5.5 % increase in customer volumes in Sales & Marketing, the year-on-year turnover growth was driven by additional capacity in the Cruises segment, higher average selling prices in the Hotels & Resorts segment and higher pricing in the UK.

The year-on-year improvement in the result from continuing operations was attributable to the operating performance as well as the proceeds of disposals of two hotel companies, a hotel and an aircraft.

Income statement of the TUI Group for the period from 1 Oct 2017 to 31 Mar 2018

€ million	**Q2 2018**	Q2 2017	Var. %	**H1 2018**	H1 2017	Var. %
Turnover	3,264.1	3,071.8	+ 6.3	6,813.5	6,353.8	+ 7.2
Cost of sales	3,177.0	3,029.2	+ 4.9	6,558.7	6,127.9	+ 7.0
Gross profit	**87.1**	**42.6**	**+ 104.5**	**254.8**	**225.9**	**+ 12.8**
Administrative expenses	313.6	313.8	– 0.1	621.4	601.1	+ 3.4
Other income	2.9	2.9	0.0	48.6	5.1	+ 852.9
Other expenses	–	0.9	n. a.	0.3	2.2	– 86.4
Financial income	3.5	30.8	– 88.6	17.7	37.0	– 52.2
Financial expenses	31.0	39.4	– 21.3	68.1	81.1	– 16.0
Share of result of joint ventures and associates	76.4	70.3	+ 8.7	121.5	105.6	+ 15.1
Earnings before income taxes from continuing operations	**– 174.7**	**– 207.5**	**+ 15.8**	**– 247.2**	**– 310.8**	**+ 20.5**
Income taxes	– 33.2	– 43.6	+ 23.9	– 47.0	– 65.3	+ 28.0
Result from continuing operations	**– 141.5**	**– 163.9**	**+ 13.7**	**– 200.2**	**– 245.5**	**+ 18.5**
Result from discontinued operations	–	– 54.6	n. a.	–	– 63.1	n. a.
Group loss	**– 141.5**	**– 218.5**	**+ 35.2**	**– 200.2**	**– 308.6**	**+ 35.1**
Group loss attributable to shareholders of TUI AG	– 170.9	– 245.4	+ 30.4	– 270.5	– 362.9	+ 25.5
Group loss attributable to non-controlling interest	29.4	26.9	+ 9.3	70.3	54.3	+ 29.5

Alternative performance measures

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

We define EBITA as earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges and in the prior year also earnings effects from container shipping.

We consider underlying EBITA to be the most suitable performance indicator for explaining the development of the TUI Group's operating performance. Underlying EBITA has been adjusted for gains on disposal of financial investments, expenses in connection with restructuring measures according to IAS 37, all effects of purchase price allocations, ancillary acquisition cost and conditional purchase price payments and other expenses for and income from one-off items.

The table below shows a reconciliation of earnings before taxes from continuing operations to underlying earnings. In H1 FY2018, adjustments (including one-off items and purchase price allocations for continuing operations) amounted to € 33.7 m, a decline of € 3.9 m year-on-year.

Reconciliation to underlying earnings

€ million	**Q2 2018**	Q2 2017	Var. %	**H1 2018**	H1 2017	Var. %
Earnings before income taxes	– 174.7	– 207.5	+ 15.8	– 247.2	– 310.8	+ 20.5
Income from the sale of the shares in Container Shipping	–	– 2.3	n. a.	–	– 2.3	n. a.
Net interest expense and expense from the measurement of interest hedges	**27.5**	**27.4**	**+ 0.4**	**54.9**	**61.2**	**– 10.3**
EBITA	**– 147.2**	**– 182.4**	**+ 19.3**	**– 192.3**	**– 251.9**	**+ 23.7**
Adjustments:						
plus: Losses on disposals	–	–		–	0.7	
plus: Restructuring expense	4.3	16.9		13.4	17.1	
plus: Expense from purchase price allocation	7.4	7.5		15.0	15.2	
plus: Expense / less: Income from other one-off items	1.8	4.0		5.3	4.6	
Underlying EBITA	**– 133.7**	**– 154.0**	**+ 13.2**	**– 158.6**	**– 214.3**	**+ 26.0**

The improvement in the interest result in H1 FY2018 was mainly driven by the improvement in net debt position and lower interest rates.

Adjustments include one-off income and expense items impacting or distorting the assessment of the operating profitability of the segments and the Group due to their level and frequency. These items primarily include 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 of a one-off nature.

In H1 FY2018 TUI Group's operating loss adjusted for one-off effects improved by € 55.7 m to € 158.6 m.

In H1 FY2018, adjustments included expenses for purchase price allocations of € 15.0 m and in particular for the integration of Transat in France and the restructuring of our German flight sector.

Key figures of income statement (continuing operations)

€ million	**Q2 2018**	Q2 2017	Var. %	**H1 2018**	H1 2017	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)	**119.8**	**102.8**	**+16.5**	**346.0**	**315.0**	**+9.8**
Operating rental expenses	160.0	184.9	–13.5	330.7	367.3	–10.0
Earnings before interest, income taxes, depreciation and impairment (EBITDA)	**–40.2**	**–82.1**	**+51.0**	**15.3**	**–52.3**	**n. a.**
Depreciation/amortisation less reversals of depreciation/amortisation*	107.0	100.3	+6.7	207.6	199.6	+4.0
Earnings before interest, income taxes and impairment of goodwill (EBITA)	**–147.2**	**–182.4**	**+19.3**	**–192.3**	**–251.9**	**+23.7**
Earnings before interest and income taxes (EBIT)	**–147.2**	**–182.4**	**+19.3**	**–192.3**	**–251.9**	**+23.7**
Net interest expense and expense from the measurement of interest hedges	27.5	27.4	–0.4	54.9	61.2	+10.3
Income from the sale of the shares in Container Shipping	–	2.3	n. a.	–	2.3	n. a.
Earnings before income taxes (EBT)	**–174.7**	**–207.5**	**+15.8**	**–247.2**	**–310.8**	**+20.5**

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

Other segment indicators

Underlying EBITDA

€ million	**Q2 2018**	Q2 2017 restated	Var. %	**H1 2018**	H1 2017 restated	Var. %
Hotels & Resorts	111.5	97.6	+14.2	228.4	167.9	+36.0
Cruises	68.4	60.1	+13.8	125.8	101.6	+23.8
Destination Experiences	–6.9	–0.6	n. a.	–5.0	4.2	n. a.
Holiday Experiences	173.0	157.1	+10.1	349.2	273.7	+27.6
Northern Region	–74.6	–94.6	+21.1	–97.4	–110.8	+12.1
Central Region	–84.4	–86.6	+2.5	–136.0	–134.0	–1.5
Western Region	–55.7	–50.0	–11.4	–97.5	–93.7	–4.1
Sales & Marketing	–214.7	–231.2	+7.1	–330.9	–338.5	+2.2
All other segments	10.2	14.2	–28.2	19.5	37.5	–48.0
TUI Group	**–31.5**	**–59.9**	**+47.4**	**37.8**	**–27.3**	**n. a.**
Discontinued operations	–	–3.1	n. a.	–	–15.3	n. a.
Total	**–31.5**	**–63.0**	**+50.0**	**37.8**	**–42.6**	**n. a.**

EBITDA

€ million	Q2 2018	Q2 2017 restated	Var. %	H1 2018	H1 2017 restated	Var. %
Hotels & Resorts	111.4	97.5	+ 14.3	228.4	167.3	+ 36.5
Cruises	68.4	60.1	+ 13.8	125.8	101.6	+ 23.8
Destination Experiences	– 7.2	– 1.2	– 500.0	– 5.7	3.1	n. a.
Holiday Experiences	172.6	156.4	+ 10.4	348.5	272.0	+ 28.1
Northern Region	– 76.0	– 97.4	+ 22.0	– 100.1	– 114.8	+ 12.8
Central Region	– 86.9	– 81.2	– 7.0	– 140.6	– 129.6	
Western Region	– 57.7	– 74.9	+ 23.0	– 108.3	– 118.7	+ 8.8
Sales & Marketing	– 220.6	– 253.5	+ 13.0	– 349.0	– 363.1	+ 3.9
All other segments	7.8	15.0	– 48.0	15.8	38.8	– 59.3
TUI Group	**– 40.2**	**– 82.1**	**+ 51.0**	**15.3**	**– 52.3**	**n. a.**
Discontinued operations	–	– 6.6	n. a.	–	– 22.2	n. a.
Total	**– 40.2**	**– 88.7**	**+ 54.7**	**15.3**	**– 74.5**	**n. a.**

Employees

	31 March 2018	31 March 2017 restated	Var. %
Hotels & Resorts	19,068	18,447	+ 3.4
Cruises	313	313	0.0
Destination Experiences	3,333	2,648	+ 25.9
Holiday Experiences	22,714	21,408	+ 6.1
Northern Region	13,268	14,016	– 5.3
Central Region	10,235	10,123	+ 1.1
Western Region	6,058	6,037	+ 0.3
Sales & Marketing	29,561	30,176	– 2.0
All other segments	3,498	3,558	– 1.7
TUI Group	**55,773**	**55,142**	**+ 1.1**
Discontinued operations	–	3,556	n. a.
Total	**55,773**	**58,698**	**– 5.0**

Corporate Governance

Composition of the Boards

In H1 2018 the composition of the Executive Board and the Supervisory Board of TUI AG changed as follows:

The Annual General Meeting on 13 February 2018 elected Dr. Dieter Zetsche, CEO of Daimler AG, as a member of the Supervisory Board. At the same time, Deputy Chairman of the Supervisory Board Sir Michael Hodgkinson, stepped down at the close of the Annual General Meeting. Mr. Peter Long succeeded him in this role.

Mr. Horst Baier, Chief Financial Officer, has decided not to extend his contract as Member of the Board that expires in November 2018. The TUI AG Group Supervisory Board has appointed Ms. Birgit Conix as member of the Executive Board as of 15 July 2018. On Horst Baier's departure in Autumn 2018, Birgit Conix will take over responsibilities as Chief Financial Officer.

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 and opportunities 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 and opportunities can be found in the Annual Report 2017.

With the brand change programme successfully being implemented in all source markets, the related risk is no longer considered principal to the Group. All other principal risks and uncertainties outlined in that report continue to face the Group and are set out below:

Inherent risks to the sector

Destination disruption; macroeconomic risks; competition & consumer preferences; input cost volatility; seasonal cashflow profile; legal & regulatory compliance; health & safety; supply chain risk; joint venture partnerships

Actively managed principal risks

IT development & strategy; growth strategy; integration & restructuring opportunities; sustainable development; information security; Brexit

Our main concern related to Brexit continues to be whether or not all of our airlines will continue to have access to EU airspace as now. We will continue to address the importance of there being a special deal for aviation to protect consumer choice with the relevant UK and EU ministers and officials, and are assessing options to ensure the Group is not adversely affected to any material extent in this area. Our Brexit Steering Committee continues to monitor external developments and coordinates our mitigation strategy.

With the EU GDPR regulation being enforced imminently, whereby any breaches may result in a significant financial penalty, the gross impact to the Information Security principal risk has increased. Our mitigation strategy including making information security part of everyone's job continues to focus on managing the likelihood of this risk materialising.

→ *Details see Risk Report in our Annual Report 2017, from page 30*

INTERIM FINANCIAL STATEMENTS

Income statement of the TUI Group for the period from 1 Oct 2017 to 31 Mar 2018

€ million	Notes	**H1 2018**	H1 2017
Turnover	(1)	6,813.5	6,353.8
Cost of sales	(2)	6,558.7	6,127.9
Gross profit		**254.8**	**225.9**
Administrative expenses	(2)	621.4	601.1
Other income	(3)	48.6	5.1
Other expenses		0.3	2.2
Financial income		17.7	37.0
Financial expenses		68.1	81.1
Share of result of joint ventures and associates	(4)	121.5	105.6
Earnings before income taxes from continuing operations		**–247.2**	**–310.8**
Income taxes	(5)	–47.0	–65.3
Result from continuing operations		**–200.2**	**–245.5**
Result from discontinued operations		–	–63.1
Group loss		**–200.2**	**–308.6**
Group loss attributable to shareholders of TUI AG		–270.5	–362.9
Group loss attributable to non-controlling interest	(6)	70.3	54.3

Earnings per share

€	**H1 2018**	H1 2017
Basic and diluted earnings per share	–0.46	–0.62
from continuing operations	–0.46	–0.51
from discontinued operations	–	–0.11

Condensed statement of comprehensive income of the TUI Group for the period from 1 Oct 2017 to 31 Mar 2018

€ million	**H1 2018**	H1 2017
Group loss	**– 200.2**	**– 308.6**
Remeasurements of pension obligations and related fund assets	79.1	223.2
Income tax related to items that will not be reclassified	– 13.4	– 53.4
Items that will not be reclassified to profit or loss	**65.7**	**169.8**
Foreign exchange differences	– 67.7	28.8
Financial instruments available for sale	–	131.9
Cash flow hedges	21.3	– 50.3
Changes in the measurement of companies measured at equity	25.7	15.6
Income tax related to items that may be reclassified	– 4.5	– 0.2
Items that may be reclassified to profit or loss	**– 25.2**	**125.8**
Other comprehensive income	**40.5**	**295.6**
Total comprehensive income	**– 159.7**	**– 13.0**
attributable to shareholders of TUI AG	– 225.3	– 84.8
attributable to non-controlling interest	65.6	71.8
Allocation of share of shareholders of TUI AG of total comprehensive income		
Continuing operations	– 225.3	– 22.3
Discontinued operations	–	– 62.5

Financial position of the TUI Group as at 31 Mar 2018

€ million	Notes	31 Mar 2018	30 Sep 2017
Assets			
Goodwill		2,877.5	2,889.5
Other intangible assets		555.5	548.1
Property, plant and equipment	(7)	4,401.1	4,253.7
Investments in joint ventures and associates		1,379.2	1,306.2
Financial assets available for sale	(12)	53.2	69.5
Trade receivables and other assets	(12)	222.2	211.8
Touristic payments on account		170.4	185.2
Derivative financial instruments	(12)	77.7	79.9
Deferred tax assets		352.0	323.7
Non-current assets		**10,088.8**	**9,867.6**
Inventories		118.9	110.2
Financial assets available for sale	(12)	5.0	–
Trade receivables and other assets	(12)	949.3	794.5
Touristic payments on account		1,036.8	573.4
Derivative financial instruments	(12)	326.2	215.4
Income tax assets		142.3	98.7
Cash and cash equivalents	(12), (15)	1,338.1	2,516.1
Assets held for sale	(8)	27.7	9.6
Current assets		**3,944.3**	**4,317.9**
Total assets		**14,033.1**	**14,185.5**

Financial position of the TUI Group as at 31 Mar 2018

€ million	Notes	31 Mar 2018	30 Sep 2017
Equity and liabilities			
Subscribed capital		1,501.6	1,501.6
Capital reserves		4,195.0	4,195.0
Revenue reserves		–3,363.0	–2,756.9
Equity before non-controlling interest		**2,333.6**	**2,939.7**
Non-controlling interest		659.6	594.0
Equity	**(11)**	**2,993.2**	**3,533.7**
Pension provisions and similar obligations	(9)	987.7	1,094.7
Other provisions		766.1	801.4
Non-current provisions		**1,753.8**	**1,896.1**
Financial liabilities	(10), (12)	1,801.5	1,761.2
Derivative financial instruments	(12)	58.0	50.4
Income tax liabilities		147.9	150.2
Deferred tax liabilities		58.7	109.0
Other liabilities	(12)	140.2	150.2
Non-current liabilities		**2,206.3**	**2,221.0**
Non-current provisions and liabilities		**3,960.1**	**4,117.1**
Pension provisions and similar obligations	(9)	34.2	32.7
Other provisions		310.4	349.9
Current provisions		**344.6**	**382.6**
Financial liabilities	(10), (12)	176.3	171.9
Trade payables	(12)	1,839.0	2,653.3
Touristic advance payments received		3,803.8	2,446.4
Derivative financial instruments	(12)	300.7	217.2
Income tax liabilities		61.9	65.3
Other liabilities	(12)	552.4	598.0
Current liabilities		**6,734.1**	**6,152.1**
Liabilities related to assets held for sale		1.1	–
Current provisions and liabilities		**7,079.8**	**6,534.7**
Total provisions and liabilities		**14,033.1**	**14,185.5**

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 1 Oct 2017	**1,501.6**	**4,195.0**	**–2,756.9**	**2,939.7**	**594.0**	**3,533.7**
Dividends	–	–	–381.8	–381.8	–	–381.8
Share-based payment schemes	–	–	1.0	1.0	–	1.0
Group loss	**–**	**–**	**–270.5**	**–270.5**	**70.3**	**–200.2**
Foreign exchange differences	–	–	–63.0	–63.0	–4.7	–67.7
Cash Flow Hedges	–	–	21.3	21.3	–	21.3
Remeasurements of pension obligations and related fund assets	–	–	79.1	79.1	–	79.1
Changes in the measurement 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	**–**	**–**	**45.2**	**45.2**	**–4.7**	**40.5**
Total comprehensive income	–	–	–225.3	–225.3	65.6	–159.7
Balance as at 31 Mar 2018	**1,501.6**	**4,195.0**	**–3,363.0**	**2,333.6**	**659.6**	**2,993.2**

Condensed statement of changes in Group equity for the period from 1 Oct 2016 to 31 Mar 2017

€ million	Subscribed capital	Capital reserves	Revenue reserves	Equity before non-controlling interest	Non-controlling interest	**Total**
Balance as at 1 Oct 2016	**1,500.7**	**4,192.2**	**–3,017.8**	**2,675.1**	**573.1**	**3,248.2**
Dividends	–	–	–368.6	–368.6	–0.3	–368.9
Share-based payment schemes	–	–	0.5	0.5	–	0.5
Acquisition of own shares	–	–	–21.8	–21.8	–	–21.8
Group loss	**–**	**–**	**–362.9**	**–362.9**	**54.3**	**–308.6**
Foreign exchange differences	–	–	11.4	11.4	17.4	28.8
Financial instruments available for sale	–	–	131.9	131.9	–	131.9
Cash Flow Hedges	–	–	–50.4	–50.4	0.1	–50.3
Remeasurements of pension obligations and related fund assets	–	–	223.2	223.2	–	223.2
Changes in the measurement of companies measured at equity	–	–	15.6	15.6	–	15.6
Taxes attributable to other comprehensive income	–	–	–53.6	–53.6	–	–53.6
Other comprehensive income	**–**	**–**	**278.1**	**278.1**	**17.5**	**295.6**
Total comprehensive income	–	–	–84.8	–84.8	71.8	–13.0
Balance as at 31 Mar 2017	**1,500.7**	**4,192.2**	**–3,492.5**	**2,200.4**	**644.6**	**2,845.0**

Condensed cash flow statement of the TUI Group

€ million	Notes	**H1 2018**	H1 2017
Cash outflow from operating activities	(15)	–443.5	–278.5
Cash outflow from investing activities	(15)	–261.2	–695.1
Cash outflow from financing activities	(15)	–470.6	–478.3
Net change in cash and cash equivalents		**–1,175.3**	**–1,451.9**
Change in cash and cash equivalents due to exchange rate fluctuation		–2.4	–14.3
Cash and cash equivalents at beginning of period		**2,516.1**	**2,403.6**
Cash and cash equivalents at end of period		**1,338.4**	**937.4**
of which included in the balance sheet as assets held for sale		0.3	314.1

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 2017 to 31 March 2018. 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 7 May 2018.

Accounting principles

DECLARATION OF COMPLIANCE

The interim consolidated financial statements for the period ended 31 March 2018 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) and the relevant Interpretations of the International Accounting Standards Board (IASB) 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 2017. 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 2018, TUI Group's net debt position (financial liabilities less short-term interest-bearing bank balances) totals € 576.0 m (as at 30 September 2017 net financial assets of € 583.0 m). The increase in net debt versus year-end is driven by typical seasonal cash outflows, mainly within the tour operator.

The Group's main financial liabilities and credit lines as at 31 March 2018 are:

- An external revolving credit facility worth € 1,535.0 m maturing in July 2022 to manage the seasonality of the Group's cash flows and liquidity,
- a bond 2016 / 21 with a nominal value of € 300.0 m issued by TUI AG, maturing in October 2021,
- finance lease obligations worth € 1,294.5 m, and
- liabilities to banks of € 358.8 m, primarily due to loan obligations from the acquisition of property, plant and equipment.

The granting of the credit line requires compliance with certain financial covenants, which were fully complied with at the balance sheet date.

Due to the current economic factors and the political situation in some destinations, there is some uncertainty over customer demand. TUI's Executive Board assumes that TUI's business model is sufficiently flexible to offset the challenges currently identifiable. The 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 is 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 amounts of assets, liabilities and contingent liabilities as at the balance sheet date and the reported amounts of turnover 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 2018 are materially consistent with those followed in preparing the previous consolidated financial statements for the financial year ended 30 September 2017. 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 2018 the following standards amended or newly issued by the IASB have been applied by TUI for the first time either mandatorily or voluntarily early:

New applied standards in financial year 2018

Standard	Applicable from	Amendments	Impact on financial statements
IAS 7 Angabeninitiative	1 Jan 2017	The amendments will enable users of financial statements to better evaluate changes in liabilities arising from financing activities. An entity is required to disclose additional information about cashflows and non-cash changes in liabilities, for which cashflows are classified as financing activities in the statement of cashflows.	No impact on interim reporting, at year-end additional disclosures
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan 2017	The amendment clarifies the accounting for deferred tax assets for unrealised losses from available for sale financial assets.	No material impact
Various Annual Improvements to IFRS (2014 – 2016)	1 Jan 2017/ 1 Jan 2018 (early adoption)	The various amendments from the annual improvement project 2014 – 2016 affect minor changes to IFRS 12, IAS 28 and IFRS 1. Regarding the amendments to IAS 28 and IFRS 1, TUI has elected to early adopt the changes voluntarily.	No impact

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 2018 comprised a total of 254 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 2017	**259**	**13**	**28**
Additions	5	–	1
Incorporation	2	–	–
Acquisition	3	–	1
Disposals	10	–	–
Liquidation	8	–	–
Sale	2	–	–
Balance at 31 Mar 2018	**254**	**13**	**29**

* excl. TUI AG

Acquisitions – Divestments

ACQUISITIONS

In H1 2018, three travel agencies were acquired in the form of asset deals. Moreover, 100 % of the shares in Cruisetour AG, Zurich, Switzerland, as well as Croisimonde AG, Zug, Switzerland, were acquired on 21 December 2017. The aim of the acquisition is to increase market presence in the Cruises segment in the Swiss market. The considerations transferred for all acquisitions by TUI Group exclusively consist of purchase price payments, totalling € 6.9 m.

The difference arising between the considerations and the remeasured acquired net assets as at the acquisition date of € 5.6 m was carried as provisional goodwill. This goodwill essentially constitutes part of the future earnings potential.

Statement of financial position of Cruisetour AG and Croisimonde AG as at the date of first-time consolidation

€ million	Fair value at date of first-time consolidation
Other intangible assets	0.1
Trade and other receivables	2.9
Cash and cash equivalents	2.5
Other provisions	0.1
Trade and other liabilities	4.7
Equity	**0.7**

Based on the information available, it was not possible to finalise measurement of several components of the acquired assets and liabilities of the acquisitions, in particular in connection with the acquisition of Cruisetour AG and Croisimonde AG. Use was made of the 12-month period permitted under IFRS 3 for the completion of the purchase price allocation, which allows for a provisional purchase price allocation to the individual assets and liabilities until the end of that period.

In the period from January 2018 to March 2018, Cruisetour AG and Croisimonde AG generated a turnover of in total € 4.0 m and an immaterial profit contribution. If the acquisition had occurred on 1 October 2017, consolidated proforma revenue of the TUI Group would have been € 6.0 m higher and profit after tax would have been € 0.3 m higher.

No material acquisitions were made after the balance sheet date.

In the reporting period, the purchase price allocations of Transat France S.A. acquired in financial year 2017 were finalised within the 12-month period stipulated by IFRS 3. Apart from an adjustment that decreased goodwill by € 13.7 m, the figures in the consolidated statement of financial position as at 31 March 2017 were retroactively adjusted as follows:

Impact of changes in purchase price allocations and adjustments on the consolidated statement of financial position

€ million	Fair value at date of acquisition (31 Mar 2017)	Adjustment	Fair values at date of first-time consolidation
Other intangible assets	1.2	18.0	19.2
Property, plant and equipment	5.7	2.3	8.0
Investments	–	–	–
Fixed assets	**6.9**	**20.3**	**27.2**
Trade receivables	6.1	12.6	18.7
Other assets	16.0	– 1.8	14.2
Cash and cash equivalents	11.2	6.5	17.7
Deferred tax provisions	–	6.7	6.7
Other provisions	6.0	– 0.2	5.8
Other liabilities	56.8	16.7	73.5
Equity	**– 22.6**	**14.4**	**– 8.2**

The adjustments made do not have an impact on the prior year's income statement.

In addition, shares in German Tur Turizm Ticaret A.S. were acquired for a purchase price of € 8.0 m.

DIVESTMENTS

In the first half of 2018, two Riu Group hotel companies were divested. The sale of Dominicanotel S.A., Puerto Plata, Dominican Republic, and Puerto Plata Caribe Beach S.A., Puerto Plata, Dominican Republic, generated a profit on disposal of € 24.3 m. This profit includes a partial disposal of Riu Group's goodwill of € 5.2 m.

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 7.2 % year-on-year. Alongside an increase in customer volumes in Sales & Marketing, the turnover growth versus H1 2017 was driven by the additional capacity in the Cruises segment, higher average selling prices in Hotels & Resorts and higher prices in the UK.

(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 expenes

€ million	**H1 2018**	H1 2017
Staff cost	362.0	355.1
Rental and leasing expenses	27.0	30.9
Depreciation, amortisation and impairment	37.9	35.1
Others	194.5	180.0
Total	**621.4**	**601.1**

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

Staff cost

€ million	**H1 2018**	H1 2017
Wages and salaries	941.1	900.1
Social security contributions, pension costs and benefits	217.5	214.2
Total	**1,158.6**	**1,114.3**

Depreciation / amortisation / impairment

€ million	**H1 2018**	H1 2017
Depreciation and amortisation of other intangible assets and property, plant and equipment	203.2	198.2
Impairment of other intangible assets and property, plant and equipment	4.8	–
Total	**208.0**	**198.2**

Rental and leasing expenses

€ million	**H1 2018**	H1 2017
Rental and leasing expenses	349.5	383.3

Aircraft leasing expenses declined year-on-year, primarily due to foreign exchange effects. Leasing expenses for cruise ships also declined versus the prior year, in particular due to the expiry of a lease agreement at Marella Cruises.

(3) OTHER INCOME

In H1 2018, other income mainly resulted from the sale of two hotel companies and one hotel. Additional income was generated from the sale of an aircraft.

(4) SHARE OF RESULT OF JOINT VENTURES AND ASSOCIATES

Share of result of joint ventures and associates

€ million	H1 2018	H1 2017 restated
Hotels & Resorts	44.5	42.8
Cruises	53.3	38.3
Destination Experiences	4.2	6.8
Holiday experiences	**102.0**	**87.9**
Northern Region	18.5	16.4
Central Region	0.7	1.2
Western Region	0.2	0.1
Sales and Marketing	**19.4**	**17.7**
All other segments	0.1	–
Total	**121.5**	**105.6**

The increase in income from joint ventures and associates in the Cruises segment mainly results from the launch of Mein Schiff 6.

(5) INCOME TAXES

The tax income arising in the reporting period is mainly driven by the seasonality of the tourism business.

(6) GROUP LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST

The Group result attributable to non-controlling interest represents a profit, which primarily relates to the RIUSA II Group with an amount of € 70.7 m (previous year € 54.3 m).

Notes to the financial position of the TUI Group

(7) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment rose by € 147.4 m year-on-year to € 4,401.1 m. The increase is primarily attributable to the acquisition of aircraft assets worth € 286.8 m, thereof two finance leased aircraft worth € 149.1 m, and investments in hotels of € 117.6 m, with an opposite effect resulting from depreciation / amortisation for the first half of the year as well as foreign currency translation.

(8) ASSETS HELD FOR SALE

As at 31 March 2018, a hotel company was classified as a disposal group. Moreover, an administrative building is held for sale.

(9) PENSION PROVISIONS AND SIMILAR OBLIGATIONS

Pension provisions declined by € 105.5 m to € 1,021.9 m versus the end of the completed financial year. The decline is primarily driven by a decreasing shortfall in coverage of the funded pension plans in the UK. Assets of these funds rose as a result of contributions paid by the employer as well as a good performance of the plan assets.

Pension plans with an excess of plan assets over funded obligations, carried under trade receivables and other assets, are almost flat versus 30 September 2017 at € 56.0 m.

(10) FINANCIAL LIABILITIES

Non-current financial liabilities rose by € 40.3 m to € 1,801.5 m as against 30 September 2017. This was mainly driven by the increase in liabilities from finance leases by € 64.6 m. An opposite trend was caused by a reduction in liabilities to banks by € 24.9 m.

(11) CHANGES IN EQUITY

Equity decreased by € 540.5 m to € 2,993.2 overall versus 30 September 2017.

In H1 2018, TUI AG paid a dividend of € 0.65 per no-par value share, € 381.8 m in total (previous year € 368.6 m), to its shareholders.

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

Gains and losses from effective cash flow hedges worth € 21.3 m (pre-tax) are carried under other comprehensive income in equity outside profit and loss (previous year € – 50.3 m).

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

(12) FINANCIAL INSTRUMENTS

Carrying amounts and fair values according to classes and measurement categories as at 31 Mar 2018

		Category under IAS 39						
€ million	**Carrying amount**	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Financial assets Available for sale	58.2	–	32.1	26.1	–	–	58.2	58.2
Trade receivables and other assets	1,171.5	867.6	–	–	–	–	867.6	867.6
Derivative financial instruments								
Hedging transactions	355.8	–	–	355.8	–	–	355.8	355.8
Other derivative financial instruments	48.1	–	–	–	48.1	–	48.1	48.1
Cash and cash equivalents	1,338.1	1,338.1	–	–	–	–	1,338.1	1,338.1
Liabilities								
Financial liabilities	1,977.8	683.3	–	–	–	1,294.5	683.3	696.3
Trade payables	1,839.0	1,837.4	–	–	–	–	1,837.4	1,837.4
Derivative financial instruments								
Hedging transactions	304.4	–	–	304.4	–	–	304.4	304.4
Other derivative financial instruments	54.3	–	–	–	54.3	–	54.3	54.3
Other liabilities	692.6	72.2	–	–	–	–	72.2	72.2

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2017

€ million	**Carrying amount**	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
		Category under IAS 39						
Assets								
Financial assets Available for sale	69.5	–	43.5	26.0	–	–	69.5	69.5
Trade receivables and other assets	1,006.3	745.1	–	–	–	–	745.1	745.1
Derivative financial instruments								
Hedging transactions	259.8	–	–	259.8	–	–	259.8	259.8
Other derivative financial instruments	35.5	–	–	–	35.5	–	35.5	35.5
Cash and cash equivalents	2,516.1	2,516.1	–	–	–	–	2,516.1	2,516.1
Liabilities								
Financial liabilities	1,933.1	706.6	–	–	–	1,226.5	706.6	714.0
Trade payables	2,653.3	2,652.4	–	–	–	–	2,652.4	2,652.4
Derivative financial instruments								
Hedging transactions	229.2	–	–	229.2	–	–	229.2	229.2
Other derivative financial instruments	38.4	–	–	–	38.4	–	38.4	38.4
Other liabilities	748.2	95.2	–	–	–	–	95.2	95.2

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

The fair values of non-current trade receivables and other assets 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. There are no financial investments held to maturity.

Financial instruments classified as financial assets available for sale include an amount of € 32.1 m (previous year € 43.5 m) for interests in partnerships and corporations for which no active market exists. The fair values of these non-listed interests cannot be calculated by means of a measurement model since their future cash flows cannot be reliably determined. The investments are carried at cost. In the reporting period, and also as at 30 September 2017, there were no material disposals of interests in partnerships or corporations measured at cost. TUI does not intend to sell or derecognise any significant interest in these partnerships or corporations in the near future.

Aggregation according to measurement categories under IAS 39 as at 31 Mar 2018

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Carrying amount of financial instruments Total	Fair value
Loans and receivables	2,205.7	–	–	–	2,205.7	2,205.7
Financial assets						
available for sale	–	32.1	26.1	–	58.2	58.2
held for trading	–	–	–	48.1	48.1	48.1
Financial liabilities						
at amortised cost	2,592.9	–	–	–	2,592.9	2,605.9
held for trading	–	–	–	54.3	54.3	54.3

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2017

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Carrying amount of financial instruments Total	Fair value
Loans and receivables	3,261.2	–	–	–	3,261.2	3,261.2
Financial assets						
available for sale	–	43.5	26.0	–	69.5	69.5
held for trading	–	–	–	35.5	35.5	35.5
Financial liabilities						
at amortised cost	3,454.2	–	–	–	3,454.2	3,461.6
held for trading	–	–	–	38.4	38.4	38.4

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 2018

€ million	Total	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Financial assets Available for sale	26.1	–	–	26.1
Derivative financial instruments				
Hedging transactions	355.8	–	355.8	–
Other derivative financial instruments	48.1	–	48.1	–
Liabilities				
Derivative financial instruments				
Hedging transactions	304.4	–	304.4	–
Other derivative financial instruments	54.3	–	54.3	–

Hierarchy of financial instruments measured at fair value as at 30 Sep 2017

€ million	Total	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Financial assets Available for sale	26.0	–	20.1	5.9
Derivative financial instruments				
Hedging transactions	259.8	–	259.8	–
Other derivative financial instruments	35.5	–	35.5	–
Liabilities				
Derivative financial instruments				
Hedging transactions	229.2	–	229.2	–
Other derivative financial instruments	38.4	–	38.4	–

At the end of every reporting period, TUI Group checks whether there are any reasons for reclassification to or from one of the measurement levels. Financial assets and financial liabilities are generally transferred out of Level 1 into Level 2 if the liquidity and trading activity no longer indicate an active market. The opposite situation applies to potential transfers out of Level 2 into Level 1. In the reporting period, there were no transfers between Level 1 and Level 2.

Reclassifications from Level 3 to Level 2 or Level 1 are made if observable market price quo-tations become available for the asset or liability concerned. Checks of the measurement pa-rameters showed that the stake in peakwork AG did not classify as Level 2 any longer as no observable valuation parameter were available anymore. There were no other transfers from or to Level 3. 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 in listed companies classified as available for sale and bonds issued in the category "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 calculation of the fair values of foreign exchange options and interest derivatives is based on the Black & Scholes model and the Turnbull & Wakeman model for fuel hedge options. 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
Balance as at 1 Oct 2016	**6.0**
Total gains or losses for the period	– 0.1
recognised in other comprehensive income	– 0.1
Balance as at 30 Sep 2017	**5.9**
Balance as at 1 Oct 2017	**5.9**
Additions	20.1
conversion / rebooking	20.1
Total gains or losses for the period	0.1
recognised in other comprehensive income	0.1
Balance as at 31 Mar 2018	**26.1**

The additions to Level 3 of the valuation hierarchy relate to the stake in peakwork AG.

(13) CONTINGENT LIABILITIES

As at 31 March 2018, contingent liabilities totalled € 133.9 m (previous year € 156.1 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 2018, contingent liabilities mainly relate to the provision of guarantees for the benefit of cruise or hotel activities. The decline of € 22.2 m versus 30 September 2017 is mainly driven by the return of guarantees for the Travelopia companies which had to be carried as off-balance sheet contingent liabilities following the sale of Specialist Group, and by scheduled repayments made by TUI Cruises GmbH.

(14) OTHER FINANCIAL COMMITMENTS

Nominal values of other financial commitments

€ million	**31 Mar 2018**	30 Sep 2017
Commitments from operating lease, rental and charter contracts	2,832.0	2,777.4
Order commitments in respect of capital expenditure	3,984.6	4,164.5
Other financial commitments	64.3	95.9
Total	**6,880.9**	**7,037.8**

Capital commitments decreased by € 179.9 m as at 31 March 2018 in comparison to 30 September 2017. This is largely driven by the delivery of new aircraft and foreign exchange effects for commitments denominated in non-functional currencies. Off-setting the reduction are higher levels of hotel construction commitments due to new projects.

(15) Notes to the Group's cash flow statement

Based on the after-tax Group result, the cash flow from operating activities is determined using the indirect method. In the reporting period, cash and cash equivalents declined by € 1,177.7 m to € 1,338.4 m, including an amount of € 0.3 m carried as assets held for sale.

In the reporting period, the outflow of cash from operating activities amounted to € 443.5 m (previous year € 278.5 m).

The outflow of cash from investing activities totals € 261.2 m (previous year € 695.1 m). It comprises a cash outflow for investments in property, plant and equipment and intangible assets of € 364.0 m. The Group also recorded an inflow of € 127.8 m from the sale of property, plant and equipment and intangible assets as well as € 53.4 m from the sale of two consolidated companies. The cash flow from investing activities also includes an outflow of € 24.2 m in connection with the acquisition of consolidated companies and the acquisition of a joint venture. A cash outflow of € 54.2 m relates to short-term interest-bearing investments.

The outflow of cash from financing activities totalled € 470.6 m (previous year € 478.3 m). TUI Group companies took out financial liabilities of € 4.5 m. Outflows included an amount of € 80.5 m for the redemption of financial liabilities, including € 51.7 m for finance lease obligations. At the reporting date, the external revolving credit line to manage the seasonality of cash flows and the Group's liquidity was not used. An outflow of cash of € 45.5 m relates to interest payments, while an outflow of cash of € 381.8 m resulted from dividends paid to TUI AG shareholders. In October 2017, an inflow of cash of € 32.7 m was generated by the sale of the shares in TUI AG held by the Employee Benefit Trust of TUI Travel Ltd., effected in the previous financial year.

Cash and cash equivalents also decreased by € 2.4 m due to changes in exchange rates (in the previous year decline by € 14.3 m).

At 31 March 2018, cash and cash equivalents of € 262.7 m were subject to restrictions (previous year € 261.0 m).

On 30 September 2016, TUI AG entered into an agreement to close the gap between the obligations and the fund assets of defined benefit pension plans in the UK in the long run. At the reporting date an amount of € 144.2 m is deposited as security on a bank account. Until their disposal in financial year 2017, the shares in Hapag-Lloyd AG held by TUI AG were assigned as collateral. TUI Group can only use that cash and cash equivalents if it presents alternative collateral.

Further, an amount of € 116.5 m (previous year € 116.5 m) was deposited with a Belgian subsidiary without acknowledgement of debt by the Belgian tax authorities in financial year 2013 respect of long-standing litigation over VAT refunds for the years 2001 to 2011. The purpose was to suspend the accrual of interest for both parties. In order to collateralise a potential repayment, the Belgian government was granted a bank guarantee. Due to the bank guarantee, TUI's ability to dispose of the cash and cash equivalents has been restricted. The other restrictions relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

(16) SEGMENT INDICATORS

Since the first quarter of 2018, the companies providing services in the destinations have been separately reported as the Destination Experiences segment. The other companies previously included in Other Tourism, such as the French scheduled carrier Corsair and central tourism functions such as information technology, are now included in All Other Segments. The prior year's figures were restated accordingly to reflect the changes in segmentation.

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

€ million	External	Group	H1 2018 Total
Hotels & Resorts	287.9	275.4	563.3
Cruises	395.6	–	395.6
Destination Experiences	59.8	78.8	138.6
Consolidation	–	–1.4	–1.4
Holiday experiences	**743.3**	**352.8**	**1,096.1**
Northern Region	2,324.1	1.1	2,325.2
Central Region	2,305.9	7.6	2,313.5
Western Region	1,132.3	20.7	1,153.0
Consolidation	–	–25.5	–25.5
Sales and Marketing	**5,762.3**	**3.9**	**5,766.2**
All other segments	307.9	47.2	355.1
Consolidation	–	–403.9	–403.9
Total	**6,813.5**	**–**	**6,813.5**

Turnover by segment for the period from 1 Oct 2016 to 31 Mar 2017

€ million	External restated	Group restated	H1 2017 Total restated
Hotels & Resorts	300.0	264.6	564.6
Cruises	345.9	0.3	346.2
Destination Experiences	54.6	72.4	127.0
Consolidation	–	–1.5	–1.5
Holiday experiences	**700.5**	**335.8**	**1,036.3**
Northern Region	2,204.3	19.3	2,223.6
Central Region	2,028.0	8.8	2,036.8
Western Region	1,114.0	21.3	1,135.3
Consolidation	–	–23.0	–23.0
Sales and Marketing	**5,346.3**	**26.4**	**5,372.7**
All other segments	307.0	50.7	357.7
Consolidation	–	–412.9	–412.9
Continuing operations	**6,353.8**	**–**	**6,353.8**
Discontinued operations	546.3	–	546.3
Total	**6,900.1**	**–**	**6,900.1**

The following tables show the Group performance indicators EBITA and underlying EBITA. The TUI Group defines EBITA as earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges and in the prior year also earnings effects from container shipping, as the stake in Hapag-Lloyd AG is a financial investment and not an operating investment from TUI AG's perspective.

EBITA by segment

€ million	**H1 2018**	H1 2017 restated
Hotels & Resorts	179.1	120.0
Cruises	92.4	75.0
Destination Experiences	–9.9	–0.8
Holiday experiences	**261.6**	**194.2**
Northern Region	–129.2	–148.1
Central Region	–151.5	–140.2
Western Region	–118.7	–128.8
Sales and Marketing	**–399.4**	**–417.1**
All other segments	–54.5	–29.0
Continuing operations	**–192.3**	**–251.9**
Discontinued operations	–	–22.2
Total	**–192.3**	**–274.1**

In the first half year 2018, EBITA includes results of € 121.5 m (previous year € 105.6 m) from joint ventures and associates, primarily generated in Holiday experiences.

The underlying EBITA has been adjusted for results 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 and other expenses for and income from one-off items. The one-off items carried as adjustments are income and expense items impacting or distorting the assessment of the operating profitability of the segments and the Group due to their size or frequency.

Underlying EBITA by segment

€ million	**H1 2018**	H1 2017 restated
Hotels & Resorts	179.2	122.8
Cruises	92.4	75.0
Destination Experiences	–9.3	0.3
Holiday experiences	**262.3**	**198.1**
Northern Region	–120.5	–138.0
Central Region	–145.8	–143.7
Western Region	–105.6	–102.2
Sales and Marketing	**–371.9**	**–383.9**
All other segments	–49.0	–28.5
Continuing operations	**–158.6**	**–214.3**
Discontinued operations	–	–15.3
Total	**–158.6**	**–229.6**

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

€ million	H1 2018	H1 2017
Underlying EBITA of continuing operations	**– 158.6**	**– 214.3**
Result on disposal*	–	– 0.7
Restructuring expense*	– 13.4	– 17.1
Expense from purchase price allocation*	– 15.0	– 15.2
Expense from other one-off items*	– 5.3	– 4.6
EBITA of continuing operations	**– 192.3**	**– 251.9**
Result from the sale of the shares in Container Shipping	–	2.3
Net interest expense and expense from measurement of interest hedges	– 54.9	– 61.2
Earnings before income taxes of continuing operations	**– 247.2**	**– 310.8**

* For a description of the adjustments see the management report.

(17) 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.

The equity stake held by Riu Hotels S.A., listed in the Notes on the consolidated financial statements as at 30 September 2017, remained unchanged at the reporting date for the interim financial statements. In the first half year 2018, the Russian entrepreneur Alexey Mordashov acquired further shares. At the reporting date, 31 March 2018, he held a 23.5 % stake in TUI. More detailed information on related parties is provided under Other notes in the Notes on the consolidated financial statements for 2017.

Togebi Holdings Limited (TUI Russia) is a joint venture between Oscrivia Limited (Oscrivia), a subsidiary of Unifirm Limited, and TUI Group. Unifirm Limited is the subsidiary of OOO Severgroup, owned by a large shareholder and Supervisory Board member of TUI AG. In the reporting period, TUI Russia was granted shareholder loans worth USD 7.8 m by TUI Group.

(18) SIGNIFICANT TRANSACTIONS AFTER THE BALANCE SHEET DATE

On 13 April 2018, TUI UK Ltd. acquired the cruise ship Mein Schiff 1 from TUI Cruises GmbH for a purchase price of € 202.2 m. After successful rebuilding, Mein Schiff 1 will be operated as Marella Explorer and expand the fleet of Marella Cruises.

(19) INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) NOT YET APPLIED

We refer to our annual report for the 2017 financial year regarding the effects of the new standards relating to revenue recognition (IFRS 15), financial instruments (IFRS 9) and leases (IFRS 16). In comparison to those explanations, the following additional insights have been gained:

IFRS 15

The group-wide examination of the effects of IFRS 15 has not yet been completed.

TUI intends to first apply IFRS 15 retrospectively and present the comparative period in accordance with IFRS 15. We intend to make use of the relief not to reevaluate contracts fulfilled before 1 October 2017 based on IFRS 15.

Revenue recognition at the tour operator: Individual revenue streams, which to date have been primarily recognised at the start date of the journey, will in future be required to be recognised over time under the new requirements. This hereby results in a subsequent realisation of revenue and cost of sales corresponding to the progression of the journey.

As our financial year ends each year at the end of an off-peak season, the effects from the recognition of additional revenues and touristic expenses at the beginning of a financial year, and lower revenues and touristic expenses at the end of a financial year will almost entirely offset each other. In the preliminary opening balance sheet as at 1 October 2017, equity would probably decrease by a small two-digit million amount in comparison to the reported amount.

We are currently in the process of completing the data analysis and verification of results, as well as implementing accounting systems, such that we are unable to reliably quantify further transition effects at this point in time.

IFRS 9

The analysis of the effects of applying IFRS 9 has not yet been completed, so that we cannot reliably quantify the expected financial effects on transition at this point in time.

- We will make a decision shortly about the individual classification of the equity instruments held by the Group as financial assets 'at fair value through other comprehensive income' or as financial assets 'at fair value through profit and loss'.

- In the second half of the financial year, we will conduct an analysis of historical default rates to derive provision matrixes for those financial assets, for which the simplified approach to determine the impairment charges is applicable. For all other financial assets measured at amortised cost (e.g. touristic loans), we will determine the impairment under the expected credit loss model in accordance with the general approach. In comparison to the current bad debt allowances we do not anticipate material effects at this point in time.

- As the adaption of our treasury management systems regarding the hedge accounting requirements has not been completed yet, we have not yet decided whether we will make use of the accounting choice on transition to IFRS 9 to continue to apply the hedge accounting requirements of IAS 39.

At this stage TUI anticipates no material effect on the consolidated financial statement upon transition to IFRS 9.

IFRS 16

TUI has tentatively decided to make use of the recognition exemptions for short-term leases and leases of low-value assets. We intend to continue in the future – consistent with the internal management approach – to present intra-group leases in the segment reporting according to IFRS 8 as if they were operating leases under IAS 17.

TUI will apply IFRS 16 effective 1 October 2019 in accordance with the modified retrospective transition method. The Group has not yet taken decisions about the various accounting choices and practical expedients available on transition in view of the commenced group-wide recording and evaluation of all external lease arrangements.

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, 7 May 2018

The Executive Board

Friedrich Joussen
Horst Baier
David Burling
Sebastian Ebel
Dr. Elke Eller
Frank Rosenberger

REVIEW REPORT

To TUI AG, Berlin / Germany and Hannover / Germany

We have reviewed the condensed interim consolidated financial statements – comprising the statement of financial position, the income statement, the condensed statement of compre-hensive 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 2017 until 31 March 2018 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 ma-nagement 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 stan-dards 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 En-gagements "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 com-pliance 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 as-surance 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, 7 May 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Christoph B. Schenk
German Public Auditor

Dr. Hendrik Nardmann
German Public Auditor

Cautionary statement regarding forward-looking statements

The present half year financial 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 of developments after the date of this Report.

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The presentation slides and the video webcast for H1 2018 are available at the following link:
www.tuigroup.com/en-en/investors

Financial Calendar

9 MAY 2018
Half Year Financial Report 2018
Capital Markets Day

9 AUGUST 2018
Quarterly Statement Q3 2018

27 SEPTEMBER 2018
Pre-Close Trading Update

13 DECEMBER 2018
Annual Report 2018

12 FEBRUARY 2019
Annual General Meeting 2019

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PHOTOGRAPHY
Title: TUI Cruises

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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