TUI AG / Half-yearly Results

15-May-2017 / 08:00 CET/CEST
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H1 2016/17

TUI Group - financial highlights

EUR million		Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %	Var. % at constant currency
Turnover		3,096.5	2,966.4	+ 4.4	6,382.4	6,178.7	+ 3.3	+ 8.2
Underlying EBITA[1]								
Northern Region		- 108.6	- 78.1	- 39.1	- 138.0	- 120.9	- 14.1	- 34.1
Central Region		- 91.4	- 83.6	- 9.3	- 143.7	- 110.6	- 29.9	- 29.8
Western Region		- 54.5	- 48.0	- 13.5	- 102.2	- 75.7	- 35.0	- 35.0
Hotels & Resorts		73.6	67.6	+ 8.9	122.8	96.0	+ 27.9	+ 31.0
Cruises		47.0	37.0	+ 27.0	75.0	49.3	+ 52.1	+ 58.5
Other Tourism		- 13.1	- 6.4	- 104.7	- 13.4	- 16.7	+ 19.8	+ 49.3
Tourism		- 147.0	- 111.5	- 31.8	- 199.5	- 178.6	- 11.7	- 19.0
All other segments		- 7.0	- 14.5	+ 51,7	- 14.8	- 27.8	+ 46.8	+ 31.8
TUI Group		- 154.0	- 126.0	- 22.2	- 214.3	- 206.4	- 3.8	- 12.2
Discontinued operations		- 3.1	- 0.5	- 520.0	- 15.3	- 21.8	+ 29.8	+ 37.5
Total		- 157.1	- 126.5	- 24.2	- 229.6	- 228.2	- 0.6	- 7.4
EBITA[2] (continuing operations)		- 182.4	- 138.1	- 32.1	- 251.9	-240.9	- 4.6	
Underlying EBITDA (continuing operations)		- 59.9	- 40.2	- 49.0	- 27.3	- 33.4	+ 18.3	
EBITDA (continuing operations)		- 82.1	- 45.6	- 80.0	- 52.3	- 53.1	+ 1.5	
Net loss for the period (continuing operaitons)		- 163.9	- 208.8	+ 21.5	- 245.5	- 346.9	+ 29.2	
Earnings per share (continuing operations)	EUR	- 0.32	- 0.42	+ 23.8	- 0.51	- 0.69	+ 26.1	
Net capex and investments		365.9	113.9	+ 221.2	695.1	243.9	+ 185.0	
Equity ratio (31 March) [3]	%				20.0	12.6	+ 7.4	
Net financial position (continuing operations as at 31 March)					- 1,404.1	- 1,579.6	+ 11.1	
Net financial position (discontinued operations as at 31 March)					305.6	172.9	+ 76.7	
Employees (continuing operations as at 31 March)					55,142	54,336	+ 1.5	

Differences may occur due to rounding.

Due to the following changes to segmental reporting, the prior year's reference figures were restated accordingly:

In Q2 2016 / 17, the hotel operating company Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados, previously carried in the Northern Region segment, was integrated in the hotel business and has therefore now been reported within Hotels & Resorts. Moreover, the British cruise business Thomson Cruises, which had also previously been reported within the Northern Region segment, was transferred to the Cruises segment. Moreover, due to the planned disposal of Travelopia - a large part of the Specialist Group segment - Crystal Ski and Thomson Lakes & Mountains were reclassified to Northern Region. The remaining segment has been carried as a discontinued operation since 30 September 2016.

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

[2] EBITA comprises earnings before net interest result, income tax and impairment of goodwill excluding losses on container shipping and excluding the result from the measurement of interest hedges.

[3] Equity divided by balance sheet total in %, variance is given in percentage points.

INTERIM MANAGEMENT REPORT

Delivering our transformation as the world's leading integrated tourism business

- Good overall performance in the first half driven by growth in Hotels & Resorts and Cruises, as well as delivery of merger synergies.

- Current trading for Summer 2017 remains in line with our expectations.

- Strength of the integrated model and balanced portfolio of markets and destinations enable us to continue to deliver sustainable growth.

- Travelopia disposal on track to complete during H2 2016 / 17; German airline JV negotiations ongoing.

- Reiterate our guidance of at least 10 % growth in underlying EBITA in 2016 / 17 [1].

[1] At constant foreign exchange rates applied in the current and prior period, and based on the current group structure.

H1 results at a glance

EUR million	H1
Underlying EBITA H1 2015 / 16	- 237
Restatements (including Hotelbeds and Travelopia treated as discontinued operations)	31
Underlying EBITA H1 2015 / 16 restated [2]	- 206
Underlying trading	25
Merger synergies (corporate streamlining)	10
Year on year impact of aircraft financing	2
TUI fly sickness	- 24
Like for like underlying EBITA H1 2016 / 17 [2]	- 193
Easter timing impact	- 38
Foreign exchange translation	17
Underlying EBITA H1 2016 / 17 [2]	- 214

[2] Continuing operations

- In order to demonstrate better the performance of our hotel and cruise brands, results for Thomson Cruises and Blue Diamond hotels (formerly within Northern Region) are now reported within the Cruise and Hotels & Resorts segments. Prior year results have been restated accordingly.

- Hotels & Resorts - good performance by Riu, Robinson and Blue Diamond, with openings for Riu in Jamaica, TUI Blue in Tenerife and Blue Diamond in the Caribbean. Our popular brands, integrated model and strong presence in year round destinations continue to drive high levels of occupancy (Riu 88 %, overall Hotels & Resorts 75 %) whilst still delivering 5 % growth in average revenue per bed.

- Cruises - strong growth driven by TUI Cruises and Thomson Cruises as a result of the first Winter operations of Mein Schiff 5 and TUI Discovery, as well as increased earnings from Hapag-Lloyd Cruises.

- Source Markets - more relevant to more customers, with 3 % growth in customers and further progress in increasing direct and online distribution (73 % and 47 % respectively). The TUI rebrand is progressing well in Nordics and Belgium and our new customer IT platform has been rolled out to all markets.

- As outlined at Q1, the Source Markets result has been impacted by higher than normal levels of sickness in TUI fly in October 2016, as well as the impact of rebrand costs and the later timing of Easter.

- See Segmental Performance section on pages 7 to 11 for further detail.

Current trading

Winter 2016/17

Current trading for Winter has closed out in line with our expectations. We have delivered further expansion in our hotel and cruise brands, with openings for Riu, TUI Blue, Blue Diamond, as well as the first Winter of operations for Mein Schiff 5 (TUI Cruises) and TUI Discovery (Thomson Cruises). In Source Markets, customer growth has been driven by long haul, Canaries, Cape Verde and Cyprus, with a continued increase in customers staying in our own hotels.

Summer 2017

Summer 2017 remains in line with our expectations, with good overall demand for our hotel and cruise brands, and from our Source Markets. In our hotel brands, we recently opened a TUI Blue property in Tuscany, and will open another in Croatia this July. Subdued demand for Turkey and North Africa continue to be offset by the popularity of other destinations including Spain and Canaries, Greece, Cyprus, Cape Verde and Caribbean.

In Cruises, TUI Cruises will launch the newly built Mein Schiff 6 in June. The 2,500 berth ship will be based initially in Kiel (Germany) before moving to New Jersey for itineraries in the USA and Caribbean. Demand for cruises remains buoyant in Germany, and we remain pleased with the performance of the TUI Cruises fleet. Thomson Cruises continues its programme of modernisation with the launch of TUI Discovery 2. The 1,800 berth ship, recently acquired from Royal Caribbean, will be based in the Mediterranean this Summer before moving to the Caribbean for Winter 2017 / 18. We are pleased with sales for the new ship, as well as the performance of the rest of the Thomson Cruises fleet.

The Source Markets' programme, which includes sales of holidays to our own and third party hotels, is 62 % sold, in line with prior year. Bookings are 4 % ahead of prior year, with growth in demand for Greece, Bulgaria, Croatia, Cyprus, Cape Verde and long haul. We are also continuing to drive direct and online distribution, with bookings made via these channels up 4 % and 6 % respectively.

In the UK, despite the backdrop of Brexit, demand for our holidays remains resilient with the percentage of the programme sold in line with prior year. As previously outlined, revenue and selling price reflects to an extent the impact of currency cost inflation for Euro based destinations this Summer.

Current trading summer 2017*

YoY variation %	Total revenue	Total customers	Total ASP	Programme sold (%)
Northern Region	8	1	7	63
UK	8	0	8	65
Memo: UK incl. Thomson Cruises	10	1	8	65
Nordics	8	3	5	58
Central Region	9	6	2	62
Germany	7	4	3	62
Western Region	8	4	4	61
Benelux	7	3	3	61
Total source markets	8	4	4	62
Memo: Total source markets incl. Thomson Cruises	9	4	5	62

* These statistics are up to 7 May 2017, shown on a constant currency basis and relate to all customers whether risk or non-risk.

Trading by the Hotels & Resorts segment largely mirrors customer volumes in the source markets, as a high proportion of the Group owned hotel beds are taken up by TUI tour operators. In the Cruises segment, advance bookings were up year-on-year with sound demand levels, primarily due to continued fleet expansion.

Outlook

The Group has delivered a good H1 overall and Summer 2017 continues to trade in line with our expectations. We therefore reiterate our guidance of at least 10 % growth in underlying EBITA in 2016 / 17 (at constant foreign exchange rates applied in the current and prior period, and based on the current group structure.)

We are continuing to deliver our transformation as the world's leading integrated tourism business, focussed on own hotel and cruise brands, with growth enabled and de-risked by our strength in distribution and direct customer relationships, and financed by our strong operating cash flows and disposal proceeds. Whilst the turbulent macroeconomic and geopolitical backdrop is evident in certain destinations and markets, our operational experience, integrated model and balanced portfolio of markets and destinations mean that we are well placed to deal with these challenges and continue to deliver sustainable growth into the longer term.

Expected development of Group turnover, underlying EBITA and adjustments

	Expected development vs. PY	
EUR million	2015 / 16 restated	2016 / 17*
Turnover	17,185	around 3 % growth
Underlying EBITA	1,001	at least 10 % growth
Adjustments	103	approx. EUR 100 m cost

* 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 any disposal proceeds for Travelopia and Hapag-Lloyd AG.

The expected development of adjustments has been updated to EUR 100 m in order to reflect the earlier recognition of restructuring costs in relation to the Transat integration. It is expected that this will be offset by lower net interest costs for the Group, reflecting the lower cost of debt finance.

Structure and strategy of TUI Group

Reporting structure

In the Interim Financial Report for H1 2016 / 17 the TUI Group reporting structure is mainly based on that introduced for the Annual Report 2015 / 16.

Details see Annual Report 2015 / 16: page 44ff

Due to the following changes to segmental reporting, the prior year's reference figures were restated accordingly.

Reclassifications from Northern Region segment

In Q2 2016 / 17, the hotel operating company Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados, previously reported within Northern Region, was included within the hotel business and is therefore now reported within Hotels & Resorts. Moreover, the UK cruise business Thomson Cruises, also previously carried in Northern Region, was reclassified to the Cruises segment.

Specialist Group

In addition, Crystal Ski and Thomson Lakes & Mountains were reclassified to Northern Region in preparation for the planned disposal of Travelopia, a large part of the Specialist Group segment. The remaining segment has been carried as a discontinued operation since 30 September 2016. An agreement on the disposal of Travelopia to Kohlberg Kravis Roberts & Co. LP was concluded in February 2017. KKR will acquire Travelopia for an enterprise value of EUR 381 m. The disposal proceeds will be invested to finance the continued expansion of the hotel and cruise growth segments. The closing of the transaction is subject to the relevant regulatory approvals and is expected during H2 2016 / 17.

Details see Notes from page 28

Group targets and strategy

The TUI Group continues to pursue its strategy as presented in financial year 2015 / 16.

Our assessment of the expected synergies and one-off costs resulting from the merger between TUI AG and TUI Travel PLC is retained as presented in the Annual Report for 2015 / 16. In H1 2016 / 17, we delivered synergies worth EUR 10 m from the merger with TUI Travel, which resulted from the consolidation of overlapping Corporate Centre functions.

Details see Annual Report 2015 / 16: page 28 - 43

Consolidated earnings

Turnover

EUR million	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Northern Region	1,120.9	1,170.1	- 4.2	2,232.9	2,358.3	- 5.3
Central Region	887.1	897.7	- 1.2	2,028.0	1,987.1	2.1
Western Region	564.6	428.7	31.7	1,114.0	915.6	21.7
Hotels & Resorts	158.8	133.6	18.9	300.0	266.0	12.8
Cruises	194.0	173.9	11.6	345.9	308.9	12.0
Other Tourism	139.8	142.0	- 1.5	290.4	290.0	0.1
Tourism	3,065.2	2,946.0	4.0	6,311.2	6,125.9	3.0
All other segments	31.3	20.4	53.4	71.2	52.8	34.8
TUI Group	3,096.5	2,966.4	4.4	6,382.4	6,178.7	3.3
TUI Group at constant currency	3,202.2	2,966.4	7.9	6,688.4	6,178.7	8.2
Discontinued operations	293.9	561.4	- 47.6	546.3	1,067.5	- 48.8
Total	3,390.4	3,527.8	- 3.9	6,928.7	7,246.2	- 4.4

Underlying EBITA

Underlying EBITA

EUR million	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Northern Region	- 108.6	- 78.1	- 39.1	- 138.0	- 120.9	- 14.1
Central Region	- 91.4	- 83.6	- 9.3	- 143.7	- 110.6	- 29.9
Western Region	- 54.5	- 48.0	- 13.5	- 102.2	- 75.7	- 35.0
Hotels & Resorts	73.6	67.6	8.9	122.8	96.0	27.9
Cruises	47.0	37.0	27.0	75.0	49.3	52.1
Other Tourism	- 13.1	- 6.4	- 104.7	- 13.4	- 16.7	19.8
Tourism	- 147.0	- 111.5	- 31.8	- 199.5	- 178.6	- 11.7
All other segments	- 7.0	- 14.5	51.7	- 14.8	- 27.8	46.8
TUI Group	- 154.0	- 126.0	- 22.2	- 214.3	- 206.4	- 3.8
TUI Group at constant currency	- 177.7	- 126.0	- 41.0	- 231.4	- 206.4	- 12.1
Discontinued operations	- 3.1	- 0.5	- 520.0	- 15.3	- 21.8	29.8
Total	- 157.1	- 126.5	- 24.2	- 229.6	- 228.2	- 0.6

EBITA

EBITA

EUR million	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Northern Region	- 114.4	- 82.5	- 38.7	- 148.1	- 131.5	- 12.6
Central Region	- 86.5	- 84.4	- 2.5	- 140.2	- 117.0	- 19.8
Western Region	- 80.1	- 50.5	- 58.6	- 128.8	- 79.4	- 62.1
Hotels & Resorts	72.4	67.5	7.3	120.0	95.2	26.1

Cruises	46.9	37.0	26.7	75.0	49.3	52.2
Other Tourism	- 14.0	- 7.9	- 77.2	- 14.9	- 20.0	25.5
Tourism	- 175.7	- 120.8	- 45.4	- 237.0	- 203.4	- 16.5
All other segments	- 6.7	- 17.3	61.3	- 14.9	- 37.5	60.3
TUI Group	- 182.4	- 138.1	- 32.1	- 251.9	- 240.9	- 4.6
Discontinued operations	- 6.6	- 32.4	79.6	- 22.2	- 71.7	69.0
Total	- 189.0	- 170.5	- 10.8	- 274.1	- 312.6	12.3

Segmental performance

Northern Region

	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Turnoverin EUR million	1,120.9	1,170.1	- 4.2	2,232.9	2,358.3	- 5.3
Underlying EBITAin EUR million	- 108.6	- 78.1	- 39.1	- 138.0	- 120.9	- 14.1
Underlying EBITA at constant currencyin EUR million	- 125.4	- 78.1	- 60.6	- 162.1	- 120.9	- 34.1
Direct distribution[1] in %, variance in % points	90	91	- 1	90	90	-
Online distribution[2] in %, variance in % points	63	60	3	63	59	4
Customers in '000	1,177	1,080	9.0	2,363	2,250	5.0

[1] Share of sales via own channels (retails and online); incl. Thomson Cruises

[2] Share of online sales; incl. Thomson Cruises

- Northern Region results have been restated to exclude Thomson Cruises (now in Cruises) and Blue Diamond hotels (now in Hotels & Resorts).

- The result includes approximately EUR 20 m phasing impact from the later timing of Easter.

- Northern Region continues to deliver high levels of direct and online distribution, at 90 % and 63 % respectively.

- UK customer volumes increased by 8 % in H1 2016 / 17, with a good end to Summer and growth in long haul in Winter. This was offset by P & L charges arising from an increase in the valuation of US dollar based maintenance reserves (due to the weaker Pound Sterling) and an increase in pension service costs (technically driven by lower interest rates). The result was also impacted to some extent in Q2 by currency cost inflation, due to the weakening of the Pound Sterling.

- As expected, Nordic's H1 performance was impacted by lower demand for Turkey and Egypt. In addition, the result includes the impact of rebrand marketing costs. Based on current trading, we expect an improvement in H2 performance and remain focused on driving further operational efficiency improvements.

- Earnings in our Canadian joint venture increased significantly on prior year, when it was unable to fully pass on higher accommodation costs as a result of the weakening of the Canadian versus US dollar.

Central Region

	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Turnover in EUR million	887.1	897.7	- 1.2	2,028.0	1,987.1	2.1
Underlying EBITA in EUR million	- 91.4	- 83.6	- 9.3	- 143.7	- 110.6	- 29.9
Underlying EBITA at constant currency in EUR million	- 91.2	- 83.6	- 9.1	- 143.6	- 110.6	- 29.8
Direct distribution[1] in %, variance in % points	49	45	4	47	45	2
Online distribution[2] in %, variance in % points	19	15	4	17	14	3
Customersin '000	885	958	- 7.6	2,146	2,215	- 3.1

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

[2] Share of online sales

- Central Region has continued to increase the share of bookings via direct and online channels, to 47 % and 17 % respectively.

- Germany continues to build on its market share gains with an increased range of holidays and departure airports on offer, delivering an improved trading performance in H1.

- As outlined at Q1, the result was impacted by higher than normal levels of sickness in TUIfly in October 2016 resulting in a number of flight cancellations. In addition, the result includes approximately EUR 4 m from the later timing of Easter, as well as additional aircraft repair costs.

- Negotiations with Etihad regarding the creation of an airline joint venture to serve the German, Austrian and Swiss markets are ongoing.

Western Region

	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Turnover in EUR million	564.6	428.7	31.7	1,114.0	915.6	21.7
Underlying EBITA in EUR million	- 54.5	- 48.0	- 13.5	- 102.2	- 75.7	- 35.0
Underlying EBITA at constant currency in EUR million	- 54.5	- 48.0	- 13.5	- 102.2	- 75.7	- 35.0
Direct distribution[1] in %, variance in % points	73	71	2	73	70	3
Online distribution[2] in %, variance in % points	57	54	3	56	53	3
Customers in '000	882	795	10.9	1,835	1,671	9.8

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

[2] Share of online sales

- Further growth in both direct and online distribution to 73 % and 56 % respectively, aided by the rebrand in Belgium.

- The result reflects the first time inclusion of Transat's seasonal EBITA loss, as well as the impact of rebrand costs in Belgium and EUR 5 m timing impact of Easter.

- The Netherlands result was impacted by night slot restrictions at Schiphol Airport and increased claims for denied boarding compensation. The Summer programme has been altered to take these restrictions into account.

Hotels & Resorts

	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Total turnover in EUR million	281.4	259.7	8.4	564.6	530.3	6.5
Turnover in EUR million	158.8	133.6	18.9	300.0	266.0	12.8
Underlying EBITA in EUR million	73.6	67.6	8.9	122.8	96.0	27.9
Underlying EBITA at constant currency rates in EUR million	76.9	67.6	13.8	125.7	96.0	31.0
Capacity hotels total[1,4] in '000	6,496.4	6,237.4	4.2	14,287.7	13,970.3	2.3
Riu	4,180.8	4,134.9	1.1	8,382.9	8,370.1	0.2
Robinson	512.8	493.1	4.0	1,167.0	1,143.2	2.1
Occupancy rate hotels total[2] in %, variance in % points	78.3	78.9	- 0.6	74.8	75.7	- 0.9
Riu	90.5	91.6	- 1.1	88.2	87.7	0.5
Robinson	60.1	62.6	- 2.5	62.4	63.5	- 1.1
Average revenue per bed hotels total[3] in EUR	70.46	66.35	6.2	64.71	61.63	5.0
Riu	74.99	69.52	7.9	69.28	64.68	7.1
Robinson	101.22	97.58	3.7	93.15	90.38	3.1

These statistics include former TUI Travel hotels; Blue Diamond included in underlying EBITA

[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 KPIs restated

- This segment now includes the results of Blue Diamond hotels, which is part of our joint venture in Canada. The result includes EUR 9 m impact from the later timing of Easter.

- Our popular brands, integrated model and strong presence in year round destinations continue to drive high levels of occupancy
(Riu 88 %, overall Hotels & Resorts 75 %) whilst still delivering 5 % growth in average revenue per bed.

- Riu delivered another strong performance, particularly in Spain and Mexico, with a 7 % increase in average revenue per bed. As expected, this was partly offset by the gain on disposal of the Riu Tropicana in the prior year.

- Robinson also delivered a good performance, with 3 % growth in average revenue per bed overall.

- As expected, these were offset partly by the adverse impact from lower demand for Turkey. Encouragingly we are seeing an improvement in occupancy in our hotels in North Africa.

Cruises

	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Turnover in EUR million	194.0	173.9	11.6	345.9	308.9	12.0
Underlying EBITA in EUR million	47.0	37.0	27.0	75.0	49.3	52.1
Underlying EBITA at constant currency rates in EUR million	48.3	37.0	30.5	78.1	49.3	58.5
Occupancy in %, variance in % points						
Hapag-Lloyd Cruises	76.0	79.5	- 3.5	73.8	74.9	- 1.1
TUI Cruises	100.0	101.2	- 1.2	99.7	100.9	- 1.1
Thomson Cruises	98.1	96.7	1.4	99.6	97.7	1.9
Passenger days in '000						
Hapag-Lloyd Cruises	89.3	94.8	- 5.8	163.7	166.3	- 1.6
TUI Cruises	1,024.2	814.8	25.7	2,031.7	1,633.1	24.4
Thomson Cruises	562.3	414.9	35.5	1,090.0	851.8	28.0
Average daily rates[1] in EUR						
Hapag-Lloyd Cruises	633	623	1.6	595	561	6.1
TUI Cruises	150	148	1.4	147	147	-
Thomson Cruises [2]	168	160	5.0	161	148	8.8

[1] Per day and passenger

[2] KPI revenue, inclusive all package elements

- This segment now includes the results of Thomson Cruises, formerly reported within Northern Region.

- TUI Cruises continues to deliver significant growth whilst maintaining a strong occupancy and rate performance, with an additional ship (Mein Schiff 5) this Winter. This was offset partly by a planned increase in dry dock days.

- Thomson Cruises' result has also increased significantly, with the first Winter of operations of TUI Discovery and a good occupancy and rate performance across the fleet.

- Hapag-Lloyd Cruises has delivered an increase in earnings, benefitting from improvements to itineraries and fewer dry dock days than prior year.

Other tourism

EUR million	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Turnover	139.8	142.0	- 1.5	290.4	290.0	0.1
Underlying EBITA	- 13.1	- 6.4	- 104.7	- 13.4	- 16.7	19.8
Underlying EBITA at constant currency	- 10.0	- 6.6	- 51.5	- 8.5	- 16.7	49.3

- Destination Services continued to deliver improved trading in H1.

- Corsair's result also improved as a result of fuel savings.

All other segments

EUR million	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Turnover	31.3	20.4	53.4	71.2	52.8	34.8
Underlying EBITA	- 7.0	- 14.5	51.7	- 14.8	- 27.8	46.8
Underlying EBITA at constant currency rates	- 8.7	- 14.5	40.0	- 18.9	- 27.8	32.0

- All other segments underlying EBITA improved by EUR 13.0 m year-on-year to EUR - 14.8 m in H1 2016 / 17.

- In the period under review, additional corporate streamlining synergies worth EUR 10 m were delivered.

Financial position and net assets

Cash Flow / Net capex and investments / Net debt

The cash outlow from operating activities decreased by EUR 286.8 m year-on-year. This was mainly due to an improvement in working capital seasonality following the disposal of Hotelbeds Group in September 2016, and positive exchanges rate effects.

Net capex and investments

EUR million	Q2 2016 / 17	Q2 2015 / 16	Var. %	H1 2016 / 17	H1 2015 / 16	Var. %
Cash gross capex						
Northern Region	12.6	12.7	- 0.8	25.2	30.1	- 16.3
Central Region	4.1	5.4	- 24.1	7.3	9.1	- 19.8
Western Region	6.4	4.8	33.3	13.7	7.7	77.9
Hotels & Resorts	71.8	40.6	76.8	130.6	108.4	20.5
Cruises	224.7	5.4	n. a.	247.8	23.3	963.5
Other Tourism	23.5	19.2	22.4	49.1	43.6	12.6
Tourism	343.1	88.1	289.4	473.7	222.2	113.2
All other segments	0.4	2.8	- 85.7	1.8	14.8	- 87.8
TUI Group	343.5	90.9	277.9	475.5	237.0	100.6
Discontinued operations	4.4	19.3	- 77.2	10.6	32.5	- 67.4
Total	347.9	110.2	215.7	486.1	269.5	80.4
Net pre delivery payments on aircraft	33.8	20.6	64.1	117.5	21.3	451.6
Financial investments	1.0	1.5	- 33.3	103.1	14.0	636.4
Divestments	- 16.8	- 18.4	8.7	- 11.6	- 60.9	81.0
Net capex and investments	365.9	113.9	221.2	695.1	243.9	185.0

The increase in cash gross capex in the Cruises sector mainly resulted from the purchase of the cruise liner TUI Discovery 2.

Assets and liabilities

Assets and liabilities

EUR million	31 Mar 2017	30 Sep 2016	Var. %
Non-current assets	9,894.9	9,131.8	+ 8.4
Current assets	4,349.5	5,326.1	- 18.3
Assets	14,244.4	14,457.9	- 1.5
Equity	2,845.0	3,248.2	- 12.4
Provisions	2,401.5	2,628.7	- 8.6
Financial liabilities	2,027.4	2,041.1	- 0.7
Other liabilities	6,970.5	6,539.9	+ 6.6
Liabilities	14,244.4	14,457.9	- 1.5

As at 31 March 2016 / 17, TUI Group's balance sheet total amounted to EUR 14.2 bn (30 September 2016: EUR 14.5 bn). Non-current assets rose by 8.4 % overall, mainly driven by higher goodwill due to the acquisition of Transat's French tour operator business and an increase in property, plant and equipment due to the purchase of cruise ship TUI Discovery 2. The decline in current assets of 18.3 % was mainly attributable to the seasonal decline in cash and cash equivalents. On the liabilities side, non-current provisions and liabilities decreased by 6.0 %, partly driven by a decline in pension provisions due to higher capital market interest rates, the issuance of a bond in October 2016 and the use of long-term credit lines. As at 31 March 2017, the equity ratio stood at 20.0 %, falling below its level of 22.5 % as at 30. September 2016, the balance sheet date.

Details see Notes from page 35

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 Source Markets, which account for over 90 % of our Group currency and fuel exposure.

Foreign Exchange/Fuel

%	Summer 2017	Winter 2017 / 18
Euro	95	70
US Dollar	91	72
Jet Fuel	93	85

As at 5 May 2017

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.

Income statement of the TUI Group for the period from 1 Oct 2016 to 31 Mar 2017

EUR million	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Turnover	3,096.5	2,966.4	4.4	6,382.4	6,178.7	3.3

Cost of sales	3,053.9	2,876.9	6.2	6,156.5	5,916.5	4.1
Gross profit	42.6	89.5	- 52.4	225.9	262.2	- 13.8
Administrative expenses	313.8	282.2	11.2	601.1	593.8	1.2
Other income	2.9	12.7	- 77.2	5.1	28.4	- 82.0
Other expenses	0.9	0.5	80.0	2.2	3.2	- 31.3
Financial income	30.8	12.4	148.4	37.0	18.5	100.0
Financial expenses	39.4	111.9	- 64.8	81.1	199.7	- 59.4
Share of result of joint ventures and associates	70.3	42.2	66.6	105.6	64.7	63.2
Earnings before income taxes from continuing operations	- 207.5	- 237.8	12.7	- 310.8	- 422.9	26.5
Income taxes	- 43.6	- 29.0	- 50.3	- 65.3	- 76.0	14.1
Result from continuing operations	- 163.9	- 208.8	21.5	- 245.5	- 346.9	29.2
Result from discontinued operations	- 54.6	- 22.2	- 145.9	- 63.1	- 48.0	- 31.5
Group loss for the year	- 218.5	- 231.0	5.4	- 308.6	- 394.9	21.9
Group loss for the year attributable to shareholders of TUI AG	- 245.4	- 264.9	7.4	- 362.9	- 448.9	19.2
Group loss for the year attributable to non-controlling interest	26.9	33.9	- 20.6	54.3	54.0	0.6

In H1 2016 / 17, turnover totalled EUR 6.4 bn, up by 3.3 % year-on-year. On a constant currency basis, turnover grew by 8.2 % year-on-year in H1. With customer numbers up around 3 %, this growth was driven by an overall higher proportion of long-haul travel, higher selling prices in Source Market UK due to the exchange rate-driven cost inflation for destinations in the Eurozone and the acquisition of Transat's French tour operator business. The turnover growth also reflected higher average prices within Hotels & Resorts and growth posted by Thomson Cruises due to the first-time Winter operation of TUI Discovery.

The result from continuing operations improved in H1 2016 / 17, driven by an increase in the operating performance and an improvement in the financial result, which had comprised an expense of EUR 100.3 m in connection with the measurement of the investment in Hapag-Lloyd AG in the prior year reference period.

Alternative performance measures

Key indicators used to manage the TUI Group are EBITA and underlying EBITA. We consider EBITA to be the most suitable performance indicator for explaining the development of the TUI Group's operating performance. EBITA comprises earnings before interest, taxes and goodwill
impairments; it does not include the results from container shipping
operations nor the results from the measurement of interest hedging instruments.

The table below shows a reconciliation of earnings before taxes from continuing operations to underlying earnings. In H1 2016 / 17, adjustments including purchase price allocations worth EUR 37.6 m were effected for continuing operations, up EUR 3.1 m year-on-year. Material adjustments in H1 related to expenses of around EUR 24 m for the integration of the French TUI tour operator following the acquisition of Transat, which went hand in hand with income generated from the reversal of a restructuring provision no longer required in Central Region. Adjustments also included one-off items reflecting restructuring costs in the regions and the cost of integration of Destination Services with the Source Market organisations.

Reconciliation to underlying earnings

EUR million	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Earnings before income taxes	- 207.5	- 237.8	12.7	- 310.8	- 422.9	26.5
Result from the partial sale / measurement of shares in Container Shipping	- 2.3	58.7	n. a.	- 2.3	100.3	n. a.
plus: Net interest expense and expense from the measurement of interest hedges	27.4	41.0	- 33.2	61.2	81.7	- 25.1
EBITA	- 182.4	- 138.1	- 32.1	- 251.9	- 240.9	- 4.6
Adjustments:						
less: Gains on disposals	-	- 0.6		0.7	0.9	
plus: Restructuring expense	16.9	3.8		17.1	5.5	
plus: Expense from purchase price allocation	7.5	6.0		15.2	17.6	
plus: expense / less: income from other one-off items	4.0	2.9		4.6	10.5	
Underlying EBITA	- 154.0	- 126.0	- 22.2	- 214.3	- 206.4	- 3.8

Key figures of income statement

Key figures of income statement

EUR million	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)	102.8	145.4	- 29.3	315.0	339.3	- 7.2
Operating rental expenses	184.9	190.9	- 3.1	367.3	392.4	- 6.4
Earnings before interest, income taxes, depreciation and impairment						

Earnings before interest, income taxes, depreciation and impairment (EBITDA)	- 82.1	- 45.6	- 80.0	- 52.3	- 53.1	+ 1.5
Depreciation / amortisation less reversals of depreciation 1)	100.3	92.4	+ 8.5	199.6	187.8	+ 6.3
Earnings before interest, income taxes and impairment of goodwill (EBITA)	- 182.4	- 138.1	- 32.1	- 251.9	- 240.9	- 4.6
Impairment of goodwill	-	-	-	-	-	-
Earnings before interest and income taxes (EBIT)	- 182.4	- 138.1	- 32.1	- 251.9	- 240.9	- 4.6
Interest result and earnings from the measurement of interest hedges	27.4	41.0	- 33.2	61.2	81.7	- 25.1
Result from the partial sale / measurement of shares in Container Shipping	- 2.3	58.7	+ 96.1	- 2.3	100.3	+ 97.7
Earnings before income taxes (EBT)	- 207.5	- 237.8	+ 12.7	- 310.8	- 422.9	+ 26.5

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

Other segment indicators

Underlying EBITDA

EUR million	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Northern Region	- 94.6	- 63.3	- 49.4	- 110.8	- 92.2	- 20.2
Central Region	- 86.6	- 78.8	- 9.9	- 134.1	- 101.0	- 32.8
Western Region	- 50.0	- 44.1	- 13.4	- 93.7	- 67.9	- 38.0
Hotels & Resorts	97.6	88.1	10.8	167.9	138.4	21.3
Cruises	60.1	47.6	26.3	101.6	70.0	45.1
Other Tourism	1.5	5.6	- 73.2	16.2	7.4	118.9
Tourism	- 72.0	- 44.9	- 60.4	- 52.9	- 45.3	- 16.8
All other segments	12.1	4.7	157.4	25.6	11.9	115.1
TUI Group	- 59.9	- 40.2	- 49.0	- 27.3	- 33.4	18.3
Discontinued operations	- 3.0	17.5	n. a.	- 15.2	7.8	n. a.
Total	- 62.9	- 22.7	- 177.1	- 42.5	- 25.6	- 66.0

EBITDA

EBITDA

EUR million	Q2 2016 / 17	Q2 2015 / 16 restated	Var. %	H1 2016 / 17	H1 2015 / 16 restated	Var. %
Northern Region	- 97.4	- 64.4	- 51.2	- 114.8	- 95.9	- 19.7
Central Region	- 81.2	- 79.1	- 2.7	- 129.6	- 106.2	- 22.0
Western Region	- 74.9	- 45.7	- 63.9	- 118.7	- 69.8	- 70.1
Hotels & Resorts	97.6	89.1	9.5	167.3	139.8	19.7
Cruises	60.1	47.6	26.3	101.6	70.0	45.1
Other Tourism	0.5	4.2	- 88.1	14.7	4.2	250.0
Tourism	- 95.3	- 48.3	- 97.3	- 79.5	- 57.9	- 37.3
All other segments	13.2	2.7	388.9	27.2	4.8	466.7
TUI Group	- 82.1	- 45.6	- 80.0	- 52.3	- 53.1	1.5
Discontinued operations	- 6.6	- 9.3	29.0	- 22.1	- 29.1	24.1
Total	- 88.7	- 54.9	- 61.6	- 74.4	- 82.2	9.5

Employees

Employees

	31 Mar 2017	31 Mar 2016 restated	Var. %
Northern Region	14,081	14,578	- 3.4
Central Region	10,123	10,219	- 0.9
Western Region	6,037	5,227	15.5
Hotels & Resorts	4,418	4,867	- 9.2
Cruises	18,447	17,493	5.5
Other Tourism	248	244	1.6
Tourism	53,354	52,628	1.4
All other segments	1,788	1,708	4.7
TUI Group	55,142	54,336	1.5
Discontinued operations	3,556	12,274	- 71.0
Total	58,698	66,610	- 11.9

Corporate Governance

Composition of the Boards

In H1 2016 / 17 the composition of the Executive Board of TUI AG changed as follows.

In December 2016, the Supervisory Board appointed Frank Rosenberger as TUI AG Executive Board member IT and New Markets. Frank Rosenberger assumed these responsibilities as at 1 January 2017, initially as Deputy Executive Board member.

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.

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 2015 / 16. The principal risks and uncertainties outlined in that report continue to face the Group.

Of the above risks, input cost volatility is judged to have increased over the period under review, H1 2016 / 17, due to sterling remaining at rates significantly lower than those seen prior to last year's UK Brexit referendum. In line with TUI's hedging policy, the UK Source Market had already hedged a significant proportion of its foreign currency requirements ahead of the Brexit referendum, however on the unhedged portion this results in higher costs which will impact the UK business in the second half of the year.

With the UK government formally triggering Article 50 on 29th March 2017, Brexit has gone from being an emerging risk to an active principal risk facing the Group. At this stage there is still not a great deal of information available to enable us to confidently and accurately assess the potential impact on the Group. However, with recent press briefings from EU officials stating that there will be no special deal for aviation, our main concern at present is centred around whether or not all of our airlines would, as things stand, continue to have access to EU airspace as now. We will continue to lobby relevant UK and EU ministers and officials to stress the importance of there being a special deal for aviation to protect consumer choice in both regions, and will assess other steps we might be able to take to ensure the Group is not adversely affected to any material extent in this area. Our Brexit Steering Committee will continue to monitor external developments as the political negotiations commence in H2. When more detailed information eventually becomes available, it will assess whether there will be any specific impacts on our business model and any necessary changes we may be forced to take to mitigate these impacts once the UK does leave the EU.

INTERIM FINANCIAL STATEMENTS

Income statement of the TUI Group for the period from 1 Oct 2016 to 31 Mar 2017

EUR million	Notes	H1 2016 / 17	H1 2015 / 16 restated
Turnover	(1)	6,382.4	6,178.7
Cost of sales	(2)	6,156.5	5,916.5
Gross profit		225.9	262.2
Administrative expenses	(2)	601.1	593.8
Other income	(3)	5.1	28.4
Other expenses	(3)	2.2	3.2
Financial income	(4)	37.0	18.5
Financial expenses	(4)	81.1	199.7
Share of result of joint ventures and associates	(5)	105.6	64.7
Earnings before income taxes from continuing operations		- 310.8	- 422.9
Income taxes	(6)	- 65.3	- 76.0
Result from continuing operations		- 245.5	- 346.9
Result from discontinued operations		- 63.1	- 48.0
Group loss		- 308.6	- 394.9
Group loss attributable to shareholders of TUI AG		- 362.9	- 448.9
Group loss attributable to non-controlling interest	(7)	54.3	54.0

Earnings per share

Earnings per share

EUR	H1 2016 / 17	H1 2015 / 16 restated
Basic and diluted earnings per share	- 0.62	- 0.77
from continuing operations	- 0.51	- 0.69
from discontinued operations	- 0.11	- 0.08

Condensed statement of comprehensive income of the TUI Group for the period from 1 Oct 2016 to 31 Mar 2017

EUR million	H1 2016 / 17	H1 2015 / 16
Group loss	- 308.6	- 394.9
Remeasurements of pension obligations and related fund assets	223.2	- 129.3
Income tax related to items that will not be reclassified	- 53.4	20.3
Items that will not be reclassified to profit or loss	169.8	- 109.0
Foreign exchange differences	28.8	138.5

Financial instruments available for sale	131.9	-
Cash flow hedges	- 50.3	112.6
Changes in the measurement of companies measured at equity	15.6	- 28.5
Income tax related to items that may be reclassified	- 0.2	3.5
Items that may be reclassified to profit or loss	125.8	226.1
Other comprehensive income	295.6	117.1
Total comprehensive income	- 13.0	- 277.8
attributable to shareholders of TUI AG	- 84.8	- 330.2
attributable to non-controlling interest	71.8	52.4
Allocation of share of shareholders of TUI AG of total comprehensive income		
Continuing operations	- 22.3	- 362.2
Discontinued operations	- 62.5	32.0

Financial position of the TUI Group as at 31 Mar 2017

Financial position of the TUI Group as at 31 Mar 2017

EUR million	Notes	31 Mar 2017	30 Sep 2016
Assets			
Goodwill	(8)	2,949.4	2,853.5
Other intangible assets		560.3	545.8
Property, plant and equipment	(9)	4,185.3	3,714.5
Investments in joint ventures and associates		1,272.4	1,180.8
Financial assets available for sale		70.0	50.4
Trade receivables and other assets		372.3	315.3
Derivative financial instruments		103.3	126.8
Deferred tax assets		381.9	344.7
Non-current assets		9,894.9	9,131.8
Inventories		121.1	105.2
Financial assets available for sale	(10)	395.0	265.8
Trade receivables and other assets		1,750.6	1,320.1
Derivative financial instruments		389.5	544.6
Income tax assets		116.1	87.7
Cash and cash equivalents		623.3	2,072.9
Assets held for sale	(11)	953.9	929.8
Current assets		4,349.5	5,326.1
		14,244.4	14,457.9

Financial position of the TUI Group as at 31 Mar 2017

Financial position of the TUI Group as at 31 Mar 2017

EUR million	Notes	31 Mar 2017	30 Sep 2016
Equity and liabilities			
Subscribed capital		1,500.7	1,500.7
Capital reserves		4,192.2	4,192.2
Revenue reserves		- 3,492.5	- 3,017.8
Equity before non-controlling interest		2,200.4	2,675.1
Non-controlling interest		644.6	573.1
Equity	(15)	2,845.0	3,248.2
Pension provisions and similar obligations	(13)	1,168.0	1,410.3
Other provisions		823.7	803.0
Non-current provisions		1,991.7	2,213.3
Financial liabilities	(14)	1,861.8	1,503.4
Derivative financial instruments		24.5	27.5
Income tax liabilities		146.4	22.2
Deferred tax liabilities		46.3	62.9
Other liabilities		156.7	160.1
Non-current liabilities		2,235.7	1,776.1
Non-current provisions and liabilities		4,227.4	3,989.4
Pension provisions and similar obligations	(13)	41.4	40.6
Other provisions		368.4	374.8
Current provisions		409.8	415.4
Financial liabilities	(14)	165.6	537.7
Trade payables		1,627.9	2,476.9
Derivative financial instruments		158.3	249.6
Income tax liabilities		61.9	196.0
Other liabilities		4,164.5	2,872.4

Current liabilities		6,178.2	6,332.6
Liabilities related to assets held for sale	(12)	584.0	472.3
Current provisions and liabilities		7,172.0	7,220.3
		14,244.4	14,457.9

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

EUR 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 provisions 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 statement of changes in Group equity for the period from 1 Oct 2015 to 31 Mar 2016

Condensed statement of changes in Group equity for the period from 1 Oct 2015 to 31 Mar 2016

EUR million	Subscribed capital	Capital reserves	Revenue reserves	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 1 Oct 2015	1,499.6	4,187.7	- 3,773.9	1,913.4	503.9	2,417.3
Dividends	-	-	- 327.0	- 327.0	- 0.9	- 327.9
Share-based payment schemes	-	-	4.6	4.6	-	4.6
Issue of employee shares	0.5	2.5	-	3.0	-	3.0
Acquisition of own shares	-	-	- 51.3	- 51.3	-	- 51.3
Effects on the acquisition of non-controlling interest	-	-	0.1	0.1	- 0.1	-
Group loss	-	-	- 448.9	- 448.9	54.0	- 394.9
Foreign exchange differences	-	-	140.0	140.0	- 1.5	138.5
Cash Flow Hedges	-	-	112.6	112.6	-	112.6
Remeasurements of pension provisions and related fund assets	-	-	- 129.3	- 129.3	-	- 129.3
Changes in the measurement of companies measured at equity	-	-	- 28.5	- 28.5	-	- 28.5
Taxes attributable to other comprehensive income	-	-	23.9	23.9	- 0.1	23.8
Other comprehensive income	-	-	118.7	118.7	- 1.6	117.1
Total comprehensive income	-	-	- 330.2	- 330.2	52.4	- 277.8
Balance as at 31 Mar 2016	1,500.1	4,190.2	- 4,477.7	1,212.6	555.3	1,767.9

Condensed cash flow statement of the TUI Group

EUR million	H1 2016 / 17	H1 2015 / 16
Cash outflow from operating activities	- 278.5	- 565.3
Cash outflow from investing activities	- 695.1	- 243.4
Cash outflow / inflow from financing activities	- 478.3	199.6
Net change in cash and cash equivalents	- 1,451.9	- 609.1
Change in cash and cash equivalents due to exchange rate fluctuation	- 14.3	41.2
Cash and cash equivalents at beginning of period	2,403.6	1,682.2
Cash and cash equivalents at end of period	937.4	1,114.3
of which included in the balance sheet as assets held for sale	314.1	188.7

NOTES

General

TUI Group, its major subsidiaries and other shareholdings operate 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 2016 to 31 March 2017. The interim consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are stated in million euros (EUR m).

The interim consolidated financial statements were released for publication by the Executive Board of TUI AG on 11 May 2017.

Accounting principles

Declaration of compliance

The interim consolidated financial statements for the period ended 31 March 2017 comprise condensed interim consolidated financial statements and an interim Group management report in accordance with section 37w of the German Securities Trading Act (WpHG).

The interim consolidated financial statements were prepared in compliance with the Disclosure and Transparency Rules of the UK Financial Services Authority and 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 2015 / 16. 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 bank loans. As at 31 March 2017, TUI Group's net debt position (financial liabilities less cash and cash equivalents) including discontinued operations totals EUR 1,098.5 m (as at 30 September 2016 net financial assets of EUR 349.8 m). The increase in net debt versus financial year-end is driven by normal seasonal cash outflows, mainly within the tour operators. Net debt consists of EUR 937.4 m of cash and cash equivalents, EUR 170.8 m of current financial liabilities, and EUR 1,865.0 m of non-current financial liabilities. The Executive Board remains satisfied with the Group's long-term funding and liquidity position. The sources of debt funding include an external revolving credit facility of EUR 1,535.0 m maturing in December 2020, used to manage the seasonality of the Group's cash flows and liquidity. The revolving credit facility requires compliance with financial covenants. All covenants were fully complied with at the balance sheet date.

Alongside this credit facility, other bank liabilities exist as at 31 March 2017, for example, loans used to acquire property, plant and equipment. These bank liabilities total EUR 471.2 m at the balance sheet date.

Apart from these bank liabilities, the Group's main financial liabilities as at 31 March 2017 include:

- bond 2016 / 21 with a nominal value of EUR 300.0 m issued by TUI AG, maturing in October 2021.
- finance lease obligations worth EUR 1,230.5 m

Due to the current economic factors and political situation in some destinations, there is more uncertainty over customer demand. TUI's Executive Board assumes that TUI's business model is sufficiently flexible to compensate the challenges currently identified. 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. The interim financial statements were therefore prepared on the going concern basis of accounting.

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 2017 are basically consistent with those followed in preparing the previous consolidated financial statements for the financial year ended 30 September 2016. 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 2016 / 17 the following standards amended or newly issued by the IASB became mandatorily applicable for the first time to TUI Group:

New applied standards in financial year 2016/17

Standard	Applicable from	Amendments	Impact on financial statements
IFRS 11 Accounting for Acquisitions of	1 Jan 2016	The amendments specify how to account for the acquisition of an interest in a Joint Operation that constitutes a 'business' (as defined in IFRS 3). Accordingly, the acquirer has to measure identifiable assets and liabilities at fair value, recognise acquisition-related costs as expenses, recognise deferred tax assets and liabilities and capitalise any residual amounts	No material impact

Interests in Joint Operations		as goodwill. Furthermore, the disclosure requirements of IFRS 3 apply. The amendments are to be applied prospectively.	
IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016	The amendment clarifies when a method of depreciation or amortisation based on revenue may be appropriate. According to it, depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate, amortisation based on revenue for intangible assets only in exceptional cases. The amendments are to be applied prospectively.	No impact
IAS 16 & IAS 41 Agriculture: Bearer Plants	1 Jan 2016	Bearer plants that bear biological assets for more than one period without being an agricultural product themselves, such as grape vines or olive trees, have this far been measured at fair value. In future, bearer plants will be treated as property, plant and equipment in scope of IAS 16 and are to be measured at amortised cost. By contrast, the produce growing on bearer plants will continue to be measured at fair value in accordance with IAS 41.	No impact
Various Improvements to IFRS (2012 - 2014)	1 Jan 2016	The amendments from the Annual Improvements Project comprise changes to four standards: IAS 19, IAS 34, IFRS 5 and IFRS 7. The amendments introduce minor changes to the content as well as clarifications regarding recognition, presentation and measurement.	No material impact
IAS 1 Disclosure Initiative	1 Jan 2016	The amendments address the application of materiality when presenting the components of financial statements. The standard no longer prescribes a particular order of the notes so that the order of the notes may reflect the individual relevance for the company. The amendments clarify that immaterial disclosures are not required. This also applies if disclosure is required by another standard. Furthermore, the presentation of an entity's share of other comprehensive income of equity-accounted associates and joint ventures in the statement of comprehensive income is clarified.	No material impact

Amendments to the following standards effective for the first time since the beginning of financial year 2016 / 17 were not relevant for TUI Group:

- IAS 27: Equity Method in Separate Financial Statements
- IAS 28, IFRS 10 & IFRS 12: Investment Entities: Applying the Consolidation Exception

Restatement of prior reporting period

The following restatements were made for the first half of financial year 2015 / 16:

Restatement caused by Discontinued operations

Due to the planned sale of the Specialist Group segment in financial year 2016 / 17, the segment is reported as a discontinued operation from 30 September 2016. The prior year consolidated income statement was restated accordingly.

As the group of companies of the Hotelbeds Group sold was readjusted after the reclassification to 'Assets held for sale' in the first half year 2015 / 16, the result from the discontinued operation Hotelbeds Group reported for the first half of financial year 2015 / 16 also changed retrospectively.

For further explanations please refer to the section 'Acquisitions - Divestments - Discontinued operations'.

Restated items of the Income statement of the TUI Group for the period from 1 Oct 2015 to 31 Mar 2016

	H1 2015 / 16			
EUR million	before restatement	Restatement Specialist Group	Subsequent adjustment of entities of Hotelbeds Group to be sold	restated
Turnover	6,792.3	- 613.6	-	6,178.7
Cost of sales	6,497.4	- 580.9	-	5,916.5
Gross profit	294.9	- 32.7	-	262.2
Administrative expenses	673.2	- 79.4	-	593.8
Other income	28.5	- 0.1	-	28.4
Other expenses	3.0	0.2	-	3.2
Financial income	18.8	- 0.3	-	18.5
Financial expenses	200.3	- 0.6	-	199.7
Share of result of joint ventures and associates	63.7	-	1.0	64.7
Earnings before income taxes from continuing operations	- 470.6	46.7	1.0	- 422.9
Income taxes	- 89.1	16.0	- 2.9	- 76.0

Result from continuing operations	- 381.5	30.7	3.9	- 346.9
Result from discontinued operations	- 13.4	- 30.7	- 3.9	- 48.0
Group loss	- 394.9	-	-	- 394.9

Group of consolidated companies

The consolidated financial statements include all major 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 2017 included a total of 415 subsidiaries of TUI AG.

Since 1 October 2016, a total of seven companies have been newly included in the consolidation. Four of these companies have been newly established and three companies have been acquired. Conversely, a total of nine companies have been deconsolidated since 1 October 2016, with five of these companies deconsolidated due to liquidation, three companies due to a merger, and one due to sale.

Following the acquisition of two joint ventures and the merger of one joint venture, the number of joint ventures and associates measured at equity increased by one company in total compared to 30 September 2016.

Acquisitions - Divestments - Discontinued operations

Acquisitions

In the first half of 2016 / 17, 18 travel agencies were acquired by the purchase of trade and assets. In addition, 99.99 % of the shares in Transat France S.A., Ivry-sur-Seine, France (Transat), a french tour operator, were acquired on 31 October 2016. The acquisition aim is to increase market presence in France. The acquisition included majority stakes in subsidiary companies Transat Développement SAS, Ivry-sur-Seine, France, and Tourgreece Tourism Enterprise A.E., Athens, Greece. The considerations for all acquisitions by TUI Group exclusively consisted of payments, totalling EUR 64.0 m for Transat and EUR 3.9 m for the travel agencies.

The difference arising between the considerations and the remeasured acquired net assets as at the acquisition date was carried as provisional goodwill of EUR 89.1 m, thereof EUR 86.0 m for Transat. This goodwill essentially constitutes part of the future synergy, earnings and cost savings potential.

Statement of financial position of Transat France S.A. as at the date of first-time consolidation

EUR million	Fair value at date of first-time consolidation
Other intangible assets	1.2
Property, plant and equipment	5.7
Fixed assets	6.9
Trade receivables	6.1
Other assets	16.0
Cash and cash equivalents	11.2
Other provisions	6.0
Other Liabilities	56.8
Equity	- 22.6

Based on the information available, it was not possible to finalise measurement of several components of the acquired assets and liabilities of the acquisition of Transat, especially intangible assets and property, plant and equipment, at the balance sheet date. This purchase allocation will be completed within the 12-month period permitted under IFRS 3.

In the period from November 2016 until March 2017, Transat generated a turnover of EUR 139.6 m. Due to the seasonal swing, the profit contribution amounts to EUR - 6.0 m. If the acquisition had occurred on 1 October 2016, consolidated pro-forma revenue of the TUI Group would have been EUR 26.1 m higher and profit after tax would have been EUR 1.2 m lower.

No acquisitions were effected after the balance sheet date.

In the present interim financial statements, the purchase price allocations of the 15 travel agencies acquired in the first half of financial year 2015 / 16 were finalised without a material effect on the consolidated statement of financial position within the 12-month period stipulated by IFRS 3.

Divestments

The reclassification of the Specialist Group to assets held for sale is explained in the 'Discontinued Operations' section. The effects of the other divestments on the TUI Group's net assets, financial position and results of operations were immaterial.

Discontinued operations

The result from discontinued operations for the reporting period shown in the consolidated income statement almost exclusively comprises the result of the Specialist Group. The only other item included is subsequent expenses of EUR 1.2 m for the sale of the

Hotelbeds Group.

In the prior year, the result from discontinued operations comprised the result of Hotelbeds Group, sold on 12 September 2016, and LateRooms Group, sold on 6 October 2015. After reclassification to Assets held for sale in the first half of 2015 / 16, the Group of companies of the Hotelbeds Group sold was readjusted so that the result from the discontinued operation Hotelbeds Group reported for the first half of the prior year changed slightly with retrospective effect.

In the prior year, TUI AG had decided to sell Specialist Group as there was limited linkage to TUI Group's remaining business and thus very little potential for integration into the Group's strategy. In the reporting period, Specialist Group only comprises the tour operators combined under the Travelopia brand, offering in particular expedition travel, luxury tours, sporting events, student travel and sailing trips. The language schools business was sold in financial year 2015 / 16.

In February 2017, TUI AG concluded an agreement with Kohlberg Kravis Roberts & Co. L.P. on the sale of Travelopia. The closing of the transaction is expected for the third quarter of the financial year following regulatory approvals. In the second quarter of 2016 / 17, measurement of the discontinued operation at the agreed purchase price less costs to sell resulted in an impairment of EUR 47.4 m, shown as goodwill impairment in the income statement of the Specialist Group.

The result from this discontinued operation is reported separately from the income and expenses of continuing operations in the consolidated income statement, shown in a separate line as 'Result from discontinued operations'. The consolidated income statement of the prior year was restated accordingly.

Income statement of the discontinued operation Specialist Group for the period from 1 Oct 2016 to 31 Mar 2017

EUR million	H1 2016 / 17	H1 2015 / 16
Turnover	546.3	613.6
Cost of sales	497.1	580.9
Gross profit	49.2	32.7
Administrative expenses	66.9	79.4
Other income	0.1	0.1
Other expenses	4.7	- 0.2
Impairment of goodwill	47.4	-
Financial income	0.1	0.3
Financial expenses	0.4	0.6
Earnings before income taxes from discontinued operation	- 70.0	- 46.7
Income taxes	- 8.1	- 16.0
Result from discontinued operation Specialist Group	- 61.9	- 30.7
Result from discontinued operation Specialist Group attributable to shareholders of TUI AG	- 61.9	- 30.6
Result from discontinued operation Specialist Group attributable to non-controlling interest	-	- 0.1

The decline in turnover by Specialist Group is partly driven by foreign exchange effects. Turnover also decreased due to the sale of the language schools business in the prior year as well as the rugby and cricket world cups held in financial year 2015 / 16. A further reason for the year-on-year decline in turnover was the removal of Travelopia from TUI Group's distribution network, which went hand in hand with a corresponding decrease in the cost of sales. Moreover, the suspension of depreciation / amortisation, effected since 30 September 2016 in line with IFRS 5, caused an overall improvement in earnings.

The assets and liabilities are shown separately in the consolidated statement of financial position under 'Assets held for sale' and 'Liabilities related to assets held for sale'. The table below presents the key asset and liability groups of the discontinued operation Specialist Group.

Assets and liabilities of the discontinued operation Specialist Group as at 31 Mar 2017

EUR million	31 Mar 2017
Assets	
Goodwill	6.4
Other intangible assets	140.7
Property, plant and equipment	219.1
Trade receivables and other assets	0.9
Trade receivables and other assets from continuing operations	3.1
Derivative financial instruments	0.2
Deferred tax assets	18.1
Non-current assets	388.5
Inventories	56.9
Trade receivables from third-parties and other assets	170.4
Receivables from continuing operations	103.0
Derivative financial instruments	1.7
Income tax assets	18.9
Cash and cash equivalents	314.0
Assets held for sale	0.3
Current assets	665.2
	1,053.7

Assets and liabilities of the discontinued operation Specialist Group as at 31 Mar 2017

Assets and liabilities of the discontinued operation Specialist Group as at 31 Mar 2017

EUR million	31 Mar 2017
Equity and liabilities	
Revenue reserves	223.8
Equity before non-controlling interest	223.8
Non-controlling interest	- 2.0
Equity	221.8
Other provisions	15.0
Non-current provisions	15.0
Financial liabilities to third parties	3.2
Financial liabilities to continuing operations	243.7
Derivative financial instruments	0.1
Deferred tax liabilities	33.7
Other liabilities	0.7
Non-current liabilities	281.4
Non-current provisions and liabilities	296.4
Other provisions	2.1
Current provisions	2.1
Financial liabilities to third parties	5.2
Financial liabilities to continuing operations	2.4
Trade payables to third parties	82.2
Trade payables to continuing operations	2.2
Derivative financial instruments	0.8
Income tax liabilities	17.7
Other liabilities	422.9
Current liabilities	533.4
Current provisions and liabilities	535.5
	1,053.7

Receivables from and liabilities to TUI Group's continuing operations and shares in companies classified as continuing operations have been eliminated in the consolidated statement of financial position and are therefore not included in the items Assets held for sale or Liabilities related to assets held for sale.

Reconciliation to assets held for sale in the financial position of the TUI Group as at 31 Mar 2017

EUR million	31 Mar 2017
Current and non-current assets of the Specialist Group	1,053.7
Elimination of receivables from continuing operations	- 106.1
Assets held for sale of the Specialist Group	947.6

Reconciliation to liabilities related to assets held for sale in the financial position of the TUI Group as at 31 Mar 2017

Reconciliation to liabilities related to assets held for sale in the financial position of the TUI Group as at 31 Mar 2017

EUR million	31 Mar 2017
Current and non-current liabilities of the Specialist Group	831.9
Elimination of liabilities against continuing operations	- 248.3
Liabilities related to assets held for sale of the Specialist Group	583.6

The Group's cash flow statement presents the cash flows for the overall Group including the discontinued operations. A separate presentation of the cash flows for the discontinued operation Specialist Group is provided in the following table. Cash flows from intra-Group financing schemes and intra-Group dividends and business disposals are not taken into account.

Condensed cash flow statement of the discontinued operation Specialist Group

EUR million	H1 2016 / 17	H1 2015 / 16
Cash inflow from operating activities	30.4	25.0
Cash outflow from investing activities	- 3.0	- 12.9
Cash outflow from financing activities	- 4.4	- 0.9
Net change in cash and cash equivalents of the discontinued operation Specialist Group	23.0	11.2

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

The turnover growth versus the first half of the prior year is driven by higher customer volume, an increase in long-haul bookings, higher selling prices in the UK, the acquisition of Transat's French tour operator business and higher average selling prices in the Hotels & Resorts segment. In addition, the expansion in Thomson Cruises with the first winter season of the cruise ship TUI Discovery led to an increase in turnover.

(2) Cost of sales and administrative expenses

Cost of sales represents the expenses incurred to deliver tourism services. In addition to the expenses for staff costs, depreciation, amortisation, rental and leasing, they include all costs incurred by the Group in connection with the provision 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 the administrative functions and break down as follows:

Administrative expenes

EUR million	H1 2016 / 17	H1 2015 / 16 restated
Staff cost	355.1	334.7
Rental and leasing expenses	30.9	28.4
Depreciation, amortisation and impairment	35.1	33.3
Others	180.0	197.4
Total	601.1	593.8

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

Rental and leasing expenses

EUR million	H1 2016 / 17	H1 2015 / 16 restated
Rental and leasing expenses	383.3	400.8
thereof cost of sales	352.4	372.4
thereof administrative expenses	30.9	28.4

The year-on-year decline in rental and leasing expenses is primarily driven by foreign exchange effects and above all relates to leasing expenses for aircraft.

Staff cost

EUR million	H1 2016 / 17	H1 2015 / 16 restated
Wages and salaries	900.1	875.1
thereof cost of sales	605.4	600.6
thereof administrative expenses	294.7	274.5
Social security contributions, pension costs and benefits	214.2	204.0
thereof cost of sales	153.8	143.8
thereof administrative expenses	60.4	60.2
Total	1,114.3	1,079.1

The year-on-year increase in administrative expenses for wages and salaries in the first half year mainly results from one-off expenses for the integration of the French TUI tour operator following the acquisition of Transat. The rise in staff costs in operating areas, in particular in airlines and hotels, was almost fully offset by an opposite effect driven by foreign exchange effects.

Depreciation/amortisation/impairment

EUR million	H1 2016 / 17	H1 2015 / 16 restated
Depreciation and amortisation	198.2	186.8
thereof cost of sales	163.1	154.3
thereof administrative expenses	35.1	32.5
Impairment of property, plant and equipment and other intangible assets	-	0.8
thereof administrative expenses	-	0.8
Total	198.2	187.6

(3) Other income/other expenses

Other income/other expenses

EUR million	H1 2016 / 17	H1 2015 / 16 restated
Other income	5.1	28.4
Other expenses	2.2	3.2
Total	2.9	25.2

In the first half year 2015 / 16, other income mainly included proceeds from the sale of a Riu Group hotel, a joint venture and a cruise ship as well as from the sale of land.

(4) Financial result

The improvement of the financial result from EUR - 181.2 m in the first half of the prior year to EUR - 44.1 m in the current financial year mainly results from the expenses relating to the measurement of the investment in Hapag-Lloyd AG recognised in the prior year. The measurement with the stock market price of the Hapag-Lloyd share as at 31 March 2016 led to the recognition of an impairment amounting to EUR 100.3 m within financial expenses in the prior year. In the financial year under review, the increase in the value from the rise in the Hapag-Lloyd share price as at 31 March 2017 and the resulting increase in the fair value was carried in equity outside profit and loss in line with IAS 39. For further details, please refer to Note 10 on Financial assets available for sale.

The interest result reduced from EUR - 81.7 m in the first half of the prior year to EUR - 61.2 m in the current reporting period and this also contributed to the improvement of the financial result.

(5) Share of result of joint ventures and associates

Share of result of joint ventures and associates

EUR million	H1 2016 / 17	H1 2015 / 16 restated
Northern Region	16.4	1.6
Central Region	1.2	1.0
Western Region	0.1	-
Hotels & Resorts	42.8	30.8
Cruises	38.3	29.8
Other tourism	6.8	1.5
Tourism	105.6	64.7
Total	105.6	64.7

The year-on-year increase in income from joint ventures and associates in the Northern Region segment is mainly attributable to the positive trading of the Canadian tour operator Sunwing.

The increase in income from joint ventures in the Hotels & Resorts segment mainly results from the improvement in the operating performance of Riu hotels.

(6) Income taxes

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

Due to a judgment from the fiscal court Münster on 4 February 2016, a reassessment of the trade tax risk for the purchase of hotel accomodation was undertaken, resulting in a separately recognised tax expense of EUR 36.5 m in the first half of 2015 / 16.

(7) Group loss attributable to non-controlling interest

Group loss attributable to non-controlling interest

EUR million	H1 2016 / 17	H1 2015 / 16
Central Region	0.4	- 0.2
Hotels & Resorts	54.0	54.1
Tourism	54.4	53.9
Specialist Group	-	- 0.1
Hotelbeds Group	-	0.4
All other segments	- 0.1	- 0.2
Total	54.3	54.0

Notes to the financial position of the TUI Group

(8) Goodwill

The increase in goodwill is mainly attributable to the preliminary goodwill in connection with the acquisition of Transat France S.A. of EUR 86.0 m. For further details, please refer to the explanations in the section on 'Acquisitions'.

(9) Property, plant and equipment

In the first half of 2016 / 17, the cruise ship TUI Discovery 2 was acquired for a purchase price of EUR 209.5 m. In addition, advance payments of EUR 117.5 m were made for future deliveries of aircraft ordered.

(10) Financial assets available for sale

Current financial assets available for sale include the remaining shares in Hapag-Lloyd AG of EUR 395.0 m.

The shares in Hapag-Lloyd AG are traded in the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The measurement of the stake at the closing rate of the Hapag-Lloyd share in the Xetra main market of EUR 27.5 per share resulted in a fair value of EUR 395.0 m (Level 1 measurement). The increase in the fair value compared to 30 September 2016 was recognised in equity outside profit or loss.

(11) Assets held for sale

Assets held for sale

EUR million	31 Mar 2017	30 Sep 2016
Discontinued Operation Specialist Group	947.6	928.9
Property and hotel facilities	6.2	-
Other assets	0.1	0.9
Total	953.9	929.8

Regarding assets held for sale of the Specialist Group, we refer to the section on 'Discontinued operations'.

(12) Liabilities related to assets held for sale

Liabilities related to assets held for sale

EUR million	31 Mar 2017	30 Sep 2016
Discontinued Operation Specialist Group	583.6	472.3
Other disposal groups	0.4	-
Total	584.0	472.3

(13) Pension provisions

Pension provisions decrease by EUR 241.5 m to EUR 1,209.4 m as against the end of the financial year. The decline in the provisions is primarily driven by higher capital market interest rates in the Eurozone and in the UK. The resulting remeasurement effects of EUR 232.7 m are carried in equity outside profit and loss.

The plans with a surplus of fund assets, carried under trade receivables and other assets, show revaluation losses leading to a decrease in the recognised surplus of funded plans by EUR 9.5 m to EUR 29.1 m. These revaluation effects are also carried in equity outside profit and loss.

(14) Financial liabilities

Non-current financial liabilities rose by EUR 358.4 m to EUR 1,861.8 m compared to 30 September 2016. This was mainly driven by the issuance of a bond with a carrying amount of EUR 295.3 m in October 2016. Moreover, liabilities to banks grew by EUR 68.0 m, primarily due to the use of long-term credit lines to cover the payments due in the touristic season.

As at 31 March 2017, current financial liabilities declined by EUR 372.1 m to EUR 165.6 m versus 30 September 2016. The decline is mainly attributable to the redemption of a bond with a carrying amount of EUR 306.5 m issued in September 2014.

(15) Changes in equity

Since 30 September 2016, equity decreased by EUR 403.2 m to EUR 2,845.0 m.

In the first half year 2016 / 17, TUI AG paid a dividend of EUR 0.63 per no-par value share, EUR 368.6 m in total (previous year EUR 327.0 m), to its shareholders. In the first half of 2016 / 17, the shares of non-controlling shareholders decreased by EUR 0.3 m due to the payment of dividends (previous year EUR 0.9 m).

The ongoing measurement of the awards from share option plans serviced with shares resulted in an increase in equity of EUR 0.5 m in the current financial year.

In the first half year 2015 / 16, the issuance of employee shares gave rise to 181,280 shares in TUI AG or subscribed capital worth EUR 0.5 m and capital reserves of EUR 2.5 m, respectively. In the reporting period, the employee share programme was replaced by equity-settled share-based payments, which will result in changes in TUI AG's equity in the second half year for the first time.

Moreover, an employee benefit trust of TUI Travel Limited acquired shares in TUI AG in the first half of 2016 / 17 in order to use them for share option plans. As the transaction constitutes an acquisition of own shares the purchase cost is eliminated against revenue reserves, reducing equity by EUR 21.8 m. Overall, own shares remained basically unchanged due to the issuance of shares in the framework of the share option plans. The employee benefit trust now holds 2,650,671 shares in TUI AG.

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

The changes in financial instruments available for sale of EUR 131.9 m, carried outside profit and loss, comprise the value increase from a rise in Hapag-Lloyd's share price in the first half of 2016 / 17. More detailed information on the increase in fair value is presented in the section on 'Financial instruments available for sale.'

The proportion of gains and losses from hedging instruments used as effective hedges of future cash flows worth EUR - 50.3 m (pre-tax) is carried under other comprehensive income in equity outside profit and loss.

The revaluation of pension obligations (in particular actuarial gains and losses) is also carried under other comprehensive income in equity outside profit and loss.

Financial instruments

Carrying amounts and fair values according to classes and measurement categories as at 31 Mar 2017

		Category under IAS 39						
EUR 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	465.0	-	43.9	421.1	-	-	465.0	465.0
Trade receivables and other assets	2,122.9	753.7	-	-	-	-	753.7	753.7
Derivative financial instruments								
Hedging transactions	401.4	-	-	401.4	-	-	401.4	401.4
Other derivative financial instruments	91.4	-	-	-	91.4	-	91.4	91.4
Cash and cash equivalents	623.3	623.3	-	-	-	-	623.3	623.3
Liabilities								
Financial liabilities	2,027.4	797.0	-	-	-	1,230.5	797.0	810.1
Trade payables	1,627.9	1,627.3	-	-	-	-	1,627.3	1,627.3
Derivative financial instruments								
Hedging	152.0	-	-	152.0	-	-	152.0	152.0
Other derivative financial instruments	30.8	-	-	-	30.8	-	30.8	30.8
Other liabilities	4,321.2	114.0	-	-	-	-	114.0	114.0

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2016

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2016

		Category under IAS 39						
EUR 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	316.2	-	44.4	271.8	-	-	316.2	316.2
Trade receivables and other assets	1,635.4	689.7	-	-	-	-	689.7	689.7
Derivative financial instruments								
Hedging transactions	539.7	-	-	539.7	-	-	539.7	539.7
Other derivative financial instruments	131.7	-	-	-	131.7	-	131.7	131.7
Cash and cash equivalents	2,072.9	2,072.9	-	-	-	-	2,072.9	2,072.9
Liabilities								
Financial liabilities	2,041.1	809.4	-	-	-	1,231.8	809.4	818.0
Trade payables	2,476.9	2,476.4	-	-	-	-	2,476.4	2,476.4
Derivative financial instruments								
Hedging transactions	219.0	-	-	219.0	-	-	219.0	219.0
Other derivative financial instruments	58.1	-	-	-	58.1	-	58.1	58.1

Other liabilities	3,032.5	134.2	-	-	-	-	134.2	134.2

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, taking account of 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 EUR 43.9 m (previous year EUR 44.4 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 2016, there were no major disposals of interests in partnerships or corporations measured at cost. TUI does not intend to sell or derecognise the interest in these partnerships or corporations in the near future.

Aggregation according to measurement categories under IAS 39 as at 31 Mar 2017

	At amortised cost	At cost	Fair value		Carrying amount of financial instruments	Fair value
EUR million			with no effect on profit and loss	through profit and loss	Total	
Loans and receivables	1,377.0	-	-	-	1,377.0	1,377.0
Financial assets						
available for sale	-	43.9	421.1	-	465.0	465.0
held for trading	-	-	-	91.4	91.4	91.4
Financial liabilities						
at amortised cost	2,538.3	-	-	-	2,538.3	2,551.4
held for trading	-	-	-	30.8	30.8	30.8

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2016

Aggregation according to measurement categories under IAS 39 as at 30 Sep 2016

	At amortised cost	At cost	Fair value		Carrying amount of financial instruments	Fair value
EUR million			with no effect on profit and loss	through profit and loss	Total	
Loans and receivables	2,762.6	-	-	-	2,762.6	2,762.6
Financial assets						
available for sale	-	44.4	271.8	-	316.2	316.2
held for trading	-	-	-	131.7	131.7	131.7
Financial liabilities						
at amortised cost	3,420.0	-	-	-	3,420.0	3,428.6
held for trading	-	-	-	58.1	58.1	58.1

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 2017

		Fair value hierarchy		
EUR million	Total	Level 1	Level 2	Level 3
Assets				
Financial assets Available for sale	421.1	395.0	-	26.1
Derivative financial instruments				
Hedging transactions	401.4	-	401.4	-
Other derivative financial instruments	91.4	-	91.4	-
Liabilities				
Derivative financial instruments				
Hedging transactions	152.0	-	152.0	-
Other derivative financial instruments	30.8	-	30.8	-

Hierarchy of financial instruments measured at fair value as at 30 Sep 2016

Hierarchy of financial instruments measured at fair value as at 30 Sep 2016

		Fair value hierarchy		
EUR million	Total	Level 1	Level 2	Level 3
Assets				
Financial assets Available for sale	271.8	265.8	-	6.0
Derivative financial instruments				
Hedging transactions	539.7	-	539.7	-
Other derivative financial instruments	131.7	-	131.7	-
Liabilities				
Derivative financial instruments				
Hedging transactions	219.0	-	219.0	-
Other derivative financial instruments	58.1	-	58.1	-

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.

In the reporting period, there were also no transfers out of or in Level 3. Reclassifications from Level 3 to Level 2 or Level 1 are effected if observable market price quotations become available for the asset or liability concerned. TUI Group records transfers to and out of Level 3 as 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

EUR million	Financial assets available for sale
Balance as at 1 Oct 2015	340.7
Disposals	-

conversion / rebooking	334.9
Total gains or losses for the period	0.2
recognised through profit and loss	0.2
Balance as at 30 Sep 2016	6.0
Change in unrealised gains or losses for the period for financial assets held at the balance sheet date	-
Balance as at 1 Oct 2016	6.0
Additions	20.1
Disposals	-
repayment / sale	-
conversion / rebooking	-
Total gains or losses for the period	-
recognised through profit and loss	-
recognised in other comprehensive income	-
Balance as at 31 Mar 2017	26.1
Change in unrealised gains or losses for the period for financial assets held at the balance sheet date	-

The additions to Level 3 of the valuation hierarchy relate to the 15.38 % stake in peakwork AG, which was added in October 2016.

Contingent liabilities

As at 31 March 2017, contingent liabilities amount to EUR 291.3 m (as at 30 September 2016 EUR 326.1 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. Contingent liabilities as at 31 March 2017 are principally attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG and TUI Cruises GmbH for collateralised ship financing schemes. The year-on-year decline is driven by scheduled repayments and the return of guarantees.

Other financial commitments

Financial commitments from operating lease, rental and charter contracts

EUR million	31 Mar 2017	30 Sep 2016
Nominal value	3,428.9	3,437.4
Fair value	3,233.3	3,319.6

Nominal values of other financial commitments

Nominal values of other financial commitments

EUR million	31 Mar 2017	30 Sep 2016
Order commitments in respect of capital expenditure	4,789.5	4,786.7
Other financial commitments	97.5	114.0
Total	4,887.0	4,900.7
Fair value	4,599.8	4,711.2

Due to offsetting effects, capital commitments for investments rose by EUR 2.8 m as at 31 March 17 compared to 30 September 2016. Increases in the period are largely driven by commitments with respect to aircraft. This includes new order commitments for aircraft and an increase resulting from foreign exchange effects from liabilities denominated in non-functional currencies. Off-setting this increase is a significant reduction in capital commitments for ships as a result of the delivery of the TUI Discovery 2.

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. The cash flow statement shows the continuing and discontinued operations. In the reporting period, cash and cash equivalents declined by EUR 1,466.2 m to EUR 937.4 m, including an amount of EUR 314.1 m carried as assets held for sale.

In the reporting period, the outflow of cash from operating activities amounted to EUR 278.5 m (previous year EUR 565.3 m).

The outflow of cash from investing activities totals EUR 695.1 m (previous year EUR 243.4 m). It comprises a cash outflow for investments in property, plant and equipment and intangible assets of EUR 603.6 m. The Group also recorded an inflow of EUR 19.8 m from the sale of property, plant and equipment and intangible assets. The cash flow from investing activities also includes an outflow of EUR 103.1 m in connection with the acquisition of consolidated companies and for acquisitions of and a capital increase in joint ventures as well as an investment in a tourism technology provider. The sale of joint ventures in prior years resulted in an inflow of EUR 11.7 m. Part of the expenses incurred in connection with the disposal of the Hotelbeds Group in the prior year resulted in cash outflows in the first half of the current financial year (EUR 20.5 m). A further EUR 4.5 m had already resulted in cash outflows prior to the disposal of the Specialist Group. The sale of shares in Hapag-Lloyd Aktiengesellschaft resulted in an inflow of EUR 5.1 m in the reporting period.

The outflow of cash from financing activities totalled EUR 478.3 m (previous year inflow of EUR 199.6 m). At the reporting date, an amount of EUR 93.5 m was drawn from the external revolving credit line to manage the seasonality of cash flows and the Group's liquidity. The issuance of a bond resulted in an inflow of EUR 294.9 m for TUI AG in October 2016. Other TUI Group companies took out further financial liabilities worth EUR 4.9 m. In September 2014, TUI AG had issued an unsecured bond maturing on 1

October 2019. This bond was redeemed as at 18 November 2016. An amount of EUR 306.8 m was spent to redeem the bond, while a further cash outflow of EUR 134.3 m was used to redeem other financial liabilities,
including EUR 51.5 m for finance lease liabilities. An outflow of cash of EUR 38.4 m relates to interest payments, while an outflow of cash of EUR 368.6 m resulted from dividends paid to TUI AG shareholders and EUR 1.4 m for dividends paid to minority shareholders. The employee benefit trust of TUI Travel Ltd. purchased shares in TUI AG worth EUR 21.8 m in order to use them for its share option plans.

Cash and cash equivalents also decreased by EUR 14.3 m due to changes in exchange rates (previous year increase of EUR 41.2 m).

As at 31 March 2017, cash and cash equivalents worth EUR 175.1 m were subject to restrictions (previous year EUR 179.2 m). This amount included EUR 116.3 m for cash collateral deposited with a Belgian subsidiary by Belgian tax authorities in financial year 2012 / 13 in relation to a long-standing litigation over VAT refunds for the period from 2001 to 2011 without admission of guilt, the purpose being 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 remaining restrictions of EUR 58.8 m relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

Segment indicators

In the second quarter of 2016 / 17, the hotel operating company Blue Diamond Hotels and Resorts Inc., St. Michael, Barbados, previously carried in the Northern Region segment, was integrated in the hotel business and is therefore now reported within the Hotels & Resorts segment. Moreover, the UK cruise business Thomson Cruises, which was also previously reported within the Northern Region segment, was transferred to the Cruises segment. Due to the planned disposal of the Specialist Group segment in financial year 2016 / 17, this segment is carried as a discontinued operation. The prior year's segment reporting was restated accordingly.

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

EUR million	External	Group	H1 2016 /17 Total
Northern Region	2,232.9	19.3	2,252.2
Central Region	2,028.0	8.8	2,036.8
Western Region	1,114.0	21.3	1,135.3
Hotels & Resorts	300.0	264.6	564.6
Cruises	345.9	0.3	346.2
Other Tourism	290.4	106.5	396.9
Consolidation	-	- 396.5	- 396.5
Tourism	6,311.2	24.3	6,335.5
All other segments	71.2	22.1	93.3
Consolidation	-	- 46.4	- 46.4
Continuing operations	6,382.4	-	6,382.4
Discontinued operations	546.3	-	546.3
Sum of the segments	6,928.7	-	6,928.7

Turnover by segment for the period from 1 Oct 2015 to 31 Mar 2016

Turnover by segment for the period from 1 Oct 2015 to 31 Mar 2016

EUR million	External restated	Group restated	H1 2015 / 16 Total restated
Northern Region	2,358.3	30.7	2,389.0
Central Region	1,987.1	21.0	2,008.1
Western Region	915.6	9.5	925.1
Hotels & Resorts	266.0	264.3	530.3
Cruises	308.9	0.4	309.3
Other Tourism	290.0	105.0	395.0
Consolidation	-	- 393.5	- 393.5
Tourism	6,125.9	37.4	6,163.3
All other segments	52.8	18.6	71.4
Consolidation	-	- 56.0	- 56.0
Continuing operations	6,178.7	-	6,178.7
Discontinued operations	1,067.5	26.7	1,094.2
Sum of the segments	7,246.2	26.7	7,272.9

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 measurement 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

EUR million	H1 2016 / 17	H1 2015 / 16 restated
Northern Region	- 148.1	- 131.5

Central Region	- 140.2	- 117.0
Western Region	- 128.8	- 79.4
Hotels & Resorts	120.0	95.2
Cruises	75.0	49.3
Other Tourism	- 14.9	- 20.0
Tourism	- 237.0	- 203.4
All other segments	- 14.9	- 37.5
Continuing operations	- 251.9	- 240.9
Discontinued operations	- 22.2	- 71.7
Sum of the segments	- 274.1	- 312.6

In the first half of 2016 / 17, EBITA includes results of EUR 105.6 m (previous year EUR 64.7 m) from joint ventures and associates measured at equity, primarily generated in Tourism.

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 cost and conditional purchase price payments and other expenses for and income from one-off items. The one-off items carried as adjustments are income and expense items impacting or distorting the assessment of the operating profitability of the segments and the Group due to their size or frequency.

Underlying EBITA by segment

EUR million	H1 2016 / 17	H1 2015 / 16 restated
Northern Region	- 138.0	- 120.9
Central Region	- 143.7	- 110.6
Western Region	- 102.2	- 75.7
Hotels & Resorts	122.8	96.0
Cruises	75.0	49.3
Other Tourism	- 13.4	- 16.7
Tourism	- 199.5	- 178.6
All other segments	- 14.8	- 27.8
Continuing operations	- 214.3	- 206.4
Discontinued operations	- 15.3	- 21.8
Sum of the segments	- 229.6	- 228.2

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

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

EUR million	H1 2016 / 17	H1 2015 / 16 restated
Underlying EBITA of continuing operations	- 214.3	- 206.4
Result on disposal*	- 0.7	- 0.9
Restructuring expense*	- 17.1	- 5.5
Expense from purchase price allocation*	- 15.2	- 17.6
Expense from other one-off items*	- 4.6	- 10.5
EBITA of continuing operations	- 251.9	- 240.9
Result from the partial sale / measurement of shares in Container Shipping	2.3	- 100.3
Net interest expense and expense from measurement of interest hedges	- 61.2	- 81.7
Earnings before income taxes of continuing operations	- 310.8	- 422.9

* For a description of the adjustments see the management report

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 at fair value 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 2016, remained unchanged at the reporting date for the interim financial statements. In the first half of 2016 / 17, the Russian entrepreneur Alexey Mordashov acquired further shares. At the reporting date, 31 March 2017, he held a 23.0 % stake in TUI. More detailed information on related parties is provided under Other notes in the Notes on the consolidated financial statements for 2015 / 16.

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 an investment holding company owned by a large shareholder and Supervisory Board member of TUI AG. In the reporting period, TUI Russia was granted shareholder loans worth UDS 3.8 m by TUI Group and USD11.3 by Unifirm. TUI has impaired its part of the loan.

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.

The Executive Board

Hanover, 11 May 2017

Friedrich Joussen

Horst Baier

David Burling

Sebastian Ebel

Dr Elke Eller

Frank Rosenberger

Review Report

To TUI AG, Berlin / Germany and Hanover / Germany

We have reviewed the condensed interim consolidated financial statements - comprising the statement of financial position, the income statement, the condensed statement of comprehensive income, the condensed statement of cash flows, the condensed statement of changes in equity as well as selected explanatory notes to the financial statements - and the interim group management report for the period from 1 October 2016 until 31 March 2017 of TUI AG, which are components of the half-year financial report under § 37w WpHG (Wertpapierhandelsgesetz: German Securities Trading Act).

Review Report on the Condensed Interim Consolidated Financial Statements

Management Board's Responsibility for the Condensed Interim Consolidated Financial Statements

The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU is the responsibility of the entity's Management Board. The Management Board is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Pracitioner's Responsibility for the Review of the Condensed Interim Consolidated
Financial Statements

Our responsibility is to express an opinion on the condensed interim consolidated financial statements based on our review. We conducted our review in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with the International Standard on Review Engagements 'Engagements to Review Historical Financial Statements' (ISRE 2400 (revised)). Those standards require that we plan and perform the review in compliance with professional standards such that we can preclude through critical evaluation, with limited assurance, that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU.

A review of the condensed interim consolidated financial statements in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with ISRE 2400 (revised) is a limited assurance engagement. A review is limited primarily to inquiries of personnel of the entity and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Conclusion on the Condensed Interim Consolidated Financial Statements

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 all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU.

Other Legal and Regulatory Requirements

Review Report on the Interim Group Management Report

Management Board's Responsibility for the Interim Group Management Report

The preparation of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the entity's Management Board. The Management Board is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of an interim group management report that is free from material misstatement, whether due to fraud or error.

Pracitioner's Responsibility for the Review of the Interim Group Management Report

Our responsibility is to express an opinion on the interim group management report based on our review. We conducted our review in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with the International Standard on Review Engagements 'Engagements to Review Historical Financial Statements' (ISRE 2400 (revised)). Those standards require that we plan and perform the review in compliance with professional standards such that we can preclude through critical evaluation, with limited assurance, that the 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 of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with ISRE 2400 (revised) is a limited assurance engagement. A review is limited primarily to inquiries of personnel of the entity and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Conclusion on the Interim Group Management Report

Based on our review, no matters have come to our attention that cause us to presume 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.

Hanover, 11 May 2017

Deloitte GmbH Wirtschaftsprüfungsgesellschaft

Christoph B. Schenk

Dr Hendrik Nardmann

Cautionary statement regarding forward-looking statements

The present Interim 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
Q2 2016 / 17 are available at the following link:
www.tuigroup.com/en-en/investors

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www.tuigroup.com

concept and Design

3st kommunikation, Mainz

photography

Cover Getty Images

The English and a German version of this
Half-year financial report are available on the web:
www.tuigroup.com/en-en/investors

Published on 15 May 2017

Financial calendar

10 August 2017

Interim report Q3 2015 / 16

28 September 2017

Trading Update

13 DeCember 2017

Annual Report 2016 / 17

February 2018

Annual General Meeting 2018

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Company:	TUI AG Karl-Wiechert-Allee 4 30625 Hannover Germany
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WKN:	TUAG00 , TUA G28, TUA G29
Listed:	Regulated Market in Hanover; Regulated Unofficial Market in Berlin, Dusseldorf, Hamburg, Munich, Stuttgart, Tradegate Exchange; Open Market in Frankfurt; London
Category Code:	IR
TIDM:	TUI
LEI Code:	529900SL2WSPV293B552
OAM Categories:	1.2. Half yearly financial reports and audit reports/limited reviews
Sequence No.:	4190