TUI GROUP

Half-Year Financial Report 1 Oct. 2019 – 31 March 2020

- COVID-19 is the greatest crisis the tourism industry and TUI has ever faced.
- Group Underlying EBIT for the five months to February delivered a strong result, up €62m[1] versus prior year excluding one-offs, driven by Markets & Airlines
- H1 Group Underlying EBIT down €512m[1] on prior year as a result of loss of contribution and costs arising from COVID-19 shutdown as well as costs from Boeing 737 Max grounding
- €1.8bn German State Aid bridge loan confirmed on 27 March to increase the existing credit agreement due to the pandemic
- FY20 guidance withdrawn on 15 March 2020 based on the current unpredictable situation
- Global transformation to be accelerated
- TUI is a resilient business and will be stronger, much leaner and more flexible post COVID-19

[1] at constant currency rates

TUI Group - financial highlights

		Q2 2020	Q2 2019 adjusted	Var. %	H1 2020	H1 2019 adjusted	Var. %	Var. % at constant currency
Turnover		**2,787.9**	**3,101.6**	- 10.1	**6,638.7**	**6,676.4**	- 0.6	- 1.3
Underlying EBIT (IAS 17)[1]								
Hotels & Resorts		- 1.2	65.3	n. a.	42.1	134.5	- 68.7	- 56.1
Cruises		- 22.4	59.4	n. a.	26.5	106.4	- 75.1	- 77.1
Destination Experiences		- 20.3	- 5.6	- 262.5	- 29.4	- 10.4	- 183.8	- 187.0
Holiday Experiences		- 44.0	119.1	n. a.	39.1	230.5	- 83.0	- 76.8
Northern Region		- 313.5	- 121.1	- 158.9	- 424.8	- 183.9	- 131.0	- 130.0
Central Region		- 152.1	- 86.9	- 75.1	- 183.5	- 119.6	- 53.5	- 53.6
Western Region		- 131.0	- 92.1	- 42.1	- 194.6	- 152.6	- 27.5	- 27.8
Markets & Airlines		- 596.5	- 300.1	- 98.7	- 802.9	- 456.1	- 76.0	- 75.8
All other segments		- 40.4	- 37.4	- 7.9	- 64.9	- 76.0	+ 14.6	+ 14.1
TUI Group[1]		**- 680.9**	**- 218.5**	**- 211.7**	**- 828.7**	**- 301.6**	**- 174.8**	**- 169.7**
Underlying EBITDA (IAS 17)[2]		**- 539.5**	**- 105.7**	**- 410.4**	**- 559.4**	**-78.5**	**- 612.4**	
Underlying EBIT (IFRS 16)		**- 680.1**	**- 218.5**	**- 211.3**	**- 826.8**	**-301.6**	**- 174.2**	
EBIT (IFRS 16)[1]		**- 700.2**	**- 242.1**	**- 189.2**	**- 778.0**	**-348.1**	**- 123.5**	
Underlying EBITDA (IFRS 16)		**- 409.6**	**- 105.7**	**- 287.5**	**- 298.1**	**-78.5**	**- 279.6**	
EBITDA (IFRS 16)[2]		**- 418.7**	**- 120.0**	**- 248.8**	**- 228.9**	**- 107.7**	**- 112.6**	
Group loss		- 740.5	- 176.9	- 318.5	- 845.8	- 289.1	- 192.6	
Earnings per share	€	- 1.30	- 0.35	- 271.4	- 1.51	- 0.58	- 160.3	
Net capex and investment		- 226.5	- 356.6	+ 36.5	- 287.2	- 651.4	+ 55.9	
Equity ratio (31 March)[3]	%				15.6	21.2	- 5.6	
Net financial position (31 March)					- 4,902.5	- 1,964.1	- 149.6	
Employees (31 March)					53,525	60,135	- 11.0	

Differences may occur due to rounding.

This Half-Year Financial Report of the TUI Group was prepared for the reporting period H1 FY20 from 1 October 2019 to 31 March 2020.

TUI Group applied IFRS 16 from 1 October 2019. Prior year figures were not adjusted.

In the current financial year, underlying EBIT is also adjusted for the earnings effect of IFRS 16 ('underlying EBIT (IAS 17)') as part of internal reporting in order to facilitate year-on-year comparability. Accordingly, adjusted EBIT (IAS 17) represents the Group performance measure within the meaning of IFRS 8.

Since the beginning of this financial year, the items of the profit and loss statement of the aircraft leasing companies holding the TUI Group's aircraft and subletting them within the Group have been fully allocated to the airlines using the respective aircraft (Northern Region, Central Region and Western Region). In the first half of the previous year, the aircraft leasing companies were fully included in All other segments, while in the 2019 Annual Report, the result from intra-Group subleasing was already allocated to the respective airlines (Northern Region, Central Region and Western Region). The prior-year figures have been adjusted accordingly.

[1] We define the EBIT in underlying EBIT as earnings before interest, income taxes and result of the measurement of the Group's interest hedges. For further details please see page 15.

[2] EBITDA is defined as earnings before interest, income taxes, goodwill impairment and amortisation and write-downs of other intangible assets, depreciation and write-downs of property, plant and equipment, investments and current assets.

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

INTERIM MANAGEMENT REPORT

H1 FY20 Summary

- The first half of the 2020 financial year has been marked by two developments – the first five months saw an exceptional start to our Summer 2020 programme, with January 2020 being the best ever bookings month in the company's history. The final month of the second quarter saw an unprecedented global travel suspension as COVID-19 escalated into a pandemic.
- The impact on our programme and operations has been undeniably acute. For the first time ever in the company's history, our full programme was suspended and alongside many other corporates across the sector State Aid was applied for. As a result of our swift action, TUI was the first business in Germany to receive state support in these exceptional times.
- First five months (5M) underlying EBIT loss of €343m[1] was up €62m versus prior year excluding digital platforms operational investment, Boeing 737 Max and effect of a one-off hedging gain, reflecting the strong operational result and start to the year.
- H1 Group underlying EBIT loss of €813m[1] was down €512m[1] on prior year as a result of lost contribution in March and costs arising from COVID-19 shutdown, most notably from ineffective hedges, and additionally replacement lease costs relating to the Boeing 737 Max. Total costs in March incurred relating to both COVID-19 measures and Max amounted to €470m.
- The tourism industry has weathered a number of macroeconomic shocks throughout the most recent decades, however the COVID-19 pandemic is unquestionably the greatest crisis the industry and TUI has ever faced.

[1] Underlying EBIT (IAS 17), at constant currency rates

H1 results at a glance (pro-forma IAS17 basis)

	€ million
Underlying EBIT 5M FY19	**- 302**
5M YTD	
Holiday Experiences	- 20
Markets & Airlines	+ 69
All other segments	+ 13
Underlying EBIT 5M YTD FY20 at constant currency excluding special items	**- 240**
Special items:	
Current year: Digital platform opex	- 8
Markets & Airlines Prior year: Hedging gain (Northern Region)	- 29
Markets & Airlines Current year: Boeing 737 Max grounding	- 66
Underlying EBIT 5M YTD FY20 at constant currency	**- 343**
March 2020:	
Special items:	
Loss of contribution	- 242
Net hedging ineffectiveness	- 146
Repatriation costs	- 29
Compensation costs	- 14
Marella Celebration impairment	- 19
Net Boeing 737 Max costs	- 6
Other (COVID-19 related)	- 14
Underlying EBIT H1 FY20 at constant currency	**- 813**
Foreign exchange translation	- 16
Underlying EBIT H1 YTD FY20 at actual rates	**- 829**
IFRS 16 impact	+ 2
Underlying EBIT H1 FY20 at actual rates (IFRS 16 basis)	**- 827**

COVID-19 development

- At our Q1 update on 11 February 2020, there was neither a worldwide travel ban on the horizon nor any indication that the world, and particularly the tourism industry, would come to a standstill. The outbreak in China at the end of December and during the course of January had little to no impact on our key markets. Looking back on previous epidemics, any consumer impact had been very much contained in and limited to the source region of the outbreak.
- The outbreak in Italy on 21 February was however followed by an incidence of COVID-19 at one of our partnership hotels in Tenerife. By the beginning of March, we were experiencing lower travel demand, however our year to date bookings remained well above prior year. The further spread of COVID-19 in the following days led to the decision to trigger Force Majeure notices to all third party hotelier partners, enabling either a cancellation or reduction of committed capacity contracts for the remainder of the season.
- By the middle of March a number of governments across our key destinations, such as Spain, Mexico and Greece were advising that they would be closing borders as part of their efforts to mitigate the spread of COVID-19. As a result, on 15 March, we announced the suspension of the vast majority of our travel programme until further notice. All financial guidance for FY20 was withdrawn at this point.

Financial and operational measures as a result of travel suspension

Application for and granting of German State Aid

- In light of the suspension of operations, it was clear the company would require additional liquidity headroom to help bridge the effects of the pandemic until Summer 2020. TUI applied for State Aid from the German Federal Government on 17 March. Ten days later, on 27 March TUI received a commitment from the German Federal Government for a KfW bridge loan for the amount of €1.8 billion. The €1.8 billion support came in the form of an extension to the pre-existing €1.75bn Revolving Credit Facility (RCF) and was ratified by the existing RCF banking consortium on 8 April.
- Under the terms of the loan, the annual dividend will be suspended during the course of the credit line. Both covenants, net leverage and net fixed charge cover, relating to the existing and increased RCF will be suspended for the next 18 months. Covenant testing will resume in September 2021.

The largest ever repatriation campaign by TUI

- From mid-March, customer service, aviation planning and crisis management teams, alongside in-destination colleagues and flight crew, worked tirelessly round the clock to coordinate the return of customers and colleagues. Over 200,000 customers plus ~4,000 colleagues were returned to home countries in the weeks that followed. Additionally, at the request of various foreign ministries, the teams worked hard to also repatriate many non-TUI passengers on rescue flights, who would have otherwise been stranded.

Significant fixed cost base actions

- Whilst our programme is suspended, significant crisis measures have been taken across the business to reduce cash costs and expenditure to an absolute minimum. From capex, to marketing, to rental and leases, all expenditure has been cut or paused. Strict cost discipline, required during these exceptional circumstances, has been a top priority for the business as a whole.
- The largest cost base for the Group is accommodation and having invoked the Force Majeure clause on all hotel contracts, our overall monthly cash cost base has been substantially reduced by more than 70%. Incremental aircraft leases are being renegotiated with our lessors, as have our rental lease agreements with landlords in our Hotels & Resorts business. Cruise ships have been laid up, saving around ~50% of monthly costs.

- The business took the difficult but necessary decision to reduce staff costs worldwide from April onwards. Short-time work, pay-cuts, furlough, unpaid leave or other staff costs saving measures were applied across the Group, whilst our business is paused. We have participated in government job retention schemes where available, such as in Germany and the UK. These substantial measures across the business have helped to deliver a ~50% cost saving in May, with ~90% of our employees participating in the above measures.
- Due the nature of our advance contracting to secure committed capacity, accommodation and services for the seasons ahead, TUI would typically see a high level of operational leverage. In a normal year c. 63% of our cash costs across the business are deemed to fixed. This equates to a cash outflow range of between ~€700m to ~€1,400m per month, the latter during our peak season.
- As detailed above, the exceptional shutdown imposed has enabled significant cost reductions during this incomparable crisis period. Having reduced cash costs by more than 70% to an absolute crisis minimum, we expect for the remainder of the financial year a fixed cost cash outflow range of between ~€250m to ~€300m per month.

Bookings and refund mechanisms

- Since the beginning of the measures to mitigate COVID-19, we have seen a material decline in bookings for Summer 2020 as a result of the travel suspension currently in place. We see bookings for Summer 2020 down 36%[1], with ASP up 11% and 35%[1] of the programme sold to date, down from 59% sold at the same point last year reflecting our cancelled programme from mid-March.
- The Markets and Airlines programme across the three regions are on average suspended until middle of June with our Cruise brands on average suspended similarly. Under the European Travel Directive, cash refunds should be provided for holidays cancelled. Many of our source market governments are however considering voucher refund mechanisms or state backed fund solutions as alternatives to cash refunds and subsequently we expect a low to mid-single digit hundred millions per month cash outflow to cover customer refunds relating to cancelled holidays. We see typically, a higher proportion of customers requesting refunds for immediate departures and customers with outer dates, choosing a voucher refund credit or rebooking to a later departure date. Customers who do not wish to take advantage of our vouchers/refund credits with a discount for future booking, remain entitled to a cash refund should their holiday be cancelled.
- Holidays remain a high priority for our customers and we see our customers committing early for future seasons. Winter 2020/21 is still very early in the booking cycle however UK bookings are up 8%[1] with ASP in line with prior year. Summer 21 bookings are looking positive on small volumes.

[1] These statistics are up to 3 May 2020, shown on a constant currency basis and relate to all customers whether risk or non-risk

Liquidity position and measures

With cash and available facilities as well as a number of liquidity enhancing measures, TUI has sufficient funds to cover the coming months. As at 10 May, TUI AG's total cash and available facilities amounted to €2.1bn.

TUI continues to evaluate a variety of options with the aim to best position TUI's balance sheet and liquidity through an extended period of disruption and post crisis.

Our liquidity enhancing measures:

- Cash cost base reduced to crisis minimum range of between ~€250m to ~€300m per month
- Capex reduction/postponement from range of between ~€750m to ~€900 for FY20 to ~€440m[2]
- Adoption of voucher/refund credit mechanism
- Tax relief
- Closing of Hapag-Lloyd Cruises transaction
- Sale and leaseback of assets

[2] pro forma IAS 17 application and pre TUI Cruises' acquisition of Hapag-Lloyd Cruises

- Immediate working capital normalisation on recovery of bookings/restart of business

The Group is strongly focused on rebuilding its solid balance sheet profile post crisis.

H2 Outlook

TUI has a resilient business model and has shown strong operational performance in recent years. Before the COVID-19 crisis, the business was on track to deliver a strong FY20, despite further costs related to the grounding of the Boeing 737 Max.

The travel industry has proven to be resilient many times, weathering many macroeconomic shocks throughout the recent decades and has been quick to adapt to macro challenges.

We expect travel will be different for the remainder of this year, however we strongly believe our customers will still want to holiday. Online enquiries to our website indicate to us that customers are still actively researching holidays and destinations; customers want to travel as soon as tourism can take off responsibly and safely.

We consider ourselves very well positioned to benefit from a recovery post the COVID-19 crisis. Our vertically integrated model enables a fully coordinated restart of the value chain. TUI's trusted brand, direct customer engagement across the full holiday journey and differentiated products are clear USPs for customer post crisis. TUI's market leading position combined with long-standing relationships with suppliers, retail agents and tour operators, means TUI plays an important and critical role in the restart of the industry.

The foreign tourism ministries from destinations such as Greece, Cyprus, Portugal, the Balearic Islands, Austria, and Bulgaria are preparing intensively for the return of tourists. The health and wellbeing of both customers and colleagues remain paramount and we are assessing how we can responsibly adapt to measures so that leisure travel can resume. We are preparing new procedures for the airport process, on board our aircraft, in hotels and on our ships, so that any social distancing recommendations or guidelines can be implemented, without compromising customer enjoyment and travel experience. TUI, alongside our many destination partners, stands ready for a responsible restart and resumption of our travel programme.

Acceleration of our strategy post COVID-19
It is clear as a result of the COVID-19 crisis, the travel industry will evolve even faster and perhaps more profoundly than many had expected. The world will be different and TUI will be different also.

This evolution will see the launch of our global realignment programme. We are reviewing our activities, every business unit and group companies worldwide to identify synergies and where we can be leaner, faster and more efficient. What is crucial now more than ever is to adapt our structures, and review our investments and presence in both markets and destinations.

To address costs, we will leverage synergies in areas such as hotel purchasing and exploit further potential within our global IT structures. We are targeting to permanently reduce our overhead cost base by 30% across the entire Group. This will have an impact on potentially 8,000 roles globally that will either not be recruited or reduced.

We will be less capital intensive, and we will continue our asset-right strategy in our Hotels & Cruise business which we launched in 2019. We will right-size our airlines and order book, alongside restructuring. We will divest and address non-profitable activities within our business.

Driving digitalisation - we will accelerate our Group transformation into a digital platform business. We will expand accommodation only and seat only products as well as increase dynamic packaging options. For our digital platform within Destination Experiences, we will enhance and prioritise the planned transformation.

TUI is well positioned to adapt to these opportunities. In order to return to the successful development of the past years after the crisis, we will now implement the realignment quickly.

Future TUI will be leaner, less capital intensive and more digital, creating an even stronger and more agile business.

Report on changes in expected development

On 15 March 2020, the Executive Board of TUI AG withdrew its guidance for financial year 2020 in view of the considerable uncertainties in the assessment of future developments.

The effects of the COVID-19 pandemic will have a considerable impact on the development of Group earnings. Cost savings will only partly compensate for the negative effects. We therefore expect Group turnover and underlying EBIT (IAS 17, at constant currency) to decline significantly compared with the previous year.

Structure and strategy of TUI Group

Reporting structure

See Annual Report 2019 from page 32

The present Half Year Financial Report 2020 is essentially based on TUI Group's reporting structure set out in the Annual Report for 2019.

Since the beginning of this financial year, the items of the profit and loss statement of the aircraft leasing companies holding the TUI Group's aircraft and subletting them within the Group have been fully allocated to the airlines using the respective aircraft (Northern Region, Central Region and Western Region). In the previous year's report data, the aircraft leasing companies were fully included in All other segments, while in the 2019 Annual Report, the result from intra-Group subleasing was already allocated to the respective airlines (Northern Region, Central Region and Western Region). The prior-year figures have been adjusted accordingly.

Group targets and strategy

Details see Annual Report 2019 from page 28

TUI Group's strategy set out in the Annual Report 2019 should be continued after the effects of COVID-19 have subsided.

Consolidated earnings

Turnover

€ million	**Q2 2020**	Q2 2019 adjusted	Var. %	**H1 2020**	H1 2019 adjusted	Var. %
Hotels & Resorts	133.9	131.7	+ 1.7	300.2	271.0	+ 10.8
Cruises	243.2	234.2	+ 3.8	481.6	424.6	+ 13.4
Destination Experiences	83.7	144.5	- 42.1	300.4	302.8	- 0.8
Holiday Experiences	460.8	510.4	- 9.7	1,082.2	998.4	+ 8.4
Northern Region	966.6	1,023.5	- 5.6	2,187.0	2,123.8	+ 3.0
Central Region	855.3	934.6	- 8.5	2,209.9	2,224.9	- 0.7
Western Region	480.2	514.3	- 6.6	1,075.1	1,057.4	+ 1.7
Markets & Airlines	2,302.2	2,472.4	- 6.9	5,471.9	5,406.2	+ 1.2
All other segments	24.9	118.8	- 79.0	84.5	271.8	- 68.9
TUI Group	**2,787.9**	**3,101.6**	**- 10.1**	**6,638.7**	**6,676.4**	**- 0.6**
TUI Group (IAS 17, at constant currency)	**2,792.3**	**3,101.6**	**- 10.0**	**6,593.0**	**6,676.4**	**- 1.2**

TUI Group applied IFRS 16 from 1 October 2019. Prior year figures were not adjusted. In order to enhance year-on-year comparability, our internal reporting for the current financial year uses underlying EBIT and underlying EBITDA in line with the rules of IAS 17. Accordingly, the amounts presented for the prior year and the current year do not include the effect of the initial application of IFRS 16.

Underlying EBIT (IAS 17)

€ million	**Q2 2020**	Q2 2019 adjusted	Var. %	**H1 2020**	H1 2019 adjusted	Var. %
Hotels & Resorts	- 1.2	65.3	n. a.	42.1	134.5	- 68.7
Cruises	- 22.4	59.4	n. a.	26.5	106.4	- 75.1
Destination Experiences	- 20.3	- 10.2	- 99.0	- 29.4	- 10.4	- 182.7
Holiday Experiences	- 44.0	114.4	n. a.	39.1	230.5	- 83.0
Northern Region	- 313.5	- 125.8	- 149.2	- 424.8	- 183.9	- 131.0
Central Region	- 152.1	- 88.0	- 72.8	- 183.5	- 119.6	- 53.4
Western Region	- 131.0	- 95.9	- 36.6	- 194.6	- 152.6	- 27.5
Markets & Airlines	- 596.5	- 309.7	- 92.6	- 802.9	- 456.1	- 76.0
All other segments	- 40.4	- 46.8	+ 13.7	- 64.9	- 76.0	+ 14.6
TUI Group	**- 680.9**	- 242.1	**- 181.2**	**- 828.7**	**- 301.6**	**- 174.8**

Underlying EBITDA (IAS 17)

€ million	**Q2 2020**	Q2 2019 adjusted	Var. %	**H1 2020**	H1 2019 adjusted	Var. %
Hotels & Resorts	28.6	90.4	- 68.4	101.9	185.1	- 44.9
Cruises	21.7	79.9	- 72.8	100.4	146.5	- 31.5
Destination Experiences	- 14.5	- 1.7	- 752.9	- 18.9	- 2.6	- 626.9
Holiday Experiences	35.8	168.6	- 78.8	183.5	329.0	- 44.2
Northern Region	- 279.1	- 95.7	- 191.6	- 362.6	- 134.5	- 169.6
Central Region	- 134.7	- 74.9	- 79.8	- 153.6	- 96.8	- 58.7
Western Region	- 116.3	- 80.6	- 44.3	- 167.3	- 130.1	- 28.6
Markets & Airlines	- 530.0	- 251.3	- 110.9	- 683.4	- 361.4	- 89.1
All other segments	- 45.2	- 23.0	- 96.5	- 59.5	- 46.2	- 28.8
TUI Group	**- 539.5**	**- 105.7**	**- 410.4**	**- 559.4**	**- 78.5**	**- 612.6**

Segmental performance[1]

[1] Comments on segmental performance based on underlying EBIT IAS 17 at constant currency

Holiday Experiences

Holiday Experiences

€ million	Q2 2020	Q2 2019 adjusted	Var. %	H1 2020	H1 2019 adjusted	Var. %
Turnover	460.8	510.4	- 9.7	1,082.2	998.4	+ 8.4
Underlying EBIT (IAS 17)	- 44.0	119.1	n. a.	39.1	230.5	- 83.0
Underlying EBIT (IAS 17, at constant currency)	- 26.6	119.1	n. a.	53.6	230.5	- 76.7

Hotels & Resorts

€ million	Q2 2020	Q2 2019 adjusted	Var. %	H1 2020	H1 2019 adjusted	Var. %
Total turnover	253.8	277.8	- 8.6	582.4	591.3	- 1.5
Turnover	133.9	131.7	+ 1.7	300.2	271.0	+ 10.8
Underlying EBIT (IAS 17)	- 1.2	65.3	n. a.	42.1	134.5	- 68.7
Underlying EBIT (IAS 17, at constant currency)	18.2	65.3	- 72.1	59.0	134.5	- 56.1
Capacity hotels total[1] ('000)	**7,108**	**7,632**	**- 6.9**	**16,634**	**16,767**	**- 2.7**
Riu	3,809	4,187	- 9.0	8,199	8,601	- 2.3
Robinson	595	607	- 1.9	1,337	1,284	- 1.2
Blue Diamond	1,148	1,072	+ 7.1	2,298	2,021	- 5.0
Occupancy rate hotels total[2] (in %, variance in % points)	**74**	**79**	**- 5**	**75**	**77**	**- 2**
Riu	81	86	- 5	82	84	- 2
Robinson	62	64	- 2	67	68	- 1
Blue Diamond	73	83	- 10	75	78	- 3
Average revenue per bed hotels total[3] (in €)	**81**	**80**	**+ 1.8**	**73**	**72**	**+ 1.9**
Riu	73	72	+ 1.5	70	69	+ 1.5
Robinson	104	105	- 1.7	97	96	+ 1.6
Blue Diamond	135	139	- 2.7	123	127	- 3.2

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

[1] Group owned or leased hotel beds multiplied by opening days per quarter

[2] Occupied beds divided by capacity

[3] Arrangement revenue divided by occupied beds

- At the close of the first half, the majority of our hotels was closed as a result of global COVID-19 measures. A very small number of hotels remained open to host customers awaiting repatriation. From mid-April, all hotels across the portfolio were closed in line with government advice.
- Hotels & Resorts delivered both increased occupancies and rate versus prior year on a 5M basis. On a H1 basis, occupancy levels were clearly impacted as a result of shutdown measures in March, resulting in occupancy rate of 75%, down 2%pts year on year. Average rate per bed increased by 2% to €73 on a half year basis.
- Hotels & Resorts H1 earnings of €59m were down €75m versus prior year reflecting lost contribution in March as a result of forced closures from COVID-19.

Cruises

€ million	**Q2 2020**	Q2 2019 adjusted	Var. %	**H1 2020**	H1 2019 adjusted	Var. %
Turnover[1]	243.2	234.2	+ 3.8	481.6	424.6	+ 13.4
Underlying EBIT (IAS 17)	- 22.4	59.4	n. a.	26.5	106.4	- 75.1
Underlying EBIT (IAS 17, at constant currency)	- 24.3	59.4	n. a.	24.4	106.4	- 77.1
Occupancy (in %, variance in % points)						
TUI Cruises	78	98	- 20	88	99	- 11
Marella Cruises	92	99	- 7	96	100	- 4
Hapag-Lloyd Cruises	79	79	-	77	77	-
Passenger days ('000)						
TUI Cruises	1,243	1,446	- 14.1	2,841	2,818	+ 0.8
Marella Cruises	585	738	- 20.7	1,366	1,442	- 5.3
Hapag-Lloyd Cruises	112	79	+ 41.6	200	150	+ 33.0
Average daily rates[2] (in €)						
TUI Cruises	138	146	- 5.7	142	148	- 4.1
Marella Cruises[3] (in £)	151	154	- 1.6	146	145	+ 1.0
Hapag-Lloyd Cruises	654	680	- 3.9	613	639	- 4.1

[1] No turnover is carried for TUI Cruises as the joint venture is consolidated at equity

[2] Per day and passenger

[3] Inclusive of transfers, flights and hotels due to the integrated nature of Marella Cruises, in £

- As the first half came to a close, many of our cruise fleet had curtailed their itineraries and docked as a result of global COVID-19 measures. A small handful of our ships continued with their planned sailings returning all passengers to home countries by early April.
- Cruise H1 earnings of €24m were down €82m versus prior year, with TUI Cruises and Marella more notably impacted by lost contribution, compensation costs from cancelled itineraries and rerouting costs throughout March.
- Hapag-Lloyd saw less operational disruption due to itinerary type and saw earnings break even in the first half.

Destination Experiences

€ million	**Q2 2020**	Q2 2019 adjusted	Var. %	**H1 2020**	H1 2019 adjusted	Var. %
Total turnover	118.2	191.5	- 38.3	423.7	417.8	+ 1.4
Turnover	83.7	144.5	- 42.1	300.4	302.8	- 0.8
Underlying EBIT (IAS 17)	- 20.3	- 5.6	- 262.5	- 29.4	- 10.4	- 182.7
Underlying EBIT (IAS 17, at constant currency)	- 20.5	- 5.6	- 266.1	- 29.8	- 10.4	- 186.5

- Destination Experiences earnings for the first half declined by €19m versus prior year reflecting lost revenue throughout March, planned investment in building market share and acceleration of its digital platform.

Markets & Airlines

€ million	**Q2 2020**	Q2 2019 adjusted	Var. %	**H1 2020**	H1 2019 adjusted	Var. %
Turnover	2,302.2	2,472.4	- 6.9	5,471.9	5,406.2	+ 1.2
Underlying EBIT (IAS 17)	- 596.5	- 300.1	- 98.8	- 802.9	- 456.1	- 76.0
Underlying EBIT (IAS 17, at constant currency)	- 597.8	- 300.1	- 99.2	- 801.7	- 456.1	- 75.8
Direct distribution mix[1,3] (in %, variance in % points)	75	74	+ 1	73	74	- 1
Online mix[2,3] (in %, variance in % points)	53	53	-	51	52	- 1
Customers ('000)[3]	2,489	2,879	- 13.5	6,265	6,546	- 4.3

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

[2] Share of online sales

- Total H1 loss for Markets & Airlines of €802m increased by €346m as a result of lost contribution and costs arising from COVID-19 measures, particularly from the crystallisation of ineffective hedges amounting to ~€146m, repatriation and compensation costs and separately, aircraft replacement costs relating to the 737 Max. In addition, the prior year benefitted from a € 29m hedging gain.
- Customer numbers for the H1 period decreased by 4%. Excluding March, customer numbers had increased by 4% versus prior year, reflecting the strong demand across our markets prior to travel restrictions.

Northern Region

€ million	**Q2 2020**	Q2 2019 adjusted	Var. %	**H1 2020**	H1 2019 adjusted	Var. %
Turnover	966.6	1,023.5	- 5.6	2,187.0	2,123.8	+ 3.0
Underlying EBIT (IAS 17)	- 313.5	- 121.1	- 158.9	- 424.8	- 183.9	- 131.0
Underlying EBIT (IAS 17, at constant currency)	- 314.4	- 121.1	- 159.6	- 422.9	- 183.9	- 130.0
Direct distribution mix[1] (in %, variance in % points)	91	92	- 1	91	92	- 1
Online mix[2] (in %, variance in % points)	66	67	- 1	65	67	- 2
Customers ('000)	969	1,009	- 4.0	2,239	2,246	- 0.3

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

[2] Share of online sales

- Northern Region H1 underlying EBIT loss increased by €239m versus prior year, predominantly as a result of lost contribution, net ineffective hedges and Boeing 737 Max grounding which incurred a total cost of €194m for the region. The prior year's figure included a €29m hedge gain. Excluding 737 Max and prior year hedging gain, underlying EBIT for the 5M period had improved by 10% versus prior year.

Central Region

€ million	**Q2 2020**	Q2 2019 adjusted	Var. %	**H1 2020**	H1 2019 adjusted	Var. %
Turnover	855.3	934.6	- 8.5	2,209.9	2,224.9	- 0.7
Underlying EBIT (IAS 17)	- 152.1	- 86.9	- 75.0	- 183.5	- 119.6	- 53.4
Underlying EBIT (IAS 17, at constant currency)	- 152.1	- 86.9	- 75.0	- 183.6	- 119.6	- 53.5
Direct distribution mix[1,3] (in %, variance in % points)	47	48	- 1	46	49	- 3
Online mix[2,3] (in %, variance in % points)	23	20	+ 3	20	20	-
Customers[3] ('000)	774	976	- 20.7	2,196	2,380	- 7.7

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

[2] Share of online sales

- Central Region H1 underlying EBIT loss increased by €64m versus prior year, predominantly as a result of lost contribution, net ineffective hedges and Boeing 737 Max grounding which incurred a total cost of €96m for the region. Excluding 737 Max, underlying EBIT for the 5M period had improved by 12% versus prior year.

Western Region

€ million	**Q2 2020**	Q2 2019 adjusted	Var. %	**H1 2020**	H1 2019 adjusted	Var. %
Turnover	480.2	514.3	- 6.6	1,075.1	1,057.4	+ 1.7
Underlying EBIT (IAS 17)	- 131.0	- 92.1	- 42.2	- 194.6	- 152.6	- 27.5
Underlying EBIT (IAS 17, at constant currency)	- 131.3	- 92.1	- 42.6	- 195.1	- 152.6	- 27.9
Direct distribution mix[1] (in %, variance in % points)	79	77	+ 2	78	77	+ 1
Online mix[2] (in %, variance in % points)	62	60	+ 2	61	60	+ 1
Customers ('000)	746	894	- 16.5	1,830	1,920	- 4.7

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

[2] Share of online sales

- Western Region H1 underlying EBIT declined by €42m versus prior year, predominately as a result of lost contribution, net ineffectiveness hedges and Boeing 737 Max grounding which incurred a total cost of €99m for the region. Excluding 737 Max, underlying EBIT for the 5M period had improved by 30% versus prior year.

All other segments

€ million	**Q2 2020**	Q2 2019 adjusted	Var. %	**H1 2020**	H1 2019 adjusted	Var. %
Turnover	24.9	118.8	- 79.0	84.5	271.8	- 68.9
Underlying EBIT (IAS 17)	- 40.4	- 37.4	- 8.0	- 64.9	- 76.0	+ 14.6
Underlying EBIT (IAS 17, at constant currency)	- 40.6	- 37.4	- 8.6	- 65.3	- 76.0	+ 14.1

- The result for All other segments improved primarily due to non-inclusion of Corsair winter losses.

Financial position and net assets

Cash Flow / Net capex and investments / Net debt

The TUI Group's operating cash flow was also impacted by the travel restrictions imposed by COVID-19 in March. At the same time, due to the first-time application of IFRS 16, the cash outflow from operating activities no longer included payments for operating leases in the period under review, while the unadjusted previous year's figure still included them. At €728.4m, the reported cash outflow from operating activities therefore matched the previous year's level.

In the wake of the first-time application of IFRS 16, the definition of the TUI Group's net financial position for FY20 was adjusted. The liabilities from finance leases pursuant to IAS 17 previously included in financial liabilities will be carried as lease liabilities in accordance with IFRS 16 together with the obligations from leases classified as operating leases under IAS 17 as of FY20. The previous year was not adjusted. Taking this change of presentation into account, the net debt of continuing operations as of 31 March 2020 increased by €2,938.4m to €4,902.5m.

Net debt

	31.3.2020	31.3.2019	Var. %
Financial debt	2,014.4	3,101.3	- 35.0
thereof finance leases (IAS 17)	-	1,526.9	
Finance lease liabilities (IFRS 16)	3,922.8	-	
Cash and cash equivalents	1,022.7	1,091.6	- 6.3
Short-term interest-bearing investments	12.0	45.7	- 73.7
Net debt	**-4,902.5**	**-1,964.1**	- 149.6

Net capex and investments

€ million	Q2 2020	Q2 2019 adjusted	Var. %	H1 2020	H1 2019 adjusted	Var. %
Cash gross capex						
Hotels & Resorts	98.0	107.5	- 8.8	170.7	186.6	- 8.5
Cruises	4.3	53.8	- 92.0	43.5	200.0	- 78.3
Destination Experiences	3.7	7.6	- 51.3	7.2	9.6	- 25.0
Holiday Experiences	106.0	169.0	- 37.3	221.4	396.3	- 44.1
Northern Region	15.3	19.8	- 22.7	30.9	30.5	+ 1.3
Central Region	2.6	8.7	- 70.1	9.0	14.6	- 38.4
Western Region	3.8	9.7	- 60.8	11.9	21.0	- 43.3
Markets & Airlines*	29.2	77.7	- 62.4	60.7	111.4	- 45.5
All other segments	21.7	19.9	+ 9.0	39.4	35.9	+ 9.7
TUI Group	**156.9**	**266.6**	- 41.1	**321.5**	**543.6**	- 40.9
Net pre delivery payments on aircraft	17.6	- 22.4	n. a.	- 42.4	- 54.4	+ 22.1
Financial investments	46.9	85.2	- 45.0	56.9	146.7	- 61.2
Divestments	5.0	27.2	- 81.6	- 48.8	15.6	n. a.
Net capex and investments	**226.5**	**356.6**	- 36.5	**- 287.2**	**651.4**	n. a.

* Including €7.5m for Q2 and €8.9m for H1 FY20 (Q2 2019: €39.5m, H1 FY19: €45.3m) cash gross capex of the aircraft leasing companies, which – in contrast to the items of the income statement – are allocated to Markets & Airlines as a whole, but not to the individual segments Northern Region, Central Region and Western Region.

The decline in net capex and investments in H1 FY20 was mainly driven by the acquisition of the Marella Explorer 2 and the online platform Musement, which was included in previous year's figure. The increase in divestments compared to last year was due to the sale of two German specialist tour operators in Q1 FY20.

Assets and liabilities

Assets and liabilities

	31 Mar 2020	30 Sep 2019 adjusted	Var. %
Non-current assets	13,944.2	11,951.1	+ 16.7
Current assets	4,389.2	4,313.5	+ 1.8
Assets	**18,333.4**	**16,264.6**	**+ 12.7**
Equity	2,792.3	4,165.6	- 33.0
Provisions	1,847.2	2,204.9	- 16.2
Financial liabilities	2,014.4	2,682.2	- 24.9
Other liabilities	11,679.5	7,211.9	+ 61.9
Liabilities	**18,333.4**	**16,264.6**	**+ 12.7**

Details see Notes on page 35 ff

As at 31 March 2019, TUI Group's balance sheet total amounted to € 18.3 bn, up 12.7 % against the level of financial year end 30 September 2019. The equity ratio stood at 15.2%, falling below its level of 25.6% as at 30 September 2019.

Comments on the consolidated income statement

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

The consolidated income statement reflects the seasonality of the tourism business, with negative results generated in the period from October to March. Following a very strong start to financial year 2020, the development of TUI Group's turnover and earnings in the first half was materially impacted by the global travel restrictions launched in order to contain the spread of

COVID-19. From mid-March the vast majority of our tour operation, aviation, hotel and cruise operations were abruptly stopped.

Income statement of the TUI Group for the period from 1 Oct 2019 to 31 Mar 2020

€ million	Q2 2020	Q2 2019 adjusted	Var. %	H1 2020	H1 2019 adjusted	Var. %
Turnover	2,787.9	3,101.6	- 10.1	6,638.7	6,676.4	- 0.6
Cost of sales	3,199.9	3,142.8	+1.8	6,970.9	6,626.9	+5.2
Gross profit	**- 412.0**	**- 41.2**	- 900.0	**- 332.3**	**49.5**	n. a.
Administrative expenses	245.9	264.3	- 7.0	528.4	531.7	- 0.6
Other income	- 0.4	7.4	n. a.	93.1	12.9	+621.7
Other expenses	- 1.6	12.6	n. a.	3.7	13.9	- 73.4
Impairment of financial assets	19.1	1.1	n. a.	23.5	- 2.8	n. a.
Financial income	2.5	22.0	- 88.6	22.4	69.9	- 68.0
Financial expenses	80.8	29.5	+173.9	150.6	79.1	+90.4
Share of result of joint ventures and associates	3.2	71.4	- 95.5	41.9	106.3	- 60.6
Earnings before income taxes from continuing operations	**- 751.0**	**- 247.9**	- 202.9	**- 881.1**	**- 383.3**	- 129.9
Income taxes	- 10.5	- 70.9	+85.2	- 35.2	- 94.2	+62.6
Group loss	**- 740.5**	**- 176.9**	- 318.6	**- 845.8**	**- 289.1**	- 192.6
Group loss attributable to shareholders of TUI AG	- 763.6	- 203.8	- 274.7	- 892.2	- 343.1	- 160.0
Group loss attributable to non-controlling interest	23.2	26.9	- 13.8	46.4	54.1	- 14.2

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

After Group turnover in the first five months was still around 6% above the prior-year figure, consolidated turnover in H1 delined by 0.6 % year-on-year to €6.6bn. On a constant currency basis, turnover fell by 1.2 % year-on-year in H1 FY20. This decline reflects the disposal of Corsair, which was divested in the previous year (H1 2019 revenues: €187.1m) and the travel restrictions from mid-March onwards due to COVID-19.

The year-on-year decline in the result from continuing operations was partly driven by lower margins and additional costs for the repatriation of customers following the suspension of business operations in March 2020. In addition, the Group recorded one-off costs totalling €77m related to the grounding of the Boeing 737 Max as well as expenses worth €146m for the measurement of ineffective fuel hedges in H1 FY20, while the prior year's figures had not included any similar items. On the other hand, a positive effect was attributable to the gain on disposal from the divestment of the German specialist tour operators generated in the first quarter of 2020.

Alternative performance measures

From FY20, we use 'Underlying EBIT', which is more common in the international sphere, for our management system. Underlying EBITA is therefore no longer be used as a KPI. We define the EBIT in underlying EBIT as earnings before interest, taxes and result of the measurement of the Group's interest hedges. Unlike the previous KPI EBITA, EBIT by definition includes impairments of goodwill.

One-off items carried here include adjustments for income and expense items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the segments and the Group more difficult or causing distortions. These items include gains on disposal of financial investments, significant gains and losses from the sale of assets as well as significant restructuring and integration expenses. Any effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments are adjusted. Also, any goodwill impairments would be adjusted in the reconciliation to underlying EBIT.

TUI Group applied IFRS 16 from 1 October 2019. Prior year figures were not adjusted. In order to enhance year-on-year comparability, our internal reporting for the current financial year uses underlying EBIT in line with the rules of IAS 17. Accordingly, the amounts presented for the prior year and the current year do not include the effect of the initial application of IFRS 16. A reconciliation to underlying EBIT according to IFRS 16 is shown below:

Reconciliation to underlying earnings

Reconciliation to underlying EBIT

€ million	Q2 2020	Q2 2019 adjusted	Var. %	H1 2020	H1 2019 adjusted	Var. %
Earnings before income taxes	- 751.0	- 247.9	- 202.9	- 881.1	- 383.3	- 129.9
plus: Net interest expense	52.7	5.3	894.3	104.7	32.7	220.2
less / plus: Expense from the measurement of interest hedges	- 1.8	0.5	n. a.	- 1.6	2.4	n. a.
EBIT from continuing operations	**- 700.2**	**- 242.1**	**- 189.2**	**- 778.0**	**- 348.1**	**- 123.5**
less / plus: Separately disclosed items	8.3	13.5	- 38.5	- 71.1	27.3	n. a.
plus: Expense from purchase price allocation	11.8	10.1	16.8	22.3	19.3	15.5
Underlying EBIT from continuing operations (IFRS 16)	**- 680.1**	**- 218.5**	**- 211.3**	**- 826.8**	**- 301.6**	**- 174.1**
Adjustments IAS 17 / IFRS 16 (IFRS 16 impact)	- 0.8	-	n. a.	- 1.9	-	n. a.
Underlying EBIT from underlying operations (IAS 17)	**- 680.9**	**- 218.5**	**- 211.6**	**- 828.7**	**- 301.6**	**- 174.8**

In H1 FY20, separately disclosed items included a gain of disposal of €90.4m of the German specialist tour operators partly offset by restructuring costs in Destination Experiences, Central Region and Western Region.

In H1 FY19, one-off payments in connection with the conversion of the pension plan in the United Kingdom to a defined contribution plan and the loss on the Corsair disposal were adjusted.

The TUI Group's operating loss adjusted for special items increased by €525.2m to €826.8m in H1 FY20.

Key figures of income statement

	Q2 2020	Q2 2019 restated	Var. %	H1 2020	H1 2019 restated	Var. %
EBITDAR	**- 404.6**	**47.9**	n. a.	**- 194.0**	**236.7**	n. a.
Operating rental expenses	- 14.1	- 167.9	+ 91.6	- 34.9	- 344.4	+ 89.9
EBITDA	**- 418.7**	**- 120.0**	- 248.9	**- 228.9**	**- 107.7**	- 112.5
Depreciation/amortisation less reversals of depreciation*	- 281.5	- 122.1	- 130.5	- 549.1	- 240.4	- 128.4
EBIT	**- 700.2**	**- 242.1**	- 189.2	**- 778.0**	**- 348.1**	- 123.5
Expense from the meaurement of interest hedges	- 1.8	0.5	n. a.	- 1.6	2.4	n. a.
Net interest expense	52.7	5.3	+ 894.3	104.7	32.7	+ 220.2
EBT	**- 751.0**	**- 247.9**	- 202.9	**- 881.1**	**- 383.3**	- 129.9

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

Other segment indicators

Underlying EBIT (IFRS 16)

€ million	Q2 2020	Q2 2019 adjusted	Var. %	H1 2020	H1 2019 adjusted	Var. %
Hotels & Resorts	- 11.3	65.3	n. a.	24.0	134.5	- 82.2
Cruises	- 21.8	59.4	n. a.	26.9	106.4	- 74.7
Destination Experiences	- 20.0	- 5.6	- 257.1	- 28.9	- 10.4	- 177.9
Holiday Experiences	- 53.2	119.1	n. a.	22.1	230.5	- 90.4
Northern Region	- 309.5	- 121.1	- 155.6	- 415.2	- 183.9	- 125.8
Central Region	- 150.6	- 86.9	- 73.3	- 179.5	- 119.6	- 50.1
Western Region	- 126.4	- 92.1	- 37.2	- 189.6	- 152.6	- 24.2
Markets & Airlines	- 586.3	- 300.1	- 95.4	- 784.3	- 456.1	- 72.0
All other segments	- 40.6	- 37.4	- 8.6	- 64.6	- 76.0	+ 15.0
TUI Group	**- 680.1**	**- 218.5**	**- 211.3**	**- 826.8**	**- 301.6**	**- 174.1**

EBIT (IFRS 16)

€ million	Q2 2020	Q2 2019 adjusted	Var. %	H1 2020	H1 2019 adjusted	Var. %
Hotels & Resorts	- 11.3	65.3	n. a.	23.9	134.4	- 82.2
Cruises	- 21.8	59.4	n. a.	26.9	106.4	- 74.7
Destination Experiences	- 25.5	- 10.2	- 150.0	- 39.1	- 19.8	- 97.5
Holiday Experiences	- 58.7	114.4	n. a.	11.8	221.0	- 94.7
Northern Region	- 313.6	- 125.8	- 149.3	- 423.4	- 203.5	- 108.1
Central Region	- 154.9	- 88.0	- 76.0	- 100.5	- 121.8	+ 17.5
Western Region	- 132.6	- 95.9	- 38.3	- 199.0	- 157.1	- 26.7
Markets & Airlines	- 601.0	- 309.7	- 94.1	- 722.8	- 482.5	- 49.8
All other segments	- 40.5	- 46.8	+ 13.5	- 67.0	- 86.7	+ 22.7
TUI Group	**- 700.2**	**- 242.1**	**- 189.2**	**- 778.0**	**- 348.1**	**- 123.5**

Underlying EBITDA (IFRS 16)

€ million	Q2 2020	Q2 2019 adjusted	Var. %	H1 2020	H1 2019 adjusted	Var. %
Hotels & Resorts	40.5	90.4	- 55.2	124.3	185.1	- 32.8
Cruises	22.0	79.9	- 72.5	101.0	146.5	- 31.1
Destination Experiences	- 12.6	- 1.7	- 641.2	- 15.3	- 2.6	- 488.5
Holiday Experiences	49.9	168.6	- 70.4	210.0	329.0	- 36.2
Northern Region	- 222.2	- 95.7	- 132.2	- 247.8	- 134.5	- 84.2
Central Region	- 110.2	- 74.9	- 47.1	- 103.5	- 96.8	- 6.9
Western Region	- 82.0	- 80.6	- 1.7	- 99.5	- 130.1	+ 23.5
Markets & Airlines	- 414.3	- 251.3	- 64.9	- 450.7	- 361.4	- 24.7
All other segments	- 45.2	- 23.0	- 96.5	- 57.4	- 46.2	- 24.2
TUI Group	**- 409.6**	**- 105.7**	**- 287.5**	**- 298.1**	**- 78.5**	**- 279.7**

Since FY20 TUI Group applies IFRS 16. The prior year's figures were not adjusted.

EBITDA (IFRS 16)

€ million	Q2 2020	Q2 2019 adjusted	Var. %	H1 2020	H1 2019 adjusted	Var. %
Hotels & Resorts	40.5	90.4	- 55.2	124.2	185.0	- 32.9
Cruises	22.0	79.9	- 72.5	101.0	146.5	- 31.1
Destination Experiences	- 15.3	- 3.5	- 337.1	- 19.8	- 6.5	- 204.6
Holiday Experiences	47.2	166.8	- 71.7	205.4	325.1	- 36.8
Northern Region	- 223.0	- 97.1	- 129.7	- 249.5	- 147.6	- 69.0
Central Region	- 112.2	- 75.3	- 49.0	- 21.4	- 97.5	+ 78.1
Western Region	- 85.7	- 83.1	- 3.1	- 103.8	- 132.0	+ 21.4
Markets & Airlines	- 420.8	- 255.5	- 64.7	- 374.6	- 377.1	+ 0.7
All other segments	- 45.1	- 31.2	- 44.6	- 59.8	- 55.6	- 7.6
TUI Group	**- 418.7**	**- 120.0**	**- 248.9**	**- 228.9**	**- 107.7**	**- 112.5**

Employees

	31 March 2020	31 March 2019 adjusted	Var. %
Hotels & Resorts	16.655	20.217	- 17,6
Cruises*	347	348	- 0,3
Destination Experiences	6.983	6.527	+ 7,0
Holiday Experiences	23.985	27.092	- 11,5
Northern Region	11.458	12.636	- 9,3
Central Region	9.701	10.751	- 9,8
Western Region	5.954	6.129	- 2,9
Markets & Airlines	27.113	29.516	- 8,1
All other segments	2.427	3.527	- 31,2
Total	**53.525**	**60.135**	- 11,0

Corporate Governance

Composition of the Boards
In H1 FY20 the composition of the Supervisory Board of TUI AG changed as follows:

The term of office of the following four members of the Supervisory Board ended at the end of the Annual General Meeting on 11 February 2020: Valerie Gooding, Janis Kong, Vladimir Lukin and Coline McConville.

The re-elected Supervisory Board members were Vladimir Lukin and Coline McConville. María Garaña Corces (Managing Director, Google Professional Services EMEA, Google Global Sales & Operations), and Ingrid-Helen Arnold (President, SAP Data Network, SAP) were newly elected to the Supervisory Board.

There were no changes in the composition of TUI AG's Executive Board in H1 FY20.

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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

Details see Risk Report in our Annual Report 2019, from page 40

Successful management of existing and emerging risks is critical to the long-term success of our business and to the achievement of our strategic objectives. Full details of our risk governance framework and principal risks can be found in the Annual Report 2019.

Actively Managed: IT Development & Strategy, Growth Strategy, Integration & Restructuring, Corporate & Social Responsibility, Information Security, Brexit

Monitored: Destination Disruption, Customer Demand, Input Cost Volatility, Seasonal Cash flow, Legal & Regulatory Compliance, Health & Safety, Supplier Reliance, Talent & Leadership Development, Joint Venture Partnerships

Several principal risks materialised simultaneously as a result of the COVID-19 pandemic, which has led to travel restrictions across the world, both within the Markets as well as in destination countries.

During this period of travel suspension, the Executive Board continues to monitor the key risks, particularly those whose probability of occurrence has increased due to the COVID-19 pandemic such as customer demand and those that impact the financial profile (i.e. cost volatility and cash flow) of the Group.

There is a material uncertainty as to when the TUI Group's travel activities can be fully resumed. The in our view highly unlikely event that tourism operations cannot be resumed in the very long term, this might jeopardise the continuation of the Group's business operations, since the companies of the TUI Group might then not be able to realise their assets and repay their liabilities in the ordinary course of business. The measures described above, such as the utilisation of government aid and the significant reduction of fixed costs, serve to bridge the impact of the COVID-19 pandemic on the Group's liquidity.

Additionally TUI Group is continuously reviewing how to restart operations to align to the “new normal” guidelines to be introduced by markets and destination countries once restrictions begin to lift. This is to ensure resumption of activities at the earliest and in the safest manner.

INTERIM FINANCIAL STATEMENTS

Income statement of the TUI Group for the period from 1 Oct 2019 to 31 Mar 2020

€ million	Notes	H1 2020	H1 2019 adjusted
Turnover	(1)	6,638.7	6,676.4
Cost of sales	(2)	6,970.9	6,626.9
Gross profit		**- 332.3**	**49.5**
Administrative expenses	(2)	528.4	531.7
Other income	(3)	93.1	12.9
Other expenses	(4)	3.7	13.9
Impairment of financial assets		23.5	- 2.8
Financial income	(5)	22.4	69.9
Financial expenses	(5)	150.6	79.1
Share of result of joint ventures and associates	(6)	41.9	106.3
Earnings before income taxes from continuing operations		**- 881.1**	**- 383.3**
Income taxes	(7)	- 35.2	- 94.2
Group loss		**- 845.8**	**- 289.1**
Group loss attributable to shareholders of TUI AG		- 892.2	- 343.1
Group loss attributable to non-controlling interest	(8)	46.4	54.1

Earnings per share

€	H1 2020	H1 2019
Basic and diluted earnings per share	- 1.51	- 0.58

Condensed statement of comprehensive income of the TUI Group for the period from 1 Oct 2019 to 31 Mar 2020

€ million	H1 2020	H1 2019 adjusted
Group loss	**- 845.8**	**- 289.1**
Remeasurements of defined benefit obligations and related fund assets	458.1	- 53.1
Other comprehensive income of companies measured at equity that will not be reclassified	- 44.8	- 51.9
Fair value gain/loss on investments in equity instruments designated as at FVTOCI	- 8.3	- 0.7
Income tax related to items that will not be reclassified	- 103.1	19.4
Items that will not be reclassified to profit or loss	**301.9**	**- 86.3**
Foreign exchange differences	- 160.2	67.4
Cash flow hedges	- 444.4	- 342.8
Other comprehensive income of companies measured at equity that may be reclassified	- 5.0	2.6
Income tax related to items that may be reclassified	106.6	67.7
Items that may be reclassified to profit or loss	**- 503.0**	**- 205.1**
Other comprehensive income	**- 201.1**	**- 291.4**
Total comprehensive income	**- 1,046.9**	**- 580.5**
attributable to shareholders of TUI AG	- 1,053.6	- 646.6
attributable to non-controlling interest	6.7	66.1

Financial position of the TUI Group as at 31 Mar 2020

€ million	Notes	31 Mar 2020	30 Sep 2019 adjusted
Assets			
Goodwill	(9)	2,992.7	3,009.2
Other intangible assets		687.8	710.7
Property, plant and equipment	(10)	3,753.6	5,810.7
Right-of-use assets	(11)	3,867.3	-
Investments in joint ventures and associates		1,472.5	1,507.6
Trade and other receivables	(19)	96.7	60.9
Derivative financial instruments	(19)	45.4	43.9
Other financial assets	(19)	30.6	43.0
Touristic payments on account		153.1	183.7
Other non-financial assets		631.1	369.9
Income tax assets		9.6	9.6
Deferred tax assets		203.7	202.0
Non-current assets		**13,944.2**	**11,951.1**
Inventories		108.5	114.7
Trade and other receivables	(19)	631.6	876.4
Derivative financial instruments	(19)	326.7	303.8
Other financial assets	(19)	12.0	31.1
Touristic payments on account		1,164.2	908.7
Other non-financial assets		137.9	131.5
Income tax assets		177.0	155.7
Cash and cash equivalents	(19)	1,022.7	1,741.5
Assets held for sale	(12)	808.5	50.0
Current assets		**4,389.2**	**4,313.5**
Total assets		**18,333.4**	**16,264.6**

€ million	Notes	31 Mar 2020	30 Sep 2019 adjusted
Equity and liabilities			
Subscribed capital		1,505.8	1,505.8
Capital reserves		4,207.5	4,207.5
Revenue reserves		- 3,637.6	- 2,259.2
Equity before non-controlling interest		**2,075.7**	**3,454.2**
Non-controlling interest		716.6	711.4
Equity	(18)	**2,792.3**	**4,165.6**
Pension provisions and similar obligations	(13)	783.2	1,035.6
Other provisions		747.1	775.0
Non-current provisions		**1,530.3**	**1,810.6**
Financial liabilities	(14), (19)	1,655.9	2,457.6
Lease liabilities	(15)	3,113.5	-
Derivative financial instruments	(19)	151.0	59.1
Other financial liabilities	(19)	19.5	18.8
Other non-financial liabilities		117.2	100.1
Income tax liabilities		74.7	70.9
Deferred tax liabilities		192.4	226.9
Non-current liabilities		**5,324.3**	**2,933.5**
Non-current provisions and liabilities		**6,854.7**	**4,744.2**
Pension provisions and similar obligations	(13)	31.1	32.4
Other provisions		285.8	361.9
Current provisions		**316.9**	**394.3**
Financial liabilities	(14), (19)	358.5	224.6
Lease liabilities	(15)	809.3	-
Trade payables	(19)	1,840.0	2,873.8
Derivative financial instruments	(19)	630.0	157.1
Other financial liabilities	(16), (19)	1,457.9	89.6
Touristic advance payments received	(16)	2,181.0	2,911.2
Other non-financial liabilities		438.5	519.3
Income tax liabilities		62.5	81.9
Current liabilities		**7,777.8**	**6,857.4**
Liabilities related to assets held for sale	(17)	591.8	103.1
Current provisions and liabilities		**8,686.4**	**7,354.9**
Total provisions and liabilities		**18,333.4**	**16,264.6**

Condensed statement of changes in Group equity for the period from 1 Oct 2019 to 31 Mar 2020

€ million	Subscribed capital	Capital reserves	Revenue reserves	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 30 Sep 2019 (adjusted)	**1,505.8**	**4,207.5**	**- 2,259.2**	**3,454.2**	**711.4**	**4,165.6**
Adoption of IFRS 16	-	-	- 8.0	- 8.0	-	- 8.0
Balance as at 1 Oct 2019	**1,505.8**	**4,207.5**	**- 2,267.2**	**3,446.2**	**711.4**	**4,157.6**
Dividends	-	-	- 318.1	- 318.1	- 0.2	- 318.3
Share-based payment schemes	-	-	1.6	1.6	-	1.6
Effects on the acquisition of non-controlling interest	-	-	- 0.3	- 0.3	- 1.3	- 1.6
Group loss	**-**	**-**	**- 892.2**	**- 892.2**	**46.4**	**- 845.8**
Foreign exchange differences	-	-	- 120.5	- 120.5	- 39.7	- 160.2
Financial assets at FVOCI	-	-	- 8.3	- 8.3	-	- 8.3
Cash Flow Hedges	-	-	- 444.4	- 444.4	-	- 444.4
Remeasurements of defined benefit obligations and related fund assets	-	-	458.1	458.1	-	458.1
Other comprehensive income of companies measured at equity	-	-	- 49.8	- 49.8	-	- 49.8
Taxes attributable to other comprehensive income	-	-	3.5	3.5	-	3.5
Other comprehensive income	**-**	**-**	**- 161.4**	**- 161.4**	**- 39.7**	**- 201.1**
Total comprehensive income	-	-	- 1,053.6	- 1,053.6	6.7	- 1,046.9
Balance as at 31 Mar 2020	**1,505.8**	**4,207.5**	**- 3,637.6**	**2,075.7**	**716.6**	**2,792.3**

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

€ million	Subscribed capital	Capital reserves	Revenue reserves	Equity before non-controlling interest	Non-controlling interest	Total
Balance as at 30 Sep 2018	**1,502.9**	**4,200.5**	**- 2,062.6**	**3,640.8**	**634.8**	**4,275.6**
Adoption of IFRS 9	-	-	5.8	5.8	-	5.8
Balance as at 1 Oct 2018	**1,502.9**	**4,200.5**	**- 2,056.8**	**3,646.6**	**634.8**	**4,281.4**
Dividends	-	-	- 423.3	- 423.3	-	- 423.3
Share-based payment schemes	-	-	3.0	3.0	-	3.0
Effects on the acquisition of non-controlling interest	-	-	-	-	3.5	3.5
Group loss	**-**	**-**	**- 343.2**	**- 343.2**	**54.1**	**- 289.1**
Foreign exchange differences	-	-	55.6	55.6	11.8	67.4
Financial assets at FVOCI	-	-	- 0.7	- 0.7	-	- 0.7
Cash Flow Hedges	-	-	- 343.0	- 343.0	0.2	- 342.8
Remeasurements of defined benefit obligations and related fund assets	-	-	- 53.1	- 53.1	-	- 53.1
Other comprehensive income of companies measured at equity	-	-	- 49.3	- 49.3	-	- 49.3
Taxes attributable to other comprehensive income	-	-	87.1	87.1	-	87.1
Other comprehensive income	**-**	**-**	**- 303.4**	**- 303.4**	**12.0**	**- 291.4**
Total comprehensive income	-	-	- 646.6	- 646.6	66.1	- 580.5
Balance as at 31 Mar 2019	**1,502.9**	**4,200.5**	**- 3,123.7**	**2,579.7**	**704.4**	**3,284.1**

Condensed cash flow statement of the TUI Group

€ million	Notes	H1 2020	H1 2019
Cash outflow from operating activities	(22)	- 728.4	- 717.5
Cash outflow from investing activities	(22)	- 263.7	- 679.1
Cash inflow / cash outflow from financing activities	(22)	258.5	- 72.5
Net change in cash and cash equivalents		**- 733.6**	**- 1,469.2**
Change in cash and cash equivalents due to exchange rate fluctuation		29.8	12.8
Cash and cash equivalents at beginning of period		**1,747.6**	**2,548.0**
Cash and cash equivalents at end of period		**1,043.9**	**1,091.6**
of which included in the balance sheet as assets held for sale		21.1	-

NOTES

General

The TUI Group and its major subsidiaries and shareholdings operates in tourism. 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 2019 to 31 March 2020. The interim consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are stated in million euros (€m).

The interim consolidated financial statements were released for publication by the Executive Board of TUI AG on 11 May 2020.

Accounting principles

Declaration of compliance

The interim consolidated financial statements for the period ended 31 March 2020 comprise the condensed interim consolidated financial statements and the interim Group management report in accordance with section 115 of the German Securities Trading Act (WpHG).

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

In accordance with IAS 34, the Group's interim financial statements are published in a condensed form compared with the consolidated annual financial statements and should therefore be read in combination with TUI AG's consolidated financial statements for financial year 2019. The interim financial statements were not reviewed or audited by an auditor.

Going concern report according to the UK Corporate Governance Code

The TUI Group covers its daily working capital requirements by means of cash holdings, credit approvals and bank loans. As at 31 March 2020, the TUI Group's net debt (financial liabilities plus lease liabilities less cash and cash equivalents and less short-term interest-bearing investments) totalled €4,902.5m (€909.6m as at 30 September 2019). The increase in net debt compared with the end of the financial year was primarily attributable to the increase in lease liabilities of €2.3bn recognised in the balance sheet due to the first-time application of IFRS 16 as at 1 October 2019 and the typical seasonal cash outflows, in particular in the tour operators.

In addition, the unforeseen suspension of our tour operator, airline, hotel and cruise business due to the worldwide travel restrictions imposed to stem the spread of COVID-19 from mid-March 2020 onwards is currently significantly affecting the TUI Group's earnings and liquidity development.

As at 31 March 2020, the following significant financial liabilities and credit facilities existed:

- A 2016/21 bond with a nominal value of €300.0m, issued by TUI AG and maturing in October 2021,
- €758.0m from the use of an external revolving credit facility (RCF) totalling €1.75bn (including guarantees) with a term until July 2022 to manage the liquidity of the Group due to the seasonality of the cash flows,
- Schuldschein with a maximum term until July 2028 with a nominal value of €425.0m, issued by TUI AG,
- short-term euro commercial papers with a volume of €204.9m,
- further liabilities to banks in the amount of €304.8m and
- Leasing liabilities in the amount of €3,922.8m.

On 17 March 2020, TUI applied for state aid from the German government in the framework of the state COVID-19 programmes to mitigate the effects of the COVID-19 pandemic until normal business operations can be resumed. On 27 March 2020, TUI received the approval of the German government for a bridging loan of €1.8bn from KfW with a term until July 2022, which will increase TUI's existing revolving credit line with its banks. The contract was signed by the existing RCF bank consortium on 8 April 2020.

The granting of the RCF and the new KfW credit line is subject to compliance with certain financial covenants for leverage and interest coverage. The review of these covenants is suspended for the next 18 months. Tests of the covenants will be resumed in September 2021. One of the conditions of the KfW loan is that TUI AG will not pass a resolution to pay a dividend during the term of the bridging loan.

During the suspension of the travel programmes, capital expenditures and investments were suspended in all Group companies and the monthly cash fixed cost base was reduced to ~€250m to ~€300m. Many of our key markets have adopted voucher refund mechanism alongside cash refunds for holidays cancelled and subsequently we expect a low to mid-single digit hundred millions per month cash outflow to cover customer refunds relating to cancelled holidays. The scenario used to assess the going concern assumption is that the various Group divisions will be able to gradually resume their programs in the further course of the calendar year.

The situation of the Group and the development of the travel restrictions triggered by the COVID-19 pandemic are continuously monitored and evaluated by the Executive Board. A large number of measures are currently being worked on to ensure the Group's going concern status. This includes measures for the event that travel restrictions last longer than anticipated by us.

On the basis of the assumptions outlined above, we expect that the TUI Group currently has and will continue to have sufficient funds, resulting both from borrowing and from operating cash flows, to meet its payment obligations for the foreseeable future and to ensure the going concern principle accordingly.

In conformity with Rule C1.3 of the UK Corporate Governance Code, the Executive Board confirms that it considers it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial interim statements.

Accounting and measurement methods

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

One of the key assumptions made in this respect is that our Group segments and businesses will be able to successively resume their programmes in the further course of the calendar year. Following a transition period, the Group's business performance is expected to return to the level planned prior to the outbreak of the COVID-19 pandemic. The actual development may deviate from these estimates.

The accounting and measurement methods adopted in the preparation of the interim financial statements as at 31 March 2020 are materially consistent with those followed in preparing the previous consolidated financial statements for the financial year ended 30 September 2019, with the exception of the initial application of new or amended standards, as outlined below.

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 financial year 2020, TUI has initially applied the following standards and interpretations amended or newly issued by the IASB on a mandatory basis:

New applied standards in financial year 2020

Standard	Applicable from	Amendments	Impact on financial statements
IFRS 16 Leases	1.1.2019	IFRS 16 replaces the current IAS 17 and its interpretations. For lessees, there is no longer the requirement to classify into finance and operating leases. Instead all leases are accounted for according to the so-called 'Rights of Use' approach. In the statement of financial position a lessee is to recognise an asset for the right to use the leased item and a liability for the future lease payments. There are optional exemptions for short-term leases (< 12 months) and so-called small-ticket leases. For lessors, the accounting stays largely unchanged. Lessors will continue to classify leases in accordance with the criteria transfered from IAS 17. In addition, IFRS 16 includes several other new requirements, in particular a new definition of a lease, on sale and leaseback transactions and the accounting for subleases.	The new standard has significant effects on the Group's financial statements. The effects are explained below.
IFRIC 23 Uncertainty over Income Tax Treatments	1.1.2019	The interpretation complements the rules of IAS 12 on the accounting for actual and deferred taxes to clarify the accounting for uncertainties over income tax treatments and transactions by taxation authorities or fiscal courts.	Not material
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1.1.2019	The amendments clarify that the impairment rules of IFRS 9 apply to long-term interests in associates and joint ventures that, in substance, form part of the net investment in the associate or joint venture to which the equity method is applied. Nevertheless, (as a second step) these long-term interests will have to be taken into account when the IAS 28 loss allocations are adjusted to the value of the long-term interests.	Not material.
Various Improvements to IFRS (2015-2017)	1.1.2019	The various amendments from the annual improvement project 2015-2017 cycle affect minor changes to IFRS 3, IFRS 13, IAS 12 and IAS 23.	Not material.
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	1.1.2019	Where an amendment, curtailment or settlement of a defined benefit plan occurs, the amendments require a company to use updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	Not material.

IFRS 16

The changes in lessee accounting for leases resulting from the adoption of IFRS 16 have a significant impact on all parts of the consolidated financial statements and the presentation of the Group’s financial position, net assets and earnings position.

As a lessee, TUI leases both moveable assets such as aircraft, cruise ships or vehicles, as well as immoveable property such as hotel buildings, land, office buildings, travel shops and storage spaces.

Capitalised rights to use the leased items are initially measured at the present value of the future lease payments plus initial direct costs and subsequently depreciated over the term of the leases. The lease liability is initially measured at the present value of the future lease payments. After initial measurement, the carrying amount is increased to reflect interest on the lease liability and reduced to reflect the lease payments made. Depreciation of the right-of-use assets is shown in functional costs. The interest expense from the subsequent measurement of the lease liability is presented in the interest result.

As a lessor, TUI's transition to IFRS 16 has not resulted in any changes in the accounting for existing leases, with the following exception. Due to the reclassification of existing subleases based on the right-of-use assets in the sublease in relation to the head lease, three contracts have been reclassified as finance leases and receivables of €47.3m have been capitalised.

Regarding the options and practical expedients, TUI has decided:

- to present the right-of-use assets and lease liabilities separately in the statement of financial position.
- to use the recognition and measurement exceptions for short-term leases (with terms of 12 months or less) and for leases of low value assets. The lease payments associated with those leases are recognised as an expense in functional costs either on a straight-line basis over the lease term or another systematic basis.
- not to apply the new rules to leases of intangible assets.
- For some asset classes, in particular for vehicle and IT leases as well as for leases of hotel capacity, to not separate lease components from non-lease components when accounting for contracts that contain lease components and non-lease components.

TUI initially applies IFRS 16 as at 1 October 2019 using the modified retrospective approach. Using that method, the prior year's comparative period is not restated. The effect of the transition is reported directly in equity as at 1 October 2019.

Regarding the new definition of a lease, the option to grandfather existing leases is not used in transitioning to IFRS 16. The new rules are thus applied to all contracts existing as at 1 October 2019 falling within the scope of IFRS 16, regardless of whether TUI contractually operates as the lessee or lessor.

In transitioning to the new standard, TUI applies the following practical expedients for lessees:

- For leases already classified as operating leases under IAS 17, the lease liability is carried at the amount of the present value of the future lease payments, determined using the incremental borrowing rate, as at 1 October 2019. The weighted average incremental borrowing rate was 4.99%. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for the amount of existing lease prepayments and accrued rent.
- For leases with a remaining term of less than one year at the date of initial application, TUI does not recognise any right-of-use assets and lease liabilities, in line with exercising the exception for short-term leases with lease terms of twelve months or less.
- Initial direct costs are not included in the initial measurement of the right-of-use asset as at the date of initial adoption.
- Hindsight is used in determining the lease term of contracts containing options to extend or terminate the lease.
- At the date of initial adoption, the right-of-use assets are not tested for impairment. Instead, the right-of-use assets are adjusted by the amount of any provisions for onerous leases existing as at 30 September 2019 recognised in the statement of financial position.

In transitioning to IFRS 16, right-of-use assets of €2,390.3m and lease liabilities of €2,368.8m were recognised for the first time on the balance sheet as at 1 October 2019. The table below shows a reconciliation of other financial commitments from rental and lease agreements as at 30 September 2019 to the opening balance of the lease liabilities as at 1 October 2019:

Reconciliation of IFRS 16 lease liabilities

€ million	
Financial obligations from operating leases as at 30 September 2019	**2,661.1**
Recognition exception for short-term leases	- 34.6
Recognition exception for leases of low value items	- 5.9
Changes due to new definition of a lease	81.8
Changes due to assessment of renewal or termination options	178.6
Payments for non-lease components	- 73.2
Other	83.6
Total payment obligations from operating leases	**2,891.4**
Discounting	522.6
Present value of new IFRS 16 lease liabilities as at 1 October 2019	**2,368.8 ***
Finance lease liabilities as at 30 September 2019	1,495.2
Other financial liabilities from finance leases as at 30 September 2019	4.7
Carrying amount of IFRS 16 lease liabilities as at 1 October 2019	**3,868.7 ***

* Thereof €7.0m IFRS 5

In transitioning to IFRS 16, the carrying amounts of the assets and liabilities from finance leases existing as at 30 September 2019 are reclassified to right-of-use assets and lease liabilities as at 1 October 2019.

In total, the initial application of IFRS 16 results in the following adjustments to the consolidated statement of financial position as at 1 October 2019:

Effects of the first-time adoption of IFRS 16 on the financial position of the TUI Group as at 1 Oct 2019

€ million	Carrying amount IAS 17 30 Sep 2019	Adoption of IFRS 16	Carrying amount IFRS16 1 Oct 2019
Assets			
Other intangible assets	710.7	- 13.7	697.0
Property, plant and equipment	5,810.7	- 1,451.6	4,359.1
Right-of-use assets	-	3,837.5	3,837.5
Trade and other receivables	60.9	36.7	97.6
Touristic payments on account	183.7	- 8.4	175.3
Non-current assets	**11,951.1**	**2,400.5**	**14,351.7**
Trade and other receivables	876.4	10.6	887.0
Touristic payments on account	908.7	- 86.5	822.2
Assets held for sale	50.0	7.0	57.0
Current assets	**4,313.5**	**- 68.9**	**4,244.5**
Total assets	**16,264.6**	**2,331.6**	**18,596.2**

€ million	Carrying amount IAS 17 30 Sep 2019	Adoption of IFRS 16	Carrying amount IFRS16 1 Oct 2019
Equity and liabilities			
Revenue reserves	- 2,259.2	- 8.0	- 2,267.2
Equity before non-controlling interest	**3,454.2**	**- 8.0**	**3,446.2**
Equity	**4,165.6**	**- 8.0**	**4,157.6**
Other provisions	775.0	2.1	777.1
Non-current provisions	**1,810.6**	**2.1**	**1,812.7**
Financial liabilities	2,457.6	- 1,364.7	1,092.9
Lease liabilities	-	3,061.4	3,061.4
Other financial liabilities	18.8	- 4.7	14.1
Deferred tax liabilities	226.9	- 0.4	226.5
Non-current liabilities	**2,933.5**	**1,691.6**	**4,625.1**
Non-current provisions and liabilities	**4,744.2**	**1,693.7**	**6,437.8**
Other provisions	361.9	- 3.5	358.4
Current provisions	**394.3**	**- 3.5**	**390.8**
Financial liabilities	224.6	- 130.5	94.1
Lease liabilities	-	800.3	800.3
Trade payables	2,873.8	- 24.7	2,849.1
Other non-financial liabilities	519.3	- 2.7	516.6
Current liabilities	**6,857.4**	**642.4**	**7,499.9**
Liabilities related to assets held for sale	103.1	7.0	110.1
Current provisions and liabilities	**7,354.9**	**645.9**	**8,000.8**
Total equity and liabilities	**16,264.6**	**2,331.6**	**18,596.2**

In H1 FY20, right-of-use assets were depreciated as follows:

Depreciation on right-of-use assets

€ million	H1 2020
Aircraft and engines	207.8
Hotels	51.2
Travel Agencies	26.5
Buildings	13.6
Cruise ships	8.1
Other	8.4
Total	**315.6**

In H1 FY20, interest expenses for lease liabilities totalled €73.8m.

Restatement of comparative periods

Due to the increasing digitalisation of the tour operator business, the IT costs incurred by Markets and Airlines will no longer be fully shown as administrative expenses from this financial year onwards, but also as cost of sales on a pro rata basis for the functional areas. This will improve the presentation of the impact of the digital transformation of our business model in the income statement.

In addition, the definition of cost of sales was changed so that costs incurred for the management of the hotel in the destinations were also shown as cost of sales. In contrast, the costs of the hotel holdings are now shown in full as administrative expenses. This presentation takes greater account of the operational character of the hotels in the destinations.

As a result, the cost of sales for the financial year increases, while the gross profit and administrative expenses decrease accordingly. The previous year's figures for the above-mentioned items were adjusted by €106.5m in each case to enhance comparability of the periods.

The adjustments to the prior-year figures in the balance sheet are based on adjustments to purchase price allocations and are described in the section 'Acquisitions – Divestments'.

Group of consolidated companies

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

The interim financial statements as at 31 March 2020 comprised a total of 279 subsidiaries of TUI AG.

Development of the group of consolidated companies*
and the Group companies measured at equity

	Consolidated subsidiaries	Associates	Joint ventures
Balance at 30 Sep 2019	**288**	**21**	**30**
Additions	2	-	1
Acquisition	1	-	1
Expansion of business operations	1	-	-
Disposals	12	-	-
Liquidation	2	-	-
Sale	6	-	-
Merger	4	-	-
Change in ownership stake	1	-	- 1
Balance at 31 Mar 2020	**279**	**21**	**30**

* excl. TUI AG

Acquisitions – Divestments

Acquisitions in the current financial year

In H1 FY20, companies and businesses were acquired for a total consideration of €42.6m, comprised of deferred purchase price payments worth €1.2m and cash consideration worth €41.4m.

Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share %	Consideration transferred in € million
Kybele Turizm Yatırım San. Ve Tic. A.Ş., Istanbul, Turkey	Accommodation Service	TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret A.Ş.	16.1.2020	100%	39.9
Emder Hapag-Lloyd Reisebüro GmbH & Co. KG, Emden	Travel Agent	TUI Deutschland GmbH	24.3.2020	50%	0.1
Six Travel Agencies in Germany	Travel Agent	TUI Deutschland GmbH	1.11.2019 - 2.1.2020	n.a.	2.4
One Travel Agency in Belgium	Travel Agent	TUI Belgium Retail N.V.	1.10 2019	n.a.	0.2
Total					**42.6**

The acquisitions of travel agencies in Germany and Belgium in the first half of financial year 2020 were carried out as asset deals. The goal of these acquisitions is to increase the footprint in the German and Belgian markets.

Due to the acquisition of the interests in Emder Hapag-Lloyd Reisebüro GmbH & Co. KG, Emden, the 50% stake previously held by TUI Group was increased to 100%. The goal of the transaction is to increase TUI's earnings potential. The investment, previously classified as a joint venture measured at equity, was measured at fair value through profit and loss. In the framework of the remeasurement of the stake as at the date of acquisition, a loss of €1.8m was carried in the share of result of joint ventures and associates. Below, these acquisitions are jointly presented as "travel agencies".

In line with TUI Group's growth strategy, the goal of the acquisition of Kybele Turizm Yatırım San. Ve Tic. A.Ş., Istanbul, Turkey, is to secure accommodation capacity in the holiday destination of Turkey and increase TUI's earnings potential.

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

€ million	Kybele Turizm Yatırım San. Ve Tic. A.Ş.	Travel Agencies
Consideration transferred	39.9	2.7
Net Assets at fair value	11.1	0.8
Goodwill	**28.8**	**1.9**

The difference arising between the consideration transferred and the acquired revalued net assets was provisionally carried as goodwill. It primarily constitutes a part of the future earnings potential. Goodwill capitalised in the period under review includes an amount of €2.1m expected to be tax-deductible.

Statement of financial position as at the date of first-time cosolidation

€ million	Kybele Turizm Yatırım San. Ve Tic. A.Ş.	Travel Agencies
Assets		
Other intangible assets	0.8	0.7
Property, plant and equipment	53.9	-
Investments	0.7	-
Fixed assets	**55.4**	**0.7**
Inventories	0.1	-
Other assets	18.0	0.1
Cash and cash equivalents	0.1	0.5
Equity and liabilities		
Deferred tax liabilities	9.7	-
Other provisions	1.8	0.2
Financial liabilities	35.4	-
Other liabilities	15.6	0.3
Equity	**11.1**	**0.8**
attributable to shareholders of TUI AG	11.1	0.8

No impairments on other assets were effected.

The measurement of some parts of the acquired assets and liabilities of Kybele Turizm Yatırım San. Ve Tic. A.Ş., Istanbul, was not finalised as at the reporting date due to the information being incomplete. The amounts presented therefore should be regarded as provisional.

Turnover and profit contribution of newly acquired entities

€ million	Kybele Turizm Yatırım San. Ve Tic. A.Ş.
Turnover from first-time consolidation	-
Profit/Loss from first-time consolidation	- 4.1
Pro-Forma turnover from 1 Oct 2019 until 31 Mar 2020	3.8
Pro-Forma loss from 1 Oct 2019 until 31 Mar 2020	- 17.9

The other acquired companies would only have delivered immaterial turnover and profit contributions even if they had already been included in consolidation as at 1 October 2019.

Acquisitions of the prior financial year

As at 31 March 2020, the purchase price allocation for Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A.Ş., Antalya, Turkey, already acquired in financial year 2019, was finalised as follows:

Impact of changes in purchase price allocations and adjustments of financial position of Papirüs Otelcilik Yatırım Turizm Seyahat İnşaat Ticaret A.Ş. on the consolidated statement

€ million	Fair value at date of acquisition (31 May 2019)	Adjustment	Fair values at date of first-time consolidation
Assets			
Goodwill	-	21.5	21.5
Property, plant and equipment	104.5	- 27.6	76.9
Fixed assets	**104.5**	**- 6.1**	**98.4**
Other assets	1.6	-	1.6
Equity and liabilities			
Deferred tax liabilities	16.2	- 6.1	10.1
Other provisions	0.4	-	0.4
Financial liabilities	18.5	-	18.5
Other liabilities	14.4	-	14.4
Equity	**56.6**	**-**	**56.6**

In addition, the adjustments made also resulted in a reduction in the cost of sales of €0.3m and an increase in income taxes of €0.1m in the prior year.

In the present financial statements, the purchase price allocation for Renco (Zansibar) Limited, Unguja, Tanzania, acquired in the second half of financial year 2019, was finalised without having any impact on the consolidated statement of financial position.

No material acquisitions were made after the balance sheet date.

Divestments

On 1 October 2019, the two specialist tour operators Berge & Meer and Boomerang in the Central Region segment were sold to GENUI Zwölfte Beteiligungsgesellschaft mbH for €128.3m. The divestment of the companies generated a gain of €90.2m, carried in Other income. This gain comprises income from the reclassification of amounts previously carried in Other comprehensive income outside profit and loss.

Condensed balance sheet of 'Berge & Meer' and 'Boomerang Reisen' as at 1 Oct 2019

€ million	1 Oct 2019
Assets	
Property, plant and equipment and intangible assets	4.2
Other non-current assets	0.9
Trade receivables	72.1
Other current assets	36.8
Cash and cash equivalents	6.1
	120.1

€ million	1 Oct 2019
Provisions and liabilities	
Non-current liabilities	5.3
Current provisions	0.3
Trade payables	29.4
Touristic advance payments received	53.5
Other current liabilties	20.4
	108.9

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.

Following a very strong start to financial year 2020, the development of TUI Group's turnover in Q2 2020 was materially impacted by the suspension of the vast majority of our tour operation, aviation, hotel and cruise operations as a result of the global travel restrictions launched from mid-March in order to contain the spread of COVID-19.

(1) Turnover

Following growth in the first five months of the financial year, consolidated turnover in H1 fell by 0.6 % year-on-year to €6.6bn. This decline was driven by the disposal of Corsair, which was divested in the previous year (H1 2019 revenues: €187.1m) and the travel restrictions from mid-March onwards due to COVID-19.

External revenue allocated by destinations for the period from 1 Oct 2019 to 31 Mar 2020

€ million	Spain (incl. Canary Islands)	Other European destinations	Carribean, Mexico, USA & Canada	North Africa & Turkey	Rest of Africa, Ind. Ocean, Asia	Other countries	H1 2020 Revenues from contracts with customers	Other	H1 2020 Total
Hotels & Resorts	128.2	19.4	56.6	18.9	76.8	0.3	300.2	-	300.2
Cruises	80.8	54.7	167.1	0.2	90.5	88.3	481.6	-	481.6
Destination Experiences	56.7	88.3	47.4	7.0	71.7	29.3	300.4	-	300.4
Holiday experiences	265.7	162.4	271.1	26.1	239.0	117.9	1,082.2	-	1,082.2
Northern Region	844.4	370.5	453.3	119.9	353.6	37.6	2,179.3	7.7	2,187.0
Central Region	666.8	469.3	179.3	390.9	484.5	8.8	2,199.6	10.3	2,209.9
Western Region	126.9	159.7	229.8	137.1	381.6	23.9	1,059.0	16.1	1,075.1
Markets & Airlines	1,638.1	999.5	862.4	647.9	1,219.7	70.3	5,437.9	34.1	5,472.0
All other segments	2.7	34.9	4.7	2.2	28.6	11.4	84.5	-	84.5
Total	**1,906.5**	**1,196.8**	**1,138.2**	**676.2**	**1,487.3**	**199.6**	**6,604.6**	**34.1**	**6,638.7**

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

€ million	Spain (incl. Canary Islands)	Other European destinations	Carribean, Mexico, USA & Canada	North Africa & Turkey	Rest of Africa, Ind. Ocean, Asia	Other countries	H1 2019 Revenues from contracts with customers	Other	H1 2019 Total
Hotels & Resorts	77.7	19.1	99.8	20.0	54.4	-	271.0	-	271.0
Cruises	74.8	48.7	149.2	-	134.6	17.3	424.6	-	424.6
Destination Experiences	25.7	104.3	77.0	8.9	71.1	15.8	302.8	-	302.8
Holiday experiences	178.2	172.1	326.0	28.9	260.1	33.1	998.4	-	998.4
Northern Region	788.3	392.4	423.1	117.3	367.6	28.3	2,117.0	6.7	2,123.7
Central Region	639.4	473.8	221.5	323.9	542.2	12.9	2,213.7	11.2	2,224.9
Western Region	253.2	133.6	285.0	153.5	192.3	17.9	1,035.5	21.8	1,057.3
Markets & Airlines	1,680.9	999.8	929.6	594.7	1,102.1	59.1	5,366.2	39.7	5,405.9
All other segments	1.8	28.2	80.6	3.2	149.9	8.1	271.8	-	271.8
Total	**1,860.9**	**1,200.1**	**1,336.2**	**626.8**	**1,512.1**	**100.3**	**6,636.4**	**39.7**	**6,676.4**

(2) Cost of sales and administrative expenses

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

In H1 FY20, cost of sales includes expenses for the repatriation of customers following the discontinuation of business operations in March 2020 due to COVID-19 and expenses of €146.1m from the valuation of hedging transactions no longer required. In addition, non-recurring costs of €76.8m were incurred in H1 due to the grounding of the Boeing 737 Max, compared with only €4.6m in the same period last year.

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

Administrative expenes

€ million	H1 2020	H1 2019 adjusted
Staff cost	345.7	348.8
Rental and leasing expenses	12.3	31.3
Depreciation, amortisation and impairment	46.3	30.4
Others	124.1	121.1
Total	**528.4**	**531.7**

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

Staff cost

€ million	H1 2020	H1 2019
Wages and salaries	970.9	969.5
Social security contributions, pension costs and benefits	217.0	227.4
Total	**1,187.9**	**1,196.9**

Depreciation/amortisation/impairment

€ million	H1 2020	H1 2019 adjusted
Depreciation and amortisation of other intangible assets, property, plant and equipment and right-of-use assets	528.4	239.8
Impairment of other intangible assets and property, plant and equipment	20.7	-
Total	**549.1**	**239.8**

Rental and leasing expenses

€ million	H1 2020	H1 2019
Rental and leasing expenses	**76.9**	**358.8**

The changes in rental and leasing expenses as well as depreciation and amortisation are primarily attributable to the initial application of IFRS 16.

(3) Other income

In H1 FY20, Other income mainly results from the sale of subsidiaries. For further information, please refer to the section on 'Divestments'. In the prior year, this item had primarily included income from the sale of aircraft assets.

(4) Other expenses

In the financial year under review, Other expenses comprise the result from the sale of aircraft assets. In the prior year, this item had included a loss of €11.1m arising from the sale of Corsair S.A.

(5) Financial result

The decline in the financial result from €-9.2m in the first half of the previous year to €-128.2m in the current financial year is mainly attributable to an increase in interest expenses, primarily resulting from the changed presentation of interest expenses from leases according to IFRS 16, and expenses arising from changes in foreign ex-change rates relating to lease liabilities. In the prior year, this item had additionally included in-come from the reversal of a provision for interest due to the revaluation of tax liabilities and financial income from the closing out of hedges no longer required.

(6) Share of result of joint ventures and associates

Share of result of joint ventures and associates

€ million	H1 2020	H1 2019 adjusted
Hotels & Resorts	4.1	40.9
Cruises	41.1	54.0
Destination Experiences	3.6	5.2
Holiday Experiences	48.8	100.1
Northern Region	- 7.1	5.1
Central Region	- 0.9	1.0
Western Region	-	0.2
Markets & Airlines	- 8.0	6.3
All other segments	0.1	- 0.1
Total	**41.9**	**106.3**

The year-on-year decline is attributable to holiday cancellations, customer repatriation costs and hotel closures resulting from the COVID-19 pandemic.

(7) Income taxes

The tax income generated in the first half of 2020 is due to the seasonality of the tourism business and the COVID-19 pandemic in the current year.

(8) Group loss attributable to non-controlling interest

The Group result attributable to non-controlling interests is substantially a profit, primarily relating to RIUSA II Group at an amount of €46.5m (previous year €52.9m).

Notes to the financial position of the TUI Group

(9) Goodwill

Goodwill rose by €34.2m due to acquisitions and decreased by €25.0m due to foreign currency translation. Disposals from the group of consolidated companies resulted in a decline in goodwill of €25.7m.

(10) Property, plant and equipment

Property, plant and equipment declined by €2,057.1m year-on-year to €3,753.6m. This decline includes an amount of €1,451.6m for the reclassification of leased assets previously classified as finance leases under IAS 17 to right-of-use assets. In H1 FY20, Hapag-Lloyd Kreuzfahrten GmbH invested €125.0m in the acquisition of the HANSEATIC inspiration cruise ship. The Hotels & Resorts segment acquired hotel assets totalling €219.8m, partly through company acquisitions. In connection with the planned divestment of Hapag Lloyd Kreuzfahrten GmbH, property, plant and equipment worth €661.5m was reclassified to assets held for sale. Property, plant and equipment decreased by €128.8m due to foreign exchange translation and by €158.7m due to depreciation/amortisation.

(11) Right-of-use assets

Right-of-use assets remained largely constant from the date of initial application of IFRS 16. While cumulative depreciation/amortisation amounted to €315.6m, additions included in particular an amount of €299.6m for aircraft and engines as well as €78.2m for cruise ships. Further, right-of-use assets decreased by €41.2m due to foreign exchange translation.

Right-of-Use assets

€ million	31 Mar 2020	1 Oct 2019
Aircraft and engines	2.523,2	2.451,0
Hotels	697,6	751,6
Cruise ships	235,6	163,9
Travel Agencies	192,4	208,6
Buildings	176,1	213,9
Others	42,4	48,5
Total	**3.867,3**	**3.837,5**

(12) Assets held for sale

In February 2020, TUI AG reached an agreement with its joint venture partner Royal Caribbean Cruises for the sale of Hapag-Lloyd Kreuzfahrten GmbH to the joint venture TUI Cruises GmbH. Hapag-Lloyd Cruises is part of the Cruises segment and the leading provider of luxury and expedition cruises in German-speaking markets. The goal of the transaction is to create a sound financial basis to accelerate the international growth of Hapag-Lloyd Cruises and deliver an increase in both profitability and synergies in the medium term. The transaction is expected to generate a significant book profit. It is still subject to the customary closing terms and conditions as well as approvals by the antitrust authorities and is expected to close in summer 2020.
As the transaction was not completed as at 31 March 2020, the company was classified as a disposal group.

Disposal group 'Hapag-Lloyd Cruises'

€ million	31 Mar 2020
Other intangible assets and property, plant and equipment	686.2
Trade and other receivables	15.5
Derivative financial instruments	12.1
Right-of-use assets	7.5
Income tax assets	14.7
Inventories	10.7
Touristic payments on account	31.0
Other non-financial assets	8.8
Cash and cash equivalents	21.1
Other assets	0.1
Total	**807.7**

In addition, buses worth €0.8m in the Destination Experiences segment were classified as held for sale.

(13) Pension provisions and similar obligations

Pension obligations declined significantly due to a significant increase in discount rates in the UK and Germany. On the other hand, the value of the associated investments in fund assets declined, although the decline was considerably less marked than the decline in obligations due to the types of investment selected.

Pension provisions for unfunded plans and plans with a shortfall in coverage declined by €253.7m to €814.3m as against the end of the financial year.

Pension plans with an excess of plan assets over funded obligations presented as Other non-financial assets rose by €256.9m to €566.9m versus 30 September 2019.

(14) Financial liabilities

In the framework of TUI Group's adoption of IFRS 16 as at 1 October 2019, TUI no longer has to differentiate between finance and operating leases as a lessee. In this context, lease liabilities are presented and explained separately in the statement of financial position and are therefore no longer carried in financial liabilities.

Non-current financial liabilities, without the lease liabilities included in the previous year, rose by €563.0m to €1,655.9m as against 30 September 2019. The increase was almost entirely driven by an increase in liabilities to banks of €562.5m.

As at 31 March 2020, current financial liabilities, without taking into account the lease liabilities included in the previous year, rose by €264,4m to €358.5m as against 30 September 2019. The increase mainly resulted from the use of short-term credit lines and alternative short-term refinancing options to cover the payments due.

(15) Lease liabilities

Lease liabilities rose slightly by €61.1m to €3,922.8m from the date of initial adoption of IFRS 16. This increase was due to additions from new leases of €412.5m and interest charges of €73.8m. An offsetting effect was caused by repayments and foreign exchange translation.

(16) Other financial liabilities

The increase in other financial liabilites mainly resulted from the reclassification of touristic advance payments received for cancelled tours of €1,241.0m, which have to be repaid if the customer opts for payment.

(17) Liabilities related to assets held for sale

As at 31 March 2020, liabilities related to assets held for sale totalled €591.8m. These liabilities fully related to the Hapag-Lloyd Cruises disposal group. For further information, please refer to the section on 'Assets held for sale'.

Disposal Group 'Hapag-Lloyd Cruises'

€ million	**31 Mar 2019**
Financial liabilities	349.6
Trade payables	38.6
Derivative financial instruments	24.0
Touristic advance payments received	74.7
Deferred tax liabilities	9.1
Pension provisions and similar obligations	16.9
Other financial liabilities	48.8
Other non-financial liabilities	12.0
Lease liabilities	7.5
Other provisions and liabilities	10.6
Total	**591.8**

(18) Changes in equity

Overall, equity decreased by €1,373.3m to €2,792.3m as against 30 September 2019. Due to the first-time application of IFRS 16 equity decreased by €8.0m taking into consideration deferred taxes.
In the first half of 2020, TUI AG paid a dividend of €0.54 per no-par value share. Total dividend payments to the shareholders amounted to €318.1m (previous year €423.3m).

The Group loss in the first half of the year is attributable to the seasonality of the tourism business and the present COVID-19 crisis in the current year.

The proportion of gains and losses from cash flow hedges for future cash flows includes an amount of €-444.4m (pre-tax) carried under other comprehensive income in equity outside profit and loss (previous year €-342.8m).

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

(19) Financial instruments

Carrying amounts and fair values according to classes and measurement categories according to IFRS 9 as at 31 Mar 2020

		Category according to IFRS 9						
€ million	**Carrying amount**	At amortised cost	Fair value with no effect on profit and loss without recycling	Fair value with no effect on profit and loss with recycling	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Trade receivables and other receivables	728.3	728.3	-	-	-	-	728.3	728.3
Derivative financial instruments								
Hedging transactions	210.3	-	-	210.3	-	-	210.3	210.3
Other derivative financial instruments	173.7	-	-	-	173.7	-	173.7	173.7
Other financial assets	42.6	12.0	29.6	-	1.0	-	42.6	42.6
Cash and cash equivalents	1,022.7	1,022.7	-	-	-	-	1,022.7	1,022.7
Liabilities								
Financial liabilities	2,014.4	2,014.4	-	-	-	-	2,014.4	1,855.4
Trade payables	1,840.0	1,840.0	-	-	-	-	1,840.0	1,840.0
Derivative financial instruments								
Hedging transactions	459.5	-	-	459.5	-	-	459.5	459.5
Other derivative financial instruments	338.4	-	-	-	338.4	-	338.4	338.4
Other financial liabilities	1,477.4	1,477.4	-	-	-	-	1,477.4	1,477.4

Carrying amounts and fair values according to classes and measurement categories according to IFRS 9 as at 30 Sep 2019

		Category according to IFRS 9						
€ million	**Carrying amount**	At amortised cost	Fair value with no effect on profit and loss without recycling	Fair value with no effect on profit and loss with recycling	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Trade receivables and other receivables	937.4	937.4	-	-	-	-	937.4	935.0
Derivative financial instruments								
Hedging transactions	286.3	-	-	286.3	-	-	286.3	286.3
Other derivative financial instruments	61.4	-	-	-	61.4	-	61.4	61.4
Other financial assets	74.1	31.2	42.0	-	0.9	-	74.1	74.1
Cash and cash equivalents	1,741.5	1,741.5	-	-	-	-	1,741.5	1,741.5
Liabilities								
Financial liabilities	2,682.2	1,187.0	-	-	-	1,495.2	1,187.0	1,202.6
Trade payables	2,873.9	2,873.9	-	-	-	-	2,873.9	2,873.9
Derivative financial instruments								
Hedging transactions	177.6	-	-	177.6	-	-	177.6	177.6
Other derivative financial instruments	38.6	-	-	-	38.6	-	38.6	38.6
Other financial liabilities	108.4	108.4	-	-	-	-	108.4	108.4

Due to the planned disposal of Hapag-Lloyd Cruises, the fair value of instruments of €12.1m has been carried in the balance sheet item 'Assets held for sale'.

Within the derivative financial instruments listed in the above table of carrying amounts and fair values according to classes and measurement categories under IFRS 9 as at 31 March 2020, it should be noted that a reclassification of foreign exchange and fuel price hedging transactions in the amount of €-146.1m. has been made from equity to profit or loss as of 31 March 2020. The underlying transactions linked to these hedges could no longer be assessed as highly probable due to the COVID-19 pandemic. Therefore, the hedging relationships for these financial instruments have been terminated prematurely.

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

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

The current market conditions arising from the COVID-19 pandemic have been taken into account for all financial instruments for which fair values have been calculated by adjusting the underlying parameters.

Aggregation according to measurement categories under IFRS 9 as at 31 Mar 2020

Mio. €	**Carrying amount of financial instruments Total**	**Fair Value**
Financial assets		
at amortised cost	1,763.0	1,763.0
at fair value – recognised directly in equity without recycling	29.6	29.6
at fair value – through profit and loss	174.7	174.7
Financial liabilities		
at amortised cost	5,331.8	5,172.8
at fair value – through profit and loss	338.4	338.4

Aggregation according to measurement categories under IFRS 9 as at 30 Sep 2019

Mio. €	**Carrying amount of financial instruments Total**	**Fair Value**
Financial assets		
at amortised cost	2,710.0	2,707.7
at fair value – recognised directly in equity without recycling	42.0	42.0
at fair value – through profit and loss	62.3	62.3
Financial liabilities		
at amortised cost	4,169.2	4,184.8
at fair value – through profit and loss	38.6	38.6

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 2020

		Fair value hierarchy		
€ million	**Total**	Level 1	Level 2	Level 3
Assets				
Other financial assets	**30.6**	-	-	30.6
Derivative financial instruments				
Hedging transactions	**210.3**	-	210.3	-
Other derivative financial instruments	**173.7**	-	173.7	-
Liabilities				
Derivative financial instruments				
Hedging transactions	**459.5**	-	459.5	-
Other derivative financial instruments	**338.4**	-	338.4	-

Hierarchy of financial instruments measured at fair value as of 30 Sep 2019

		Fair value hierarchy		
€ million	**Total**	Level 1	Level 2	Level 3
Assets				
Other financial assets	**42.9**	-	-	42.9
Derivative financial instruments				
Hedging transactions	**286.3**	-	286.3	-
Other derivative financial instruments	**61.4**	-	61.4	-
Liabilities				
Derivative financial instruments				
Hedging transactions	**177.6**	-	177.6	-
Other derivative financial instruments	**38.6**	-	38.6	-

Due to the planned disposal of Hapag-Lloyd Cruises, the fair value of instruments of €12.1m has been carried in the balance sheet item 'Assets held for sale'.

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

Reclassifications from Level 3 to Level 2 or Level 1 are made if observable market price quotations become available for the asset or liability concerned. TUI records transfers from or to Level 3 at the date of the obligating event or occasion triggering the transfer. In the period under review, there were no transfers into or out of Level 3.

Level 1 financial instruments

The fair value of financial instruments for which an active market is available is based on the market price quotation at the balance sheet date. An active market exists if price quotations are easily and regularly available from a stock exchange, traders, brokers, price service providers or regulatory authorities, and if these prices represent actual and regular market transactions between independent business partners. These financial instruments are categorised within Level 1. The fair values correspond to the nominal values multiplied by the price quotations at the balance sheet date. Level 1 financial instruments primarily comprise shares of listed companies classified as other financial assets and bonds issued in the class of other financial liabilities measured at amortised cost.

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

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

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

- For over the counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of observable yield curves and the respective credit spread, which depends on the credit rating.

- For over the counter derivatives, the fair value is determined by means of appropriate calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The fair value calculations of optional hedging instruments are determined using standard market valuation methods. The fair values determined on the basis of the Group's own systems are regularly compared with fair value confirmations of the external counterparties.

- Other valuation techniques, e.g. discounting future cash flows, are used for the measurement of the fair values of other financial instruments.

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

Financial assets measured at fair value in Level 3

€ million	Other financial assets IFRS 9
Balance as at 30 Sep 2018	**26.7**
First-time adoption IFRS 9	**50.4**
Balance as at 1 Oct 2018	**77.1**
Disposals	- 35.7
sale	- 0.3
consolidation	- 35.4
Total gains or losses for the period	1.5
recognised through profit and loss	- 0.7
recognised in other comprehensive income	2.2
Balance as at 30 Sep 2019	**42.9**
Balance as at 1 Oct 2019	**42.9**
Disposals	- 3.5
consolidation	- 3.5
Total gains or losses for the period	- 8.8
recognised in other comprehensive income	- 8.5
Balance as at 31 Mar 2020	**30.6**

(20) Contingent assets and liabilities

As a consequence of the worldwide grounding of the Boeing 737 MAX aircraft TUI is in conversation with the manufacturer concerning reimbursement payments. Currently, the negotiations have not reached a stage that the (financial) outcome can be estimated reliably.

As at 31 March 2020, contingent liabilities amounted to €122.0m (previous year €143.5m). Contingent liabilities are reported at an amount representing the best estimate of the potential expenditure that would be required to meet the potential obligation as at the balance sheet date.

As at 31 March 2020, contingent liabilities mainly relate to the provision of guarantees for the benefit of hotel and aviation activities.

(21) Other financial commitments

Nominal values of other financial commitments

€ million	31 Mar 2020	30 Sep 2019
Order commitments in respect of capital expenditure	2,870.3	3,206.3
Other financial commitments	198.2	139.4
Total	**3,068.5**	**3,345.7**

As at 31 March 2020, order commitment in respect of capital expenditure declined by a total of € 336.0 m as against 30 September 2019. This was mainly attributable to the delivery of aircraft and a cruise ship.

(22) Note to the Group's cash flow statement

In the reporting period, cash and cash equivalents rose by €703.8m to €1,043.9m.

In transitioning to IFRS 16, all leases are carried as right-of-use assets and lease liabilities in the statement of financial position. From the present financial year, the vast majority of payments for leases are therefore no longer shown in the cash outflow from operating activities, but as interest payments and repayments of lease liabilities in the cash outflow from financial activities.

In the period under review, the cash outflow from operating activities totalled €728.4m (previous year €717.5m). The significant impact of the COVID-19 pandemic and lower dividends received from joint ventures have caused the cash outflow from operating activities to be flat year-on-year despite the changed presentation of lease payments due to the adoption of IFRS 16.

The cash outflow from investing activities totals €263.7m (previous year €679.1m). It comprises property, plant and equipment and intangible assets investment outflows of €372.7m. The Group recorded a cash inflow of €101.0m from the sale of property, plant and equipment and intangible assets. It also includes a cash inflow of €41.4m from the sale of stakes in consolidated companies and a cash outflow of €41.3m for the acquisition of a hotel company and several travel agencies as well as capital increases of €12.5m in a joint venture and an associate. The termination of current interest-bearing investments resulted in a cash inflow of €20.8m.

The cash inflow from financing activities totalled €258.5m (previous year cash outflow of €72,5m). TUI AG drew an amount of €758.0m from the external revolving credit facility to manage the liquidity of the Group due to the seasonality of cash flows and took out further short-term loans worth €374.9m. Other TUI Group companies took out loans worth €52.1m. The cash outflow for the repayment of finance liabilities totalled €400.8m, including an amount of €330.4m for lease liabilities.

A cash outflow of €104.4m related to interest payments, while a cash outflow of €318.1m related to dividend payments to TUI AG shareholders with an additional €0.6m for dividends to minority shareholders.

An amount of €1.0m was used to purchase shares transferred to TUI Group employees in the framework of the oneShare employee share plan. A further cash outflow €1.6m related to the increase in the stake held in a consolidated company.

Cash and cash equivalents also increased by €29.8m (previous year €12.8m) due to changes in exchange rates.

As at 31 March 2020, cash and cash equivalents worth €170.6m were subject to restrictions on disposal. The amount includes €116.5m for cash collateral received, deposited by Belgian tax authorities with a Belgian subsidiary in financial year 2013 against the backdrop of long-standing litigation relating to VAT refunds for the period from 2001 to 2011, paid without acknowledgement of liability.

An additional amount of €44.6m is subject to restrictions on disposal to secure contingent assets of the Dutch Travel Guarantee Fund. The remaining amounts subject to restrictions on disposal relate to cash and cash equivalents to be deposited due to legal or regulatory requirements.

(23) Segment indicators

Since the beginning of this financial year, the items of the profit and loss statement of the aircraft leasing companies holding the TUI Group's aircraft and subletting them within the Group have been fully allocated to the airlines using the respective aircraft (Northern Region, Central Region and Western Region). In the first half of the previous year, the aircraft leasing companies were fully included in All other segments, while in the 2019 Annual Report, the result from intra-Group subleasing was already allocated to the respective airlines (Northern Region, Central Region and Western Region). The prior-year figures have been adjusted accordingly.

In addition, the presentation of the central information technology functions' internal revenue in All other segments was changed in the TUI Group internal reporting. Since the end of financial year 2019, instead of the previous gross presentation, these internal revenues are directly offset against the costs (net presentation). This adjustment has no effect on underlying EBIT. The prior year's figures were restated accordingly.

Turnover by segment for the period from 1 Oct 2019 to 31 Mar 2020

€ million	External	Group	H1 2020 Total
Hotels & Resorts	300.2	282.2	582.4
Cruises	481.6	-	481.6
Destination Experiences	300.4	123.3	423.7
Consolidation	-	- 3.2	- 3.2
Holiday experiences	1,082.2	402.3	1,484.5
Northern Region	2,187.0	139.6	2,326.6
Central Region	2,209.9	66.2	2,276.1
Western Region	1,075.1	78.9	1,154.0
Consolidation	-	- 276.6	- 276.6
Markets & Airlines	5,471.9	8.2	5,480.1
All other segments	84.5	3.9	88.4
Consolidation	-	- 414.3	- 414.3
Total	**6,638.7**	**-**	**6,638.7**

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

€ million	External adjusted	Group adjusted	H1 2019 Total adjusted
Hotels & Resorts	271.0	320.3	591.3
Cruises	424.6	-	424.6
Destination Experiences	302.8	115.0	417.8
Consolidation	-	- 2.9	- 2.9
Holiday experiences	998.4	432.4	1,430.8
Northern Region	2,123.8	146.8	2,270.6
Central Region	2,224.9	64.1	2,289.0
Western Region	1,057.4	91.0	1,148.4
Consolidation	-	- 285.3	- 285.3
Markets & Airlines	5,406.2	16.5	5,422.7
All other segments	271.8	13.4	285.2
Consolidation	-	- 462.3	- 462.3
Total	**6,676.4**	**-**	**6,676.4**

From FY20, we will be using the indicator 'Underlying EBIT', which is more common in the international sphere, for our management system. Underlying EBITA will therefore no longer be used as a KPI. We define the EBIT in underlying EBIT as earnings before interest, taxes and result of the measurement of the Group's interest hedges. Unlike the previous KPI EBITA, EBIT by definition includes impairments of goodwill.

One-off items carried here include adjustments for income and expense items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the segments and the Group more difficult or causing distortions. These items include gains on disposal of financial investments, significant gains and losses from the sale of assets as well as significant restructuring and integration expenses. Any effects from purchase price allocations, ancillary acquisition costs and conditional purchase price payments are adjusted. Also, any goodwill impairments would be adjusted in the reconciliation to underlying EBIT.

Intra-Group leases are presented as operating rental and leasing contracts.

In the current financial year, underlying EBIT is also adjusted for the earnings effect of IFRS 16 ('underlying EBIT (IAS 17)') as part of internal reporting in order to facilitate year-on-year comparability. Accordingly, adjusted EBIT (IAS 17) represents the Group performance measure within the meaning of IFRS 8.

In H1 FY20, underlying EBIT (IAS 17) includes a result of €41.9m (previous year €106.3m) from joint ventures and associates, primarily generated within the sector Holiday Experiences.

Underlying EBIT by segment (IAS 17)

€ million	H1 2020	H1 2019 adjusted
Hotels & Resorts	42.1	134.5
Cruises	26.5	106.4
Destination Experiences	- 29.4	- 10.4
Holiday Experiences	39.1	230.5
Northern Region	- 424.8	- 183.9
Central Region	- 183.5	- 119.6
Western Region	- 194.6	- 152.6
Markets & Airlines	- 802.9	- 456.1
All other segments	- 64.9	- 76.0
Total	**- 828.7**	**- 301.6**

Reconciliation to underlying EBIT (IAS 17) of the continuing operations of the TUI Group

€ million	H1 2020	H1 2019 adjusted
Earnings before income taxes	**- 881.1**	**- 383.3**
plus: Net interest expense	104.7	32.7
less / plus: Expense from measurement of interest hedges	- 1.6	2.4
EBIT	**- 778.0**	**- 348.1**
less / plus: Separately disclosed items*	- 71.1	27.3
plus: Expense from purchase price allocation*	22.3	19.3
Underlying EBIT (IFRS 16)	**- 826.8**	**- 301.6**
Adjustments IAS 17 / IFRS 16 (IFRS 16 impact)	- 1.9	-
Underlying EBIT (IAS 17)	**- 828.7**	**- 301.6**

* For a description of the adjustments see the management report

(24) Related parties

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

In H1 FY20, Riu Hotels S.A. increased its equity stake in TUI AG to 3.6%. More detailed information on related parties is provided under Other Notes in the Notes to the consolidated financial statements for 2019.

(25) Significant transactions after the balance sheet date

On 27 March 2020, TUI received the approval of the German government for a €1.8bn bridging loan from KfW. A contract with KfW and the banking consortium of TUI's existing credit facility was signed on 4 April and became effective on 8 April 2020. As a result, an additional facility of €1.8bn was added to TUI's existing credit facility of €1.75bn.

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 2020

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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The presentation slides and the video webcast for H1 FY20 are available at the following link:
www.tuigroup.com/en-en/investors

Financial Calendar

	Date
Half Year Financial Report 2020	13 May 2020
Quarterly Statement Q3 2020	August 2020
Pre-Close Trading Update	September 2020
Annual Report 2020	December 2020
Annual General Meeting 2021	February 2021