In the evergreen climes of South East Asia the growing middle classes are increasingly eager for travel to distant lands. TUI has spotted the potential and will now develop Malaysia not only as a destination, but also as a source market.

»

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CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of the TUI Group
for the period from 1 Oct 2017 to 30 Sep 2018

€ million	Notes	**2018**	2017
Turnover	(1)	19,523.9	18,535.0
Cost of sales	(2)	17,542.4	16,535.5
Gross profit		**1,981.5**	**1,999.5**
Administrative expenses	(2)	1,289.9	1,255.8
Other income	(3)	67.4	12.5
Other expenses		3.5	1.9
Financial income	(4)	83.8	229.3
Financial expenses	(5)	165.5	156.2
Share of result of joint ventures and associates	(6)	297.7	252.3
Earnings before income taxes		**971.5**	**1,079.7**
Income taxes	(7)	191.3	168.8
Result from continuing operations		**780.2**	**910.9**
Result from discontinued operations	(8)	38.7	–149.5
Group profit		**818.9**	**761.4**
Group profit attributable to shareholders of TUI AG	(9)	732.5	644.8
Group profit attributable to non-controlling interest	(10)	86.4	116.6

Earnings per share

€	Notes	**2018**	2017
Basic earnings per share	(11)	**1.25**	**1.10**
from continuing operations		1.18	1.36
from discontinued operations		0.07	–0.26
Diluted earnings per share	(11)	**1.25**	**1.10**
from continuing operations		1.18	1.36
from discontinued operations		0.07	–0.26

**Statement of comprehensive income of TUI Group
for the period from 1 Oct 2017 to 30 Sep 2018**

€ million	Notes	**2018**	2017
Group profit		**818.9**	**761.4**
Remeasurements of defined benefit obligations and related fund assets		66.0	280.7
Income tax related to items that will not be reclassified	(12)	–12.5	–66.9
Items that will not be reclassified to profit or loss		**53.5**	**213.8**
Foreign exchange differences		–15.3	–17.9
Foreign exchange differences outside profit or loss		–28.1	–89.3
Reclassification		12.8	71.4
Financial instruments available for sale		0.5	–31.8
Changes in the fair value		0.5	147.8
Reclassification		–	–179.6
Cash flow hedges		429.7	–263.6
Changes in the fair value		607.3	–635.4
Reclassification		–177.6	371.8
Other comprehensive income of joint ventures and associates		41.2	19.3
Changes in the measurement outside profit or loss		41.2	28.0
Reclassification		–	–8.7
Income tax related to items that may be reclassified	(12)	–103.5	46.9
Items that may be reclassified to profit or loss		**352.6**	**–247.1**
Other comprehensive income		**406.1**	**–33.3**
Total comprehensive income		**1,225.0**	**728.1**
attributable to shareholders of TUI AG		1,132.7	620.0
attributable to non-controlling interest		92.3	108.1
Allocation of share of shareholders of TUI AG of total comprehensive income			
Continuing operations		1,132.7	705.7
Discontinued operations		–	–85.7

Financial position of the TUI Group as at 30 Sep 2018

€ million	Notes	30 Sep 2018	30 Sep 2017
Assets			
Goodwill	(13)	2,958.6	2,889.5
Other intangible assets	(14)	569.9	548.1
Property, plant and equipment	(15)	4,899.2	4,253.7
Investments in joint ventures and associates	(16)	1,436.6	1,306.2
Financial assets available for sale	(36)	54.3	69.5
Trade receivables and other assets	(17), (36)	287.7	211.8
Touristic prepayments	(18)	157.3	185.2
Derivative financial instruments	(36)	83.2	79.9
Income tax assets		9.6	–
Deferred tax assets	(19)	225.7	323.7
Non-current assets		**10,682.1**	**9,867.6**
Inventories	(20)	118.5	110.2
Trade receivables and other assets	(17), (36)	981.9	794.5
Touristic prepayments	(18)	720.2	573.4
Derivative financial instruments	(36)	441.8	215.4
Income tax assets		113.8	98.7
Cash and cash equivalents	(21), (36)	2,548.0	2,516.1
Assets held for sale	(22)	5.5	9.6
Current assets		**4,929.7**	**4,317.9**
Total assets		**15,611.8**	**14,185.5**

Financial position of the TUI Group as at 30 Sep 2018

€ million	Notes	**30 Sep 2018**	30 Sep 2017
Equity and liabilities			
Subscribed capital	(23)	1,502.9	1,501.6
Capital reserves	(24)	4,200.5	4,195.0
Revenue reserves	(25)	–2,005.3	–2,756.9
Equity before non-controlling interest		**3,698.1**	**2,939.7**
Non-controlling interest	(27)	635.5	594.0
Equity		**4,333.6**	**3,533.7**
Pension provisions and similar obligations	(28)	962.2	1,094.7
Other provisions	(29)	768.1	801.4
Non-current provisions		**1,730.3**	**1,896.1**
Financial liabilities	(30), (36)	2,250.7	1,761.2
Derivative financial instruments	(36)	12.8	50.4
Income tax liabilities		108.8	150.2
Deferred tax liabilities	(19)	184.5	109.0
Other liabilities	(31), (36)	103.4	150.2
Non-current liabilities		**2,660.2**	**2,221.0**
Non-current provisions and liabilities		**4,390.5**	**4,117.1**
Pension provisions and similar obligations	(28)	32.6	32.7
Other provisions	(29)	348.3	349.9
Current provisions		**380.9**	**382.6**
Financial liabilities	(30), (36)	192.2	171.9
Trade payables	(36)	2,937.3	2,653.3
Touristic advance payments received		2,551.0	2,446.4
Derivative financial instruments	(36)	65.7	217.2
Income tax liabilities		86.2	65.3
Other liabilities	(31), (36)	674.4	598.0
Current liabilities		**6,506.8**	**6,152.1**
Current provisions and liabilities		**6,887.7**	**6,534.7**
Total provisions and liabilities		**15,611.8**	**14,185.5**

Statement of changes in Group equity of the TUI Group for the period from 1 Oct 2017 to 30 Sep 2018

€ million	Subscribed capital (23)	Capital reserves (24)	Other revenue reserves	Foreign exchange differences
Balance as at 1 Oct 2016	**1,500.7**	**4,192.2**	**–2,215.3**	**–1,095.2**
Dividends	–	–	–368.2	–
Share-based payment schemes	–	–	–1.0	–
Issue of employee shares	0.9	2.8	–	–
Acquisition of own shares	–	–	–22.3	–
Disposal of own shares	–	–	32.4	–
Deconsolidation	–	–	1.8	–
Effects on the acquisition of non-controlling interests	–	–	–	–
Group profit for the year	**–**	**–**	**644.8**	**–**
Foreign exchange differences	–	–	132.2	–142.4
Financial instruments available for sale	–	–	–	–
Cash flow hedges	–	–	–	–
Remeasurements of defined benefit obligations and related fund assets	–	–	280.7	–
Other comprehensive income of joint ventures and associates	–	–	19.3	–
Taxes attributable to other comprehensive income	–	–	–66.9	–
Other comprehensive income	**–**	**–**	**365.3**	**–142.4**
Total comprehensive income	–	–	1,010.1	–142.4
Balance as at 30 Sep 2017	**1,501.6**	**4,195.0**	**–1,562.5**	**–1,237.6**
Dividends	–	–	–381.8	–
Share-based payment schemes	–	–	0.7	–
Issue of employee shares	1.3	5.5	–	–
First-time consolidation	–	–	0.4	–
Effects on the acquisition of non-controlling interests	–	–	–0.4	–
Group profit for the year	**–**	**–**	**732.5**	**–**
Foreign exchange differences	–	–	15.4	–34.9
Financial instruments available for sale	–	–	–	–
Cash flow hedges	–	–	–	–
Remeasurements of defined benefit obligations and related fund assets	–	–	66.0	–
Other comprehensive income of joint ventures and associates	–	–	42.1	–
Taxes attributable to other comprehensive income	–	–	–12.5	–
Other comprehensive income	**–**	**–**	**111.0**	**–34.9**
Total comprehensive income	–	–	843.5	–34.9
Balance as at 30 Sep 2018	**1,502.9**	**4,200.5**	**–1,100.1**	**–1,272.5**

Financial instruments available for sale	Cash flow hedges	Revaluation reserve	Revenue reserves (25)	Equity before non-controlling interest	Non-controlling interest (27)	**Total**
31.8	**241.5**	**19.4**	**–3,017.8**	**2,675.1**	**573.1**	**3,248.2**
–	–	–	–368.2	–368.2	–87.2	–455.4
–	–	–	–1.0	–1.0	–	–1.0
–	–	–	–	3.7	–	3.7
–	–	–	–22.3	–22.3	–	–22.3
–	–	–	32.4	32.4	–	32.4
–	–	–1.8	–	–	–	–
–	–	–	–	–	–	–
–	**–**	**–**	**644.8**	**644.8**	**116.6**	**761.4**
–	2.8	–2.1	–9.5	–9.5	–8.4	–17.9
–31.8	–	–	–31.8	–31.8	–	–31.8
–	–263.5	–	–263.5	–263.5	–0.1	–263.6
–	–	–	280.7	280.7	–	280.7
–	–	–	19.3	19.3	–	19.3
–	46.9	–	–20.0	–20.0	–	–20.0
–31.8	**–213.8**	**–2.1**	**–24.8**	**–24.8**	**–8.5**	**–33.3**
–31.8	–213.8	–2.1	620.0	620.0	108.1	728.1
–	**27.7**	**15.5**	**–2,756.9**	**2,939.7**	**594.0**	**3,533.7**
–	–	–	–381.8	–381.8	–53.5	–435.3
–	–	–	0.7	0.7	–	0.7
–	–	–	–	6.8	–	6.8
–	–	–	0.4	0.4	3.0	3.4
–	–	–	–0.4	–0.4	–0.3	–0.7
–	**–**	**–**	**732.5**	**732.5**	**86.4**	**818.9**
–	–0.2	–2.6	–22.3	–22.3	7.0	–15.3
0.5	–	–	0.5	0.5	–	0.5
–	429.9	–	429.9	429.9	–0.2	429.7
–	–	–	66.0	66.0	–	66.0
–	–	–	42.1	42.1	–0.9	41.2
–	–103.5	–	–116.0	–116.0	–	–116.0
0.5	**326.2**	**–2.6**	**400.2**	**400.2**	**5.9**	**406.1**
0.5	326.2	–2.6	1,132.7	1,132.7	92.3	1,225.0
0.5	**353.9**	**12.9**	**–2,005.3**	**3,698.1**	**635.5**	**4,333.6**

Cash flow statement

€ million	Notes	**2018**	2017	Var.
Group profit		818.9	761.4	57.5
Depreciation, amortisation and impairment (+) / write-backs (–)		438.9	517.8	–78.9
Other non-cash expenses (+) / income (–)		–272.2	–239.6	–32.6
Interest expenses		162.4	141.8	20.6
Dividends from joint ventures and associates		222.7	118.2	104.5
Profit (–) / loss (+) from disposals of non-current assets		–99.0	–100.7	1.7
Increase (–) / decrease (+) in inventories		–10.0	–18.5	8.5
Increase (–) / decrease (+) in receivables and other assets		–569.4	169.5	–738.9
Increase (+) / decrease (–) in provisions		–71.5	–84.6	13.1
Increase (+) / decrease (–) in liabilities (excl. financial liabilities)		530.1	317.8	212.3
Cash inflow from operating activities	(38)	**1,150.9**	**1,583.1**	**–432.2**
Payments received from disposals of property, plant and equipment and intangible assets		192.4	79.5	112.9
Payments from disposals of consolidated companies (less disposals of cash and cash equivalents due to divestments)		88.6	–14.3	102.9
Payments received from the disposals of other non-current assets		5.5	418.7	–413.2
Payments made for investments in property, plant and equipment and intangible assets		–956.2	–1,049.0	92.8
Payments made for investments in consolidated companies (less cash and cash equivalents received due to acquisitions)		–135.6	–66.0	–69.6
Payments made for investments in other non-current assets		–40.4	–56.6	16.2
Cash outflow from investing activities	(39)	**–845.7**	**–687.7**	**–158.0**
Payments made for acquisition of own shares		–1.0	–22.3	21.3
Payments received from the sale of own shares		32.7	–	32.7
Payments received from the issuance of employee shares		6.8	3.7	3.1
Payments made for interest increase in consolidated companies		–0.8	–	–0.8
Dividend payments				
TUI AG		–381.8	–368.2	–13.6
subsidiaries to non-controlling interest		–53.5	–88.6	35.1
Payments received from the issue of bonds and the raising of financial liabilities		434.2	329.8	104.4
Payments made for redemption of loans and financial liabilities		–162.7	–513.4	350.7
Interest paid		–110.8	–74.8	–36.0
Cash outflow from financing activities	(40)	**–236.9**	**–733.8**	**496.9**
Net change in cash and cash equivalents		**68.3**	**161.6**	**–93.3**
Development of cash and cash equivalents	(41)			
Cash and cash equivalents at beginning of period		**2,516.1**	**2,403.6**	**112.5**
Change in cash and cash equivalents due to exchange rate fluctuations		–36.4	–49.1	12.7
Net change in cash and cash equivalents		68.3	161.6	–93.3
Cash and cash equivalents at end of period		**2,548.0**	**2,516.1**	**31.9**
of which included in the balance sheet as assets held for sale		–	–	–

NOTES

Principles and methods underlying the Consolidated Financial Statements

General

The TUI Group with its major subsidiaries and shareholdings operates in tourism.

TUI AG, based in Karl-Wiechert-Allee 4, Hanover is the TUI Group's parent company and a listed corporation under German law. The Company is registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580). The shares in the company are traded on the London Stock Exchange and the Hanover and Frankfurt Stock Exchanges.

These consolidated financial statements of TUI AG were prepared for the FY 2018 comprising the period from 1 October 2017 to 30 September 2018. Where any of TUI's subsidiaries have different financial years, financial statements were prepared as at 30 September in order to include these subsidiaries in TUI AG's consolidated financial statements.

The Executive Board and the Supervisory Board have submitted a Declaration of Compliance with the German Corporate Governance Code required pursuant to section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the general public on the Company's website (www.tuigroup.com).

The consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are indicated in million euros (€m). Due to the utilisation of rounded amounts there may be minor rounding differences in total and percentages.

The consolidated financial statements were approved for publication by TUI AG's Executive Board on 11 December 2018.

Accounting principles

DECLARATION OF COMPLIANCE

Pursuant to Regulation EEC No. 1606/2002 of the European Parliament and Council, TUI AG's consolidated financial statements as at 30 September 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. Moreover, the commercial-law provisions listed in section 315e (1) of the German Commercial Code (HGB) were also observed in preparing the consolidated financial statements.

The accounting and measurement methods and the explanatory information and Notes to these annual financial statements for FY 2018 are generally consistent with those followed in preparing the previous consolidated financial statements for FY 2017.

NEWLY APPLIED STANDARDS

Since the beginning of the FY 2018 the following standards amended or newly issued by the IASB became mandatorily applicable for the first time to TUI Group:

New applied standards in FY 2018

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

Going concern reporting according to the UK Corporate Governance Code

The Executive Board remains satisfied with the Group's funding and liquidity position. At 30 September 2018, the main sources of debt funding included:

- an external revolving credit facility of € 1,535.0 m maturing in July 2022, used to manage the seasonality of the Group's cash flows and liquidity,
- 2016 / 21 bonds with a nominal value of € 300.0 m, issued by TUI AG, maturing in October 2021,
- a Schuldschein with a maximum maturity until July 2028 and a nominal value of € 425.0 m, issued by TUI AG,
- further bank liabilities of € 355.5 m, primarily for loans used to acquire property, plant and equipment and
- € 1,342.7 m of finance lease obligations.

The credit facility requires compliance with certain financial covenants, which were fully complied with at the balance sheet date. These covenants are calculated based on EBITDA (€ 1,498.5 m; prior year € 1,490.9 m) and EBITDAR (€ 2,219.9 m; prior year € 2,240.9 m), which does not include long-term leasing and rental expenses (€ 721.4 m; prior year € 750.0 m).

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

Principles and methods of consolidation

PRINCIPLES

The consolidated financial statements include all significant subsidiaries directly or indirectly controlled by TUI AG. Control exists where TUI AG has power over the relevant activities, is exposed to variable returns or has rights to the returns, and has the ability to affect those variable returns through its power over the investee.

As a rule, the control is exercised by means of a direct or indirect majority of voting rights. If the TUI Group holds less than the majority of voting rights in a shareholding, it may exercise control due to contractual agreements or similar arrangements, just as in the case of the participation in the RIUSA II Group. Due to the contractual agreements between the shareholders and the framework agreements with TUI Group as well as the considerable importance of tour operation for the economic success of RIUSA II Group, TUI Group is able to exercise a controlling influence on decisions about the most relevant activities and consequently the amount of returns. TUI Group is subject to variable returns from RIUSA II Group, in particular due to dividend payments and fluctuations in the value of the stake itself. RIUSA II Group is therefore consolidated although TUI Group only holds a 50 % equity stake.

In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Consolidation of subsidiaries starts from the date TUI gains control. When TUI ceases to control the corresponding companies, they are removed from the group of consolidated companies.

The consolidated financial statements are prepared from the separate or single-entity financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and usually audited or reviewed by auditors.

Associates for which the TUI Group is able to exert significant influence over the financial and operating policy decisions within these companies are accounted for using the equity method. As a rule, significant influence is assumed if TUI AG directly or indirectly holds voting rights of 20 to less than 50 per cent.

Stakes in joint ventures are also measured using the equity method. A joint venture is a company managed jointly by the TUI Group with one or several partners based on a contractual agreement, in which the parties that jointly exercise control have rights to the company's net assets. Joint ventures also include companies in which the TUI Group holds a majority or minority of voting rights but in which decisions about the relevant activities may only be taken on an unanimous basis due to contractual agreements.

The dates as of which associates and joint ventures are included in or removed from the group of companies measured at equity are determined in a manner consistent with that applied to subsidiaries. At equity measurement in each case is based on the last annual financial statements available or the interim financial statements as at 30 September if the balance sheet dates differ from TUI AG's balance sheet date. This affects 35 companies with a financial year from 1 January to 31 December, four companies with a financial year from 1 November to 31 October and two companies with a financial year from 1 April to 31 March of the following year.

GROUP OF CONSOLIDATED COMPANIES

In FY 2018, the consolidated financial statements included a total of 285 subsidiaries. The table below presents changes in the number of companies since 1 October 2017.

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

	Consolidated subsidiaries	Associates	Joint ventures
Balance at 30 Sep 2017	**259**	**13**	**28**
Additions	51	4	1
Incorporation	4	–	–
Acquisition	47	4	1
Disposals	25	–	2
Liquidation	14	–	1
Sale	5	–	–
Merger	6	–	–
Added to group of consolidated companies due to further acquisition of shares	–	–	1
Balance at 30 Sep 2018	**285**	**17**	**27**

* Excl. TUI AG

TUI AG's direct and indirect subsidiaries, associates and joint ventures are listed under Other Notes – TUI Group Shareholdings.

57 subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies are of minor significance to the presentation of a true and fair view of the financial position and performance of the Group.

The effects of the changes in the group of consolidated companies in FY 2018 on financial years 2018 and 2017 are outlined below. While the value of companies deconsolidated in FY 2018 posted in the statement of financial position is carried as per the closing date for the previous period, items in the income statement are also shown for FY 2018 due to prorated effects.

Impact of changes in the group of consolidated companies on the statement of financial position

	Additions	Disposals
€ million	**30 Sep 2018**	30 Sep 2017
Investments in joint ventures and associates	54.3	6.5
Other non-current assets	190.3	20.0
Trade receivables and other assets	113.3	–
Touristic payments on account	25.4	–
Cash and cash equivalents	65.5	8.6
Other current assets	1.5	19.7
Current financial liabilities	7.0	–
Other non-current liabilities	35.0	1.3
Trade payables	131.6	1.8
Current other liabilities	44.8	3.9

Impact of changes in the group of consolidated companies on the consolidated income statement

	Additions	Disposals	
€ million	**2018**	**2018**	2017
Turnover with third parties	92.8	3.9	43.6
Turnover with consolidated Group companies	23.2	–	–
Cost of sales and administrative expenses	110.5	4.9	39.0
Other income / other expenses	1.6	31.7	–
Share of result of joint ventures and associates	–1.9	–0.7	–0.7
Financial expenses (+) / income (–)	0.2	–	–
Earnings before income taxes	**5.0**	**30.0**	**3.9**
Income taxes	1.9	0.2	1.9
Group profit for the year	**3.1**	**29.8**	**2.0**

Acquisitions – divestments

ACQUISITIONS

In FY 2018, companies and businesses were acquired at total consideration of €170.2 m. The consideration transferred by TUI Group for all acquisitions consists of cash and cash equivalents of €172.9 m as at the balance sheet date.

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
Cruisetour AG, Zurich, Switzerland	Travel Agent for Cruise tours	TUI Suisse AG	21 Dec 2017	100 %	4.7
Croisimonde AG, Zug, Switzerland	Online Service Provider	TUI Suisse AG	21 Dec 2017	100 %	1.6
Antwun S.A., Clémency, Luxembourg (subgroup)	Accommodation Service	RIUSA II S.A.	18 Apr 2018	100 %	24.2
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul, Turkey	Accommodation Service	Robinson Club GmbH	25 Jun 2018	50 %	10.5
Darecko S.A., Clémency, Luxembourg (subgroup)	Accommodation Service	TUI Hotel Betriebs-gesellschaft mbH	31 Jul 2018	100 %	33.7
Business Destination Management	Destination Service	various	31 Jul 2018	various*	94.8
3 Travel Agencies in Germany	Travel Agent	TUI Deutschland GmbH	1 Oct 2017 – 30 Sep 2018	n. a.	0.6
1 Travel Agency in Austria	Travel Agent	TUI Austria Holding GmbH	1 Sep 2018	n. a.	0.1
Total					**170.2**

* 39 subsidiaries, 16 thereof with non-controlling interest, four companies measured at equity and four other companies. The transfer of six companies has not yet been completed.

The acquisitions of the travel agencies in Germany and Austria in the completed financial year were carried out in the form of asset deals.

TUI Group acquired Cruisetour AG, Zurich, Switzerland, and Croisimonde AG, Zug, Switzerland, in order to expand its footprint in the cruise sector in the Swiss market.

The acquisition of the stake in Antwun S.A., Luxembourg, listed in the table above, also included the takeover of its subsidiary Nungwi Limited, headquartered in Zanzibar, Tanzania. The consideration transferred by TUI Group for the acquisition of the stake comprises the purchase price paid of € 24.2 m. Moreover, receivables from the acquired company held by the former owner were taken over at a purchase price of € 14.5 m. The purpose of the acquisition is to develop Zanzibar as a destination.

In order to develop additional earnings potential, TUI AG has increased its stake in GBH Turizm Ticaret A.S., Istanbul, to 100 %. Fair value measurement of the company, previously measured using the at equity method, of € 7.4 m directly before the acquisition of further stakes resulted in a profit of € 2.1 m, including the reclassification of foreign exchange effects.

The acquisition of the stake in Darecko S.A., Luxembourg, also includes its subsidiary Zanzibar Beach Village Limited, Zanzibar, Tanzania. The consideration transferred includes the purchase price paid of € 35.0 m and debt of € 1.3 m taken over from the previous owner. Just as with the acquisition of Antwun S.A., this acquisition serves to develop Zanzibar as a destination.

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

€ million	Cruisetour AG and Croisimonde AG	Antwun S.A. (subgroup)	GBH Turizm Sanayi Isletmecilik ve Ticaret A.S.	Darecko S.A. (subgroup)
Other intangible assets	0.1	–	–	–
Property, plant and equipment	–	49.7	18.1	39.8
Fixed assets	**0.1**	**49.7**	**18.1**	**39.8**
Inventories	–	0.1	–	0.3
Trade receivables and other assets	2.9	11.8	0.4	8.1
Cash and cash equivalents	2.5	2.2	0.1	0.4
Deferred tax liabilities	–	12.6	3.0	13.6
Other provisions	0.1	0.5	0.6	–
Financial liabilities	–	25.1	–	–
Trade and other liabilities	4.7	1.4	3.7	7.8
Equity	**0.7**	**24.2**	**11.3**	**27.2**

The gross amounts of the acquired trade accounts receivable of Antwun S.A. totalled € 0.8 m as at the date of acquisition; for Darecko S.A. they totalled € 8.0 m. No impairment was made. The purchase price allocation of Antwun S.A. is provisional in terms of certain receivables and liabilities.

The difference of € 21.5 m arising between the consideration transferred and the acquired revalued net assets was carried as goodwill for the above-mentioned acquisitions carried out in the financial year. This goodwill primarily relates to the acquisition of stakes in hotel companies (GBH Turizm Ticaret A.S. worth € 9.1 m and Darecko S.A. worth € 6.5 m) and the acquisition of Cruisetour AG and Croisimonde AG worth € 5.6 m. It constitutes a part of the future earning potential. The goodwill capitalised in the completed financial year includes an amount of € 0.5 m which is expected to be tax-deductible.

With the conclusion of the purchase agreement between HNVR Midco Limited as seller and TUI AG, HNVR Midco Limited undertook to transfer the stake in 53 companies forming the Destination Management busines. As the overall transaction has been approved by the relevant competition authorities, the agreement is not subject to any approvals that might prevent the agreed completion of the existing purchase agreement. Due to local legal requirements, the transfer of six companies has not yet been completed and will be finalised next year. The consideration transferred for the transactions completed as at the balance sheet date comprises a purchase price of € 94.8 m. The total purchase price paid in the reporting period amounted to € 97.5 m. At the end of the financial year, an entitlement to a refund worth € 2.7 m arose from the purchase agreement, and a corresponding receivable was recognised. The purchase price for the transfers to be completed in the new financial year totals € 29.9 m.

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

Due to the acquisition of Destination Management, TUI AG now holds a 50.1 % stake in ATC Group (previously 24.99 %). Fair value measurement of the company, previously measured using the at equity method, of € 3.0 m directly before the acquisition of further stakes resulted in a profit of € 1.5 m, including the reclassification of foreign exchange effects.

Statement of financial position of the business Destination Management as at the date of first-time consolidation

€ million	Fair value at date of first-time consolidation
Other intangible assets	0.9
Property, plant and equipment	7.3
Investments in joint ventures and associates	4.5
Fixed assets	**12.7**
Inventories	0.1
Trade receivables	68.9
Other assets	64.5
Cash and cash equivalents	47.8
Deferred tax liabilities	0.2
Other provisions	7.4
Financial liabilities	10.3
Trade payables	110.2
Other liabilities	49.0
Equity	**16.9**
attributable to shareholders of TUI AG	13.9
attributable to non-controlling interest	3.0

Non-controlling interests were measured at the corresponding equity stake in the amounts carried for the identifiable net assets of the acquired business. The gross amounts of the acquired trade accounts receivable for Destination Management totalled € 71.4 m as at the acquisition date. Impairment charges of € 2.5 m were booked.

The goodwill provisionally capitalised for Destination Management totals € 82.3 m. Consequently, given the preliminary nature, the goodwill comprises anticipated synergies as well as intangible assets that can be capitalized.

In the acquisition of Destination Management, the measurement of some parts of the acquired assets and liabilities was not yet finalised as at the balance sheet date based on the information available. Use was made of the twelve-month period to finalise purchase price allocations allowed under IFRS 3, which allows for provisional purchase price allocations to individual assets and liabilities until the end of the twelve-month period. Due to the high complexity resulting from the acquisition of a large number of companies with different business areas and currency areas, the numbers presented are provisional. Moreover, the acquisition of companies of the business division has not yet been completed. As the period passed since the acquisition is relatively short, identification of the intangible assets has been finalised, but measurement is still outstanding.

Turnover and profit contribution of newly acquired entities

€ million	Cruisetour AG and Croisimonde AG	Antwun S.A. (subgroup)	GBH Turizm Sanayi Isletmecilik ve Ticaret A.S.	Darecko S.A. (subgroup)	Business Destination Management
Turnover from first-time consolidation	11.6	5.6	5.2	1.5	108.9
Profit from first-time consolidation	0.2	1.4	1.5	0.5	4.7
Pro-Forma turnover from 1 Oct 2017 until 30 Sep 2018	17.6	10.2	6.7	4.9	501.9
Pro-Forma profit/loss from 1 Oct 2017 until 30 Sep 2018	0.5	2.6	–1.6	1.5	– 0.9

In the presented financial statements, the purchase price allocations for the 20 travel agencies acquired in the prior year were finalised within the twelve-month period provided under IFRS 3 without a major impact on the consolidated statement of financial position.

ACQUISITIONS AFTER THE BALANCE SHEET DATE

On 2 October 2018, TUI acquired 100 % of the shares in the technology start-up Musement S.p.A., Milan, Italy, and four other companies to strengthen its growth area TUI Destination Experiences. The acquisition served to acquire one of the leading digital platforms for activities, tours and excursions in destination in order to strengthen TUI's position in this business and expand its holiday experiences portfolio.

The consideration transferred for the acquisition of the stake totals € 36.2 m plus receivables of the acquired company as well as liabilities taken over from the company. Further disclosures, such as the fair value measurement of the assets and liabilities cannot be provided due to the short period of time since the acquisition has taken place.

DIVESTMENTS

In FY 2018, three hotel companies of RIUSA II Group were sold. The divestment of Dominicanotel S.A., Puerto Plata, and Puerto Plata Caribe Beach S.A., Puerto Plata, Dominican Republic, resulted in a gain on disposal of € 24.3 m. This gain includes the disposal of partial goodwill of RIUSA II Group of € 5.2 m. The sale of St. Martin RIUSA II S.A. resulted in a gain on disposal of € 8.2 m. This gain includes the disposal of partial goodwill of RIUSA II Group of € 3.4 m.

FOREIGN EXCHANGE TRANSLATION

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rates at the date of the transaction. Any gains and losses resulting from the execution of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at the foreign exchange rate at the date of the transaction are shown in the income statement, with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

The annual financial statements of companies are prepared in the respective functional currency. The functional currency of a company is the currency of the primary economic environment in which the company operates. With the exception of a small number of companies, the functional currencies of all subsidiaries correspond to the currency of the country of incorporation of the respective subsidiary.

Where subsidiaries prepare their financial statements in functional currencies other than the Euro, being the Group's reporting currency, the assets and liabilities are translated at the rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments of the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the rate of exchange applicable at the balance sheet date. The items of the income statement and hence the result for the year shown in the income statement are translated at the average rate of the month in which the respective transaction takes place.

Differences arising on the translation of the annual financial statements of foreign subsidiaries are reported outside profit and loss and separately shown as foreign exchange differences in the consolidated statement of changes in equity. When a foreign company or operation is sold, any foreign exchange differences previously included in equity outside profit and loss are recognised as a gain or loss from disposal in the income statement through profit and loss.

Translation differences relating to non-monetary items with changes in their fair values eliminated through profit and loss (e.g. equity instruments measured at their fair value through profit and loss) are included in the income statement. In contrast, translation differences for non-monetary items with changes in their fair values taken to equity (e.g. equity instruments classified as available for sale) are included in revenue reserves.

The TUI Group did not hold any subsidiaries operating in hyperinflationary economies in the completed financial year, nor in the previous year.

The translation of the financial statements of foreign companies measured at equity follows the same principles for adjusting carrying amounts and translating goodwill as those used for consolidated subsidiaries.

NET INVESTMENT IN A FOREIGN OPERATION

Monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, essentially constitute part of a net investment in this foreign operation. Foreign exchange differences from the translation of these monetary items are recognised in other comprehensive income. TUI Group has granted loans of this type in particular to hotel companies in North Africa.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
1 € equivalent	**30 Sep 2018**	30 Sep 2017	**2018**	2017
Sterling	0.89	0.88	0.89	0.87
US dollar	1.16	1.18	1.19	1.07
Swiss franc	1.13	1.15	1.16	1.08
Swedish krona	10.31	9.65	10.13	9.69

CONSOLIDATION METHODS

The recognition of the net assets of acquired businesses is based on the acquisition method. Accordingly all identifiable assets and all liabilities assumed are measured at fair value as of the acquisition date. Subsequently, the consideration for the stake is measured at fair value and eliminated against the acquiree's revalued equity attributable to the acquired share. As in the prior year, the option to measure the non-controlling interests at their fair value (full goodwill method) was not used.

Any excess of acquisition costs over net assets acquired is capitalised as goodwill and recognised as an asset in accordance with the provisions of IFRS 3. Any negative goodwill is recognised immediately in profit and loss and presented as other income.

When additional shares are purchased after obtaining control, the difference between the purchase price and the carrying amount of the stakes acquired is recognised directly in equity. The effects from sales of stakes not entailing a loss of control are also recognised directly in equity. By contrast, when control is obtained or lost, gains or losses are recognised in profit and loss. In the case of business combination achieved in stages (where the acquirer held an equity interest before he obtained control), the equity stake previously held in the acquired company is revalued at the fair value applicable at the acquisition date and the resulting gain or loss is recognised in profit or loss. For transactions involving a loss of control, the profit or loss does not only comprise the difference between the carrying amounts of the disposed stakes and the consideration received but also the result from the revaluation of the remaining shares.

On loss of control of a subsidiary the gain or loss on derecognition will be calculated as the difference of the fair value of the consideration plus the fair value of any investment retained in the former subsidiary less the share of the book value of the net assets of the subsidiary. Any gains or losses previously recognised in other comprehensive income from currency translations or the valuation of financial assets and liabilities will be reclassified to the income statement. When a subsidiary is sold, any goodwill allocated to the respective subsidiary is taken into account in the calculation of the profit or loss of disposal.

The Group's associates and joint ventures are measured at equity and included at the cost to purchase as at the acquisition date. The Group's stake in associates and joint ventures includes the goodwill arising from the respective acquisition.

The Group's share in profits and losses of associates and joint ventures is carried in the income statement from the date of acquisition (Share of result from joint ventures and associates), while the Group's share in the total other comprehensive income is shown in its revenue reserves. The accumulated changes arising after the acquisition are shown in the carrying amount of the shareholding. When the share in the loss of an associated company or joint venture equals or exceeds the Group's original stake in this company, including other unsecured receivables, no further losses are recognised. Any losses exceeding that stake are only recognised to the extent that obligations have been assumed or payments have been made for the associated company or joint venture.

Where the accounting and measurement methods applied by associates and joint ventures differ from the uniform accounting rules applied in the Group, the differences are adjusted.

Intercompany receivables and payables or provisions are eliminated, as are intercompany turnover, other income and the corresponding expenses. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred taxes. However, intercompany losses are an indicator that an asset may be impaired. Intercompany profits from non-trading transactions with companies measured at equity are eliminated in relation to the Group's stake in the company. Intercompany profits from transactions with companies measured at equity are eliminated in relation to the Group's stake in the companies unless these intercompany profits result from the usual deliveries effected or services rendered between Group companies. Intercompany transactions are provided on an arm's length basis.

Accounting and measurement methods

The consolidated financial statements were prepared according to the historical cost principle, with the exception of certain financial instruments such as financial assets and derivatives held for trading or available for sale as well as plan assets from externally funded pensions benefit obligations held at fair value at the balance sheet date.

The financial statements of the consolidated subsidiaries are prepared in accordance with uniform accounting and measurement principles. The amounts recognised in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the financial position and performance as set out in the rules of the IASB.

TURNOVER RECOGNITION

Turnover and other income is recognised upon delivery of the service or assets and hence upon transfer of the risk.

The commission fees received by travel agencies for package tours are recognised once the travel agencies have performed their contractual obligations towards the tour operator. As a rule, this condition is met upon payment by the customers or, at the latest, at the date of departure. The services of tour operators mainly consist in organising and coordinating package tours. Turnover from the organisation of tours is therefore recognised in full when the customer departs. Turnover from individual travel modules booked by the customer directly with airlines, hotel companies or incoming agencies is recognised when the customers use the services concerned. Income from non-completed cruises is recognised according to the proportion of contract performance at the balance sheet date. The percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

GOODWILL AND OTHER INTANGIBLE ASSETS

Acquired intangible assets are carried at cost. Internally generated intangible assets are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost to produce comprises direct costs and directly allocable overheads. Intangible assets with a finite service life are amortised over the expected useful life.

Intangible assets acquired as a result of business combinations, such as customer base or trademark rights, are included at their fair value as at the date of acquisition and are amortised on a straight-line basis.

Useful lives of intangible assets

	Useful lives
Brands, licences and other rights	15 to 20 years
Transport and leasing contracts	12 to 20 years
Computer software	3 to 10 years
Customer base as at acquisiton date	7 to 15 years

If there are any events or indications suggesting potential impairment, the amortised carrying amount of the intangible asset is compared with the recoverable amount. Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment charges.

Depending on the functional area of the intangible asset, amortisation and impairment charges are included under cost of sales or administrative expenses. Intangible assets with indefinite useful lives are not amortised but are tested for impairment at least annually. In addition, impairment tests are conducted if there are any events or indications suggesting potential impairment. The TUI Group's intangible assets with an indefinite useful life consist exclusively of goodwill.

Impairment tests for goodwill are conducted on the basis of cash generating units (CGU) or group of cash generating units.

Impairment charges are recognised where the carrying amount of the tested units plus the allocated goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and the present value of future cash flows based on continued use (value in use). The fair value less costs of disposal corresponds to the amount that could be generated between knowledgeable, willing, independent business partners after deduction of the costs of disposal.

Impairment of goodwill is shown separately in the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at amortised cost. The costs to purchase include costs to bring the asset to a working condition. The costs to produce are determined on the basis of direct costs and directly attributable indirect costs and depreciation.

Borrowing costs directly associated with the acquisition, construction or production of qualifying assets are included in the costs to acquire or produce these assets until the assets are ready for their intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the underlying capitalisation rate is determined on the basis of the specific borrowing cost; in all other cases the weighted average of the borrowing costs applicable to the borrowings outstanding is applied.

Depreciation of property, plant and equipment is based on the straight-line method, based on the customary useful lives. The useful economic lives are as follows:

Useful lives of property, plant and equipment

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	25 to 50 years
Cruise ships	30 to 40 years
Aircraft	
Fuselages and engines	22 to 25 years
Engine overhaul	depending on intervals, up to 12 years
Major overhaul	depending on intervals, up to 12 years
Spare parts	up to 12 years
Operating and business equipment	3 to 10 years

Moreover, the level of depreciation is determined by the residual values recoverable at the end of the useful life of an asset. The residual value assumed in first-time recognition for cruise ships and hotel complexes is up to 35 % of the acquisition costs. The determination of the depreciation of aircraft fuselages and aircraft engines in first-time recognition is based on a residual value of a maxium of 5 % of the cost of acquisition. The payments made under a power by the hour arrangement relating to maintenance overhauls are capitalised as PPE under construction up to a maintenance event at which point the cost is transferred to the appropriate PPE category.

Both the useful lives and residual values are reviewed on an annual basis when preparing the Group financial statements. The review of the residual values is based on comparable assets at the end of their useful lives as at the current point in time. Any adjustments required are recognised as a correction of depreciation over the remaining useful life of the asset. The adjustment of depreciation is recognised retrospectively for the entire financial year in which the review has taken place. Where the review results in an increase in the residual value so that it exceeds the remaining net carrying amount of the asset, depreciation is suspended. In this case, the amounts are not written back.

Any losses in value going beyond wear-and-tear depreciation are taken into account through the recognition of impairment losses. If there are any events or indications suggesting impairment, the required impairment test is performed to compare the carrying amount of an asset with the recoverable amount.

Investment grants received are shown as reductions in the costs to purchase or produce items of property, plant or equipment where these grants are directly allocable to individual items. Where a direct allocation of grants is not possible, the grants and subsidies received are included as deferred income under other liabilities and reversed in accordance with the use of the investment project.

LEASES

FINANCE LEASES

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group assumes substantially all the risks and rewards of ownership is capitalised. Capitalisation is based on the fair value of the asset or the present value of the minimum lease payments, if lower. Depreciation is charged over the useful life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. Every lease payment is broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is disclosed in the income statement through profit or loss.

FINANCIAL INSTRUMENTS

Financial instruments are contractual rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also comprise derivative rights or obligations derived from primary assets.

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities to be measured at fair value through profit and loss, loans and receivables, financial assets available for sale, financial assets held to maturity and other financial liabilities measured at amortised cost using the effective interest method (financial liabilities at amortised cost).

In terms of financial instruments measured at fair value through profit and loss, the TUI Group holds derivative financial instruments mainly to be classified as held for trading as they do not meet the criteria as hedges in the framework of a hedging relationship according to IAS 39. The fair value option is not exercised. In addition, the TUI Group holds financial assets in the loans and receivables and available for sale categories. However, the presented financial statements do not include any financial assets held to maturity.

PRIMARY FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Primary financial assets are recognised at the value as at the trading date on which the TUI Group commits to buy the asset. Primary financial assets are classified as loans and receivables or as financial assets available for sale when recognised for the first time. Loans and receivables as well as financial assets available for sale are initially recognised at fair value plus transaction costs.

Allowances are recognized for identifiable individual risks. Where objective information indicates that impairment charges are required, e.g. substantial financial difficulties of the counterparty, payment delays or adverse changes in regional industry conditions expected to impact the solvency of the Group's debtors in the light of past experience, impairment charges are recognised at an amount corresponding to the expected loss of non-recoverable cash flows. Impairment charges and reversals of impairment charges are included under cost of sales, administrative expenses or financial expenses, depending on the nature of the transaction.

Financial assets available for sale are non-derivative financial assets either individually expressly assigned to this category or not allocable to any other category of financial assets. Within the TUI Group, they consist of investments in affiliated, non-consolidated subsidiaries, trade investments and other securities. They are allocated to non-current assets unless management intends to sell them within twelve months of the balance sheet date.

Financial assets available for sale are measured at their fair value upon initial recognition. Changes in the fair value are included directly in equity until the disposal of the assets. Interest payments and dividends on available for sale financial assets are recognized in profit or loss. If there is objective evidence of impairment, an impairment loss is taken through profit and loss. Objective evidence may, in particular, be substantial financial difficulties of the counterparty and significant changes in the technological, market, legal or economic environment.

Moreover, for equity instruments held, a significant or prolonged decline in the fair value below its cost is also objective evidence of impairment. The TUI Group concludes that a significant decline exists if the fair value falls by more than 20 % below cost. A decline is assessed as prolonged if the fair value remains below cost for more than twelve months. In the event of subsequent reversal of the impairment, the impairment included in profit or loss is not reversed for equity instruments but recognised in other comprehensive income. Where a listed market price in an active market is not available for shares held in companies and other methods to determine an objective market value are not applicable, these equity instruments are measured at cost, with potential impairments taken into account.

As a matter of principle, the foreign exchange differences resulting from the translation of trade accounts payable are reported as a correction of the cost of sales. Foreign exchange differences from the translation of liabilities not resulting from normal operating processes are reported under other income / other expenses, financial expenses / income or administrative expenses, depending on the nature of the underlying liability.

A derecognition of assets is primarily recognised as at the date on which the rights for payments from the asset expire or are transferred and therefore as at the date essentially all risks and rewards of ownership are transferred. The rights to an asset expire when the rights to receive the cash flows from the asset have expired. For transfers of financial assets, it is tested whether a write-off has to be recognised in accordance with IAS 39 disposal rules.

Primary financial liabilities are included in the consolidated statement of financial position if an obligation exists to transfer cash and cash equivalents or other financial assets to another party. First-time recognition of a primary liability is recognised at its fair value. For loans taken out, the nominal amount received is reduced by discounts obtained and transaction costs paid. In the framework of follow-up measurement, primary financial liabilities are measured at amortised cost based on the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

At initial measurement, derivative financial instruments are measured at the fair value attributable to them on the date the contract is entered into. Subsequent re-measurement is also recognised at the fair value applicable at the respective balance sheet date. Where derivative financial instruments are not part in the framework of IAS 39 of a hedge in connection with hedge accounting, they are classified as held for trading.

The method used to recognise profits and losses depends on whether the derivative financial instrument has been classified as a hedge and on the type of underlying hedged item. Changes in the fair values of derivative financial instruments are recognised in profit and loss unless they are classified as a hedge in accordance with IAS 39. If they are classified as an effective hedge in accordance with IAS 39, the transaction is recognised as a hedge.

Upon conclusion of the transaction, the TUI Group documents the hedge relationship between the hedge and the underlying item, the risk management goal and the underlying strategy. In addition, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. Any ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the income statement through profit and loss. Amounts taken to equity are reclassified to the income statement and included as income or expenses in the period in which the hedged item has an effect on results.

If a hedge expires, is sold or no longer meets the criteria of IAS 39 for hedge accounting, the cumulative gain or loss remains in equity and is only recognised in the income statement through profit and loss when the originally hedged future transaction occurs. If the future transaction is no longer expected to take place, the cumulative gains or losses recognised directly in equity are recognised immediately through profit and loss.

INVENTORIES

The measurement method applied to similar inventory items is the weighted average cost formula.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, call deposits, other current highly liquid financial assets with an original term of a maximum of three months and current accounts. Overdrawn current accounts are shown as liabilities to banks under current financial liabilities.

EQUITY

Ordinary shares are classified as equity. Costs directly allocable to the issue of new shares or conversion options are taken to equity on a net after-tax basis as a deduction from the issuance proceeds.

OWN SHARES

The group's holdings in its own equity instruments are shown as deductions from shareholders' equity at cost, including directly attributable transaction costs. No gain or loss is recognised in the income statement on the purchase or sale of shares. Any difference between the proceeds from sale and the original cost are taken to reserves.

PENSION PROVISIONS

The pension provision recognised for defined benefit plans corresponds to the net present value of the defined benefit obligations (DBOs) as at the balance sheet date less the fair value of the plan assets. If the value of the plan assets exceeds the value of the DBO, the excess amount is shown within other assets. Measurement of such an asset is limited to the net present value of the value in use in the form of reimbursements from the plan or reductions in future contribution payments. The DBOs are calculated annually by independent actuaries using the projected unit credit method.

For defined contribution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are recognised under staff costs when they fall due.

OTHER PROVISIONS

Other provisions are formed when the Group has a current legal or constructive obligation as a result of a past event, where in addition it is probable that assets will be impacted by the settlement of the obligation and the level of the provision can be reliably determined.

Where a large number of similar obligations exist, the probability of a charge over assets is determined on the basis of this group of obligations. A provision is also recognised if the probability of a charge over assets is low in relation to an individual obligation contained in this group.

Provisions are measured at the present value of the expected expenses, taking account of a pre-tax interest rate, reflecting current market assessments of the time value of money and the risks specific to the liability. Risks already taken into account in estimating future cash flows do not affect the discount rate. Increases in provisions due to accretion of interest are recognised as interest expenses through profit or loss.

DEFERRED TAXES AND INCOME TAXES

Expected tax savings from the use of tax losses carried forward assessed as recoverable in the future are recognised as deferred tax assets. Regardless of the unlimited ability to carry German tax losses forward which continues to exist, the annual utilisation is limited by the minimum taxation. Foreign tax losses carried forward frequently have to be used within a given country-specific time limit and are subject to restrictions concerning the use of these losses carried forward for profits on ordinary activities, which are taken into account accordingly in the measurement.

Income tax is directly charged or credited to equity if the tax relates to items directly credited or charged to equity in the same period or some other period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference or an unused tax loss can be utilised.

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or adopted by law and expected to be applicable at the date of recognition of the deferred tax asset or the payment of the deferred tax liability.

Deferred and current income tax liabilities are offset against the corresponding tax assets if they exist in the same fiscal territory and have the same nature and maturity.

SHARE-BASED PAYMENTS

Share-based payment schemes in the Group comprise both cash-settled and equity-settled schemes.

For cash-settled transactions, the resulting liability for the Group is charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until settlement of the liability, the fair value of the liability is re-measured at every closing date and all changes in the fair value are recognised through profit and loss.

For equity-settled transactions the fair value of the awards granted is recognised under staff costs with a corresponding direct increase in equity. The fair value is determined at the point when the awards are granted and spread over the vesting period during which the employees become entitled to the awards. The method for the calculation of the granted awards is described in Note 35.

SUMMARY OF SELECTED ACCOUNTING AND MEASUREMENT METHODS

The table below lists the key accounting and measurement methods used by the TUI Group.

Summary of selected measurement bases

Item in the statement of financial position	Measurement base
Assets	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with definite useful lives	At amortised cost
Property, plant & equipment	At amortised cost
Joint ventures and associates	At the Group's share of the net assets of the joint ventures and associates
Financial assets	
Loans and receivables	At amortised cost
Held for trading / Derivatives	At fair value
Available for sale	Fair value (with gains or losses recognised within other comprehensive income) or at cost
Inventory	Lower of cost and net realisable value
Trade and other receivables	At amortised cost
Cash and cash equivalents	At cost
Assets held for sale	Lower of cost and fair value less cost of disposal
Liabilities and Provisions	
Loans and borrowings	At amortised cost
Provision for pensions	Projected unit credit method
Other provisions	Present value of the settlement amount
Financial liabilities	
Non-derivative financial liabilities	At amortised cost
Derivative financial liabilities	At fair value
Payables, trade and other liabilities	At amortised cost

Key judgements, assumptions and estimates

The presentation of the assets, liabilities, provisions and contingent liabilities shown in the consolidated financial statements is based on judgements, estimates and assumptions. Any uncertainties are appropriately taken into account in determining the values.

All estimates and assumptions are based on the conditions and assessments as at the balance sheet date. In evaluating the future development of business, reasonable assumptions are made regarding the expected future economic environment in the business areas and regions in which the Group operates.

Despite careful preparation of the estimates, actual results may differ from the estimate. In such cases, the assumptions and the carrying amounts of the assets and liabilities concerned, if necessary, are adjusted accordingly. As a matter of principle, changes in estimates are taken into account in the financial year in which the changes have occurred and in future periods.

JUDGEMENTS

The judgements made by management in applying accounting policies that may have a significant impact on TUI Group's assets and liabilities mainly relate to the following topics:

- Assessment when the Group has de facto control over an investee and therefore consolidates this investment
- Definition whether a Group company acts as an agent or as a principal in a transaction
- Determination whether an arrangement contains a lease and classification of the lease

ASSUMPTIONS AND ESTIMATES

Assumptions and estimates that may have a material impact on the amounts reported as assets and liabilities in the TUI Group are mainly related to the following balance sheet-related facts and circumstances:

- Establishment of assumptions for impairment tests, in particular for goodwill,
- Determination of the fair values for acquisitions of companies and determination of the useful lives of acquired intangible assets,
- Determination of useful lives and residual carrying amounts of property, plant and equipment,
- Determination of actuarial assumptions to measure pension obligations,
- Recognition and measurement of other provisions,
- Recoverability of future tax savings from tax losses carried forward and tax-deductible temporary differences
- Measurement of tax risks
- Recoverable amounts of touristic prepayments.

GOODWILL

The goodwill reported as at 30 September 2018 has a carrying amount of € 2,958.6 m (previous year € 2,889.5 m). The determination of the recoverable amount of a Cash Generating Unit (CGU) for the annual impairment test requires estimates and judgement with regard to the methodology used and the assumptions, which may have a considerable effect on the recoverable amount and the level of a potential impairment. They relate, in particular, to the weighted average cost of capital (WACC) after income taxes, used as the discounting basis, the growth rate in perpetuity and the forecasts for future cash flows including the underlying budget assumptions based on corporate planning. Changes in these assumptions may have a substantial impact on the recoverable amount and the level of a potential impairment.

BUSINESS ACQUISITIONS AND INTANGIBLE ASSETS

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In this context, cash flow-based methods are regularly used, which may lead to different results depending on the underlying assumptions. In particular, some judgement is required in estimating the economic useful lives of intangible assets and determining the fair values of contingent liabilities.

Detailed information on business acquisitions and useful lives of intangible assets is provided in the section 'Acquisitions – divestments' in the note on 'Principles and methods of consolidation' and in the section on 'Goodwill and other intangible assets' of the note 'Accounting and measurement methods'.

PROPERTY, PLANT AND EQUIPMENT

The measurement of wear-and-tear to property, plant and equipment items entails estimates. The carrying amount of property, plant and equipment as at 30 September 2018 totals € 4,899.2 m (previous year € 4,253.7 m). In order to review the amounts carried, an evaluation is carried out on a regular basis to assess whether there are any indications of a potential impairment. These indications relate to a number of areas and factors, e. g. the market-related or technical environment but also physical condition. If any such indication exists, management must estimate the recoverable amount on the basis of expected cash flows and appropriate interest rates. Further, essential estimates and judgements include the definition of economic useful lives and the residual values of items of property, plant and equipment which may be recovered.

More detailed information on the useful lives and residual values of property, plant and equipment items is provided in the section 'Property, plant and equipment' in the note 'Accounting and measurement methods'.

PENSION PROVISIONS

As at 30 September 2018, the carrying amount of provisions for pensions and similar obligations totals € 994.8 m (previous year € 1,127.4 m). For those pension plans where the plan assets exceed the obligation, other assets amounting to € 125.1 m are shown as at 30 September 2018 (prior year € 57.0 m).

In order to determine the obligations under defined benefit pension schemes, actuarial calculations are used which rely on underlying assumptions concerning life expectancy and the discount rate.

At the balance sheet date, the fair value of the plan assets totals € 2,701.1 m (previous year € 2,631.3 m). As assets classified as plan assets are never available for short-term sale, the fair values of these plan assets may change significantly up to the realisation date. Detailed information on actuarial assumptions is provided under Note 28.

OTHER PROVISIONS

As at 30 September 2018, other provisions of € 1,116.4 m (previous year € 1,151.3 m) are reported. When recognising and measuring provisions, assumptions are required about probability of occurrence, maturity and level of risk.

Determining whether a current obligation exists is usually based on review by internal or external experts. The amount of provision is based on expected expenses, and is either calculated by assessing the specific case in the light of empirical values, outcomes from comparable circumstances, or else estimated by experts. Due to the uncertainties associated with assessment, actual expenses may deviate from estimates so that unexpected charges may result.

More detailed information on other provisions is provided in the notes to the statement of financial position in Note 29.

DEFERRED TAX ASSETS

As at 30 September 2018, deferred tax assets totalling € 225.7 m (previous year € 323.7 m) were recognised. Prior to offsetting against deferred tax liabilities, deferred tax assets total € 519.4 m, included an amount of € 198.3 m (previous year € 198.1 m) for recognised losses carried forward. The assessment of the recoverability of deferred tax assets is based on the ability of the respective Group company to generate sufficient taxable income. TUI therefore assesses at every balance sheet date whether the recoverability of expected future tax savings is sufficiently probable in order to recognise deferred tax assets. The assessment is based on various factors including internal forecasts regarding the future earnings situation of the Group company. If the assessment of the recoverability of future deferred tax assets changes, impairment charges may be recognised, if necessary, on the deferred tax assets.

More detailed information on deferred tax assets is available in the Notes to the statement of financial position in Note 19.

INCOME TAXES

The Group is liable to pay income taxes in various countries. Key estimates are required when determining income tax liabilities, including the probability, the timing and the size of any amounts that may become payable. For certain transactions and calculations the final tax charge cannot be determined during the ordinary course of business. After taking appropriate external advice, the Group makes provisions or discloses contingencies for uncertain tax positions based on the probable or possible level of additional taxes that might be incurred. The level of obligations for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

RECOVERABLE AMOUNTS OF TOURISTIC PREPAYMENTS

At 30 September 2018, the carrying amount of touristic prepayments totals €877.5 m (previous year €758.6 m). The assessment of the recoverable amounts of touristic prepayments made to hoteliers requires judgement about the volume of future trading with hoteliers and the credit worthiness of those hoteliers. To assess the recoverability of touristic prepayments, TUI considers the financial strength of those hoteliers, the quality of the hotels as well as the demand for each hotel and the relevant destination during the past and in coming seasons.

Segment reporting

Notes on the segments

The identification of operating segments is based on the internal organisational and reporting structure primarily built around the different products and services as well as a geographical structure within the TUI Group. Allocation of individual organisational entities to operating segments is exclusively based on economic criteria, irrespective of the participation structure under company law. The segments are independently managed by those in charge, who regularly receive separate financial information for each segment. They regularly report to the Group Executive Committee, which consists of six Executive Board members and six other executives. The legally binding decision regarding the use of resources is taken by the Executive Board. The TUI Group Executive Board has therefore been identified as the Chief Operating Decision Maker (CODM) in accordance with IFRS 8.

The Hotels & Resorts segment comprises all Group-owned hotels and hotel shareholdings of TUI Group.

The Cruises segment consists of Hapag-Lloyd Cruises and the joint venture TUI Cruises as well as the British cruise business Marella Cruises.

Since the first quarter of 2018, the companies providing services in the destinations have been separately reported as the Destination Experiences segment. This segment also contains the newly acquired business unit Destination Management.

The Northern Region segment comprises the tour operators and airlines in the UK, Ireland and the Nordic countries and the stake in the tour operation business of the Canadian company Sunwing as well as the joint venture TUI Russia. This segment also includes the tour operators Crystal Ski and TUI Lakes & Mountains, which play a major role in securing the load factor for our aircraft fleet in the UK, especially in winter.

The Central Region segment comprises the tour operators and airlines in Germany and tour operators in Austria, Poland and Switzerland.

The Western Region segment comprises the tour operators and airlines in Belgium and the Netherlands and tour operators in France.

Apart from the above segments, the recognised items also include All other segments, which comprises the business operations for new markets and in particular the central corporate functions and interim holdings of TUI Group and the Group's real estate companies. Additionally, the companies previously included in Other Tourism, such as the French scheduled carrier Corsair and central tourism functions such as information technology, are included in All Other Segments since Q1 2018.

Notes to the segment data

The selection of segment data presented is based on the regular internal reporting of segmented financial indicators to the Executive Board. Segment reporting discloses in particular the performance indicator underlying EBITA, since this indicator is used for value-oriented corporate management and thus represents the consolidated performance indicator within the meaning of IFRS 8.

The TUI Group defines underlying EBITA as EBITA, adjusted for gains on disposal of financial investments, expenses in connection with restructuring measures according to IAS 37, all effects of purchase price allocations, ancillary acquisition cost and conditional purchase price payments and other expenses for and income from one-off items. The one-off items carried as adjustments are income and expense items impacting or distorting the assessment of the operating profitability of the segments and the Group due to their level and frequency. These one-off items include major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, profit and loss from the sale of aircraft and other material business transactions of a one-off nature.

EBITA is defined as earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges and in the prior year the measurement effects from container shipping, as the stake in Hapag-Lloyd AG, held until its sale on 10 July 2017, was a financial investment and not an operative stake from TUI AG's perspective.

Internal and external turnover, depreciation and amortisation, impairment on other intangible assets (excluding goodwill), property, plant and equipment and investments as well as the share of result of joint ventures and associates are likewise shown for each segment, as these amounts are included when measuring EBITA. As a rule, inter-segment business transactions are based on the arm's length principle, as applied in transactions with third parties. No single external customer accounts for 10 % or more of turnover.

Assets and liabilities per segment are not included in the reporting to the Executive Board and are therefore not shown in segment reporting.

Depreciation, amortisation, impairment and write-backs relate to non-current and current assets that are split geographically and do not include goodwill impairment.

The non-current assets, which are split geographically, contain other intangible assets, property, plant and equipment and other non-current assets that do not meet the definition of financial instruments.

Segment indicators

Turnover by segment

€ million	2018 External	2018 Group	2018 Total	2017 External restated	2017 Group restated	2017 Total restated
Hotels & Resorts	606.8	782.9	1,389.7	679.0	687.2	1,366.2
Cruises	901.9	–	901.9	815.0	0.1	815.1
Destination experiences	303.5	290.6	594.1	202.5	242.3	444.8
Consolidation	–	–3.0	–3.0	–	–3.2	–3.2
Holiday experiences	1,812.2	1,070.5	2,882.7	1,696.5	926.4	2,622.9
Northern Region	6,854.9	2.0	6,856.9	6,601.5	35.2	6,636.7
Central Region	6,563.7	23.9	6,587.6	6,039.5	22.8	6,062.3
Western Region	3,577.6	31.5	3,609.1	3,502.2	35.6	3,537.8
Consolidation	–	–40.9	–40.9	–	–44.3	–44.3
Markets & Airlines	16,996.2	16.5	17,012.7	16,143.2	49.3	16,192.5
All other segments	715.5	111.9	827.4	695.3	114.6	809.9
Consolidation	–	–1,198.9	–1,198.9	–	–1,090.3	–1,090.3
Continuing operations	**19,523.9**	**–**	**19,523.9**	**18,535.0**	**–**	**18,535.0**
Discontinued operations	–	–	–	829.0	–	829.0
Total	**19,523.9**	**–**	**19,523.9**	**19,364.0**	**–**	**19,364.0**

Underlying EBITA by segment

€ million	2018	2017 restated
Hotels & Resorts	425.7	356.5
Cruises	324.0	255.6
Destination experiences	44.7	35.1
Holiday experiences	794.4	647.2
Northern Region	254.1	345.8
Central Region	89.1	71.5
Western Region	109.3	109.2
Markets & Airlines	452.5	526.5
All other segments	–99.9	–71.6
Continuing operations	**1,147.0**	**1,102.1**
Discontinued operations	–	–1.2
Total	**1,147.0**	**1,100.9**

In order to enhance comparability, underlying EBITA from the discontinued operations does not include the result from the sale of the Specialist Group in the previous year.

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

€ million	2018	2017
Underlying EBITA of continuing operations	**1,147.0**	**1,102.1**
Result on disposal*	2.1	2.2
Restructuring expense*	– 34.9	– 23.1
Expense from purchase price allocation*	– 31.8	– 29.2
Expense from other one-off items*	– 22.2	– 25.5
EBITA of continuing operations	**1,060.2**	**1,026.5**
Profit on sale of financial investment in Container Shipping	–	172.4
Net interest expense	– 82.3	–113.5
Expense from measurement of interest hedges	– 6.4	– 5.7
Earnings before income taxes of continuing operations	**971.5**	**1,079.7**

* For a description of the adjustments please refer to the management report page 66

Other segmental information

€ million	Amortisation (+), depreciation (+), impairment (+) and write-backs (–) of other intangible assets, property, plant and equipment, investments and current assets 2018	2017 restated	Thereof impairment of intangible assets and property, plant and equipment 2018	2017 restated	Thereof amortisation / depreciation of intangible assets and property, plant and equipment 2018	2017 restated	Share of result of joint ventures and associates 2018	2017 restated
Hotels & Resorts	98.8	130.8	5.4	36.4	93.9	98.5	92.1	91.2
Cruises	74.3	57.3	–	–	74.3	57.3	181.3	135.9
Destination Experiences	9.0	7.8	–	–	9.1	7.9	7.8	7.8
Holiday Experiences	182.1	195.9	5.4	36.4	177.3	163.7	281.2	234.9
Northern Region	60.5	69.0	–	11.2	60.5	64.5	14.2	13.2
Central Region	22.7	20.3	0.1	0.3	22.6	21.7	2.0	3.7
Western Region	22.6	22.6	–	–	22.6	22.2	0.2	0.4
Markets & Airlines	105.8	111.9	0.1	11.5	105.7	108.4	16.4	17.3
All other segments	150.4	156.6	6.7	25.2	144.1	130.9	0.1	0.1
Continuing operations	**438.3**	**464.4**	**12.2**	**73.1**	**427.1**	**403.0**	**297.7**	**252.3**
Discontinued operations	–	–	–	–	–	–	–	–
Total	**438.3**	**464.4**	**12.2**	**73.1**	**427.1**	**403.0**	**297.7**	**252.3**

Key figures by region

€ million	External turnover by customer location		Thereof external turnover from discontinued operations		Non-current assets	
	2018	2017	**2018**	2017	**2018**	2017
Germany	5,493.3	5,513.8	–	9.0	710.3	720.9
Great Britain	6,085.7	5,983.6	–	316.0	2,729.4	2,340.3
Spain	217.1	147.2	–	0.9	504.1	479.7
Other Europe	7,063.8	6,861.0	–	62.2	538.8	522.4
North and South America	386.5	591.1	–	372.3	507.9	449.9
Rest of the world	277.5	267.3	–	68.6	659.5	490.2
Total	**19,523.9**	**19,364.0**	**–**	**829.0**	**5,650.0**	**5,003.4**

Notes to the consolidated income statement

TUI Group's operating profit continued its positive development in FY 2018. The growth was primarily driven by the continued sound business performance of Holiday Experiences.

(1) Turnover

Group turnover is mainly generated from tourism services. A breakdown of turnover by segment and region is shown under segment reporting.

(2) Cost of sales and administrative expenses

Cost of sales relates to the expenses incurred in the provision of tourism services. In addition to the expenses for personnel, depreciation, amortisation, rental and leasing, it includes all costs incurred by the Group in connection with the procurement and delivery of airline services, hotel accommodation, cruises and distribution costs.

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

Administrative expenses

€ million	**2018**	2017
Staff cost	737.4	710.9
Rental and leasing expenses	60.1	62.5
Depreciation, amortisation and impairment	75.8	92.6
Others	416.6	389.8
Total	**1,289.9**	**1,255.8**

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

Staff costs

€ million	**2018**	2017
Wages and salaries	1,982.3	1,896.4
Social security contributions	299.7	293.0
Pension costs	154.3	167.6
Total	**2,436.3**	**2,357.0**

Pension costs include service cost for defined benefit obligations and contributions to defined contribution pension schemes.

The year-on-year increase in staff costs in FY 2018 mainly results from a higher number of employees and salary increases.

The average annual headcount (excluding trainees) evolved as follows:

Average annual headcount in the financial year (excl. trainees)

	2018	2017
Hotels & Resorts	23,001	21,987
Cruises	310	307
Destination Experiences	5,406	3,927
Holiday Experiences	28,717	26,221
Northern Region	12,900	14,166
Central Region	9,768	9,652
Western Region	6,304	6,119
Markets & Airlines	28,972	29,937
All other segments	3,495	3,533
TUI Group	**61,184**	**59,691**
Discontinued operations	–	1,741
Total	**61,184**	**61,432**

Depreciation / amortisation / impairment

€ million	**2018**	2017
Depreciation and amortisation of other intangible assets and property, plant and equipment	427.1	403.0
Impairment of other intangible assets and property, plant and equipment	12.2	73.1
Total	**439.3**	**476.1**

The increase in depreciation and amortisation is driven by the addition of a cruise ship in the prior year and the completed financial year and the addition of aircraft.

In the prior year, impairment charges on property, plant and equipment related to hotel resorts, in particular due to damages caused by hurricanes in the Caribbean, and impairment of software and other property, plant and equipment.

Rental and leasing

€ million	**2018**	2017
Rental and leasing expenses	786.3	838.5
Sub-lease income	36.7	34.1
thereof contingent rent	10.7	7.6

Where rental and leasing expenses for operating leases are directly related to revenue-generating activities, these expenses are shown within cost of sales. However, where rental and leasing expenses are incurred in respect of administrative buildings, they are shown under administrative expenses.

Leasing expenses for aircraft declined year-on-year due to foreign currency effects. Leasing expenses for cruise ships also declined year-on-year due to the expiry of a lease agreement at Marella Cruises.

In order to improve the load factor of the aircraft fleet, some planes are also used by other Group companies and leased out to non-Group third parties. These operating leases have terms of 6 months to 12 years and usually expire automatically after the end of the contract term. The income from sub-leases carried in the income statement for the completed financial year is presented in the table above.

(3) Other income

In FY 2018, other income mainly resulted from the disposal of three hotel companies and a hotel. Income was also generated from the sale of aircraft assets.

Other income recognised in the prior year mainly resulted from the sale of two subsidiaries and an investment. Income had also been generated from the sale of commercial real estate owned by TUI Immobilien Services GmbH, Salzgitter, the sale of aircraft spare parts not required, and the sale of vehicles owned by incoming agencies.

(4) Financial income

Financial income

€ million	**2018**	2017
Bank interest income	24.9	11.0
Other interest and similar income	42.6	8.5
Income from the measurement of hedges	6.3	2.2
Interest income	**73.8**	**21.7**
Income from investments	3.7	175.9
Income from the measurement of other financial instruments	0.7	30.6
Foreign exchange gains on financial instruments	5.6	1.1
Total	**83.8**	**229.3**

The decrease in financial income by € 145.5 m in FY 2018 results mainly from the gain on disposal of the sale of the stake in Hapag-Lloyd AG worth € 172.4 m included in the prior year. This decline was partially offset by the effects of a change in the cash pooling scheme, resulting in an increase in interest income from bank balances of € 13.9 m.

(5) Financial expenses

Financial expenses

€ million	**2018**	2017
Bank interest payable on loans and overdrafts	20.2	10.2
Finance lease charges	46.1	46.2
Net interest expenses from defined benefit pension plans	19.5	15.7
Unwinding of discount on provisions	2.2	3.7
Other interest and similar expenses	61.8	57.2
Expenses relating to the measurement of hedges	12.7	7.9
Interest expenses	**162.5**	**140.9**
Expenses relating to the measurement of other financial instruments	1.0	5.0
Foreign exchange losses on financial instruments	2.0	10.3
Total	**165.5**	**156.2**

The increase in financial expenses in FY 2018 mainly results from an increase in interest expenses from bank liabilities. This increase primarily results from a change in the cash pooling scheme and is offset by interest income, which had an opposite effect.

The foreign exchange losses on financial instruments do not include any expenses for hedges.

(6) Share of result of joint ventures and associates

The share of result of joint ventures and associates of € 297.7 m (previous year € 252.3 m) comprises the net profit for the year attributable to the associated companies and joint ventures.

For the development of the results of the material joint ventures and associates we refer to Note 16 'Investments in joint ventures and associates'.

(7) Income taxes

As in the prior year, the German TUI Group companies have to pay trade tax of 15.7 % and corporation tax of 15.0 % plus a 5.5 % solidarity surcharge on corporation tax.

The calculation of foreign income taxes is based on the laws and provisions applicable in the individual countries. The income tax rates applied to foreign companies vary from 0.0 % to 35.0 %.

Breakdown of income taxes

€ million	**2018**	2017
Current tax expense		
in Germany	– 42.9	17.3
abroad	201.9	115.9
Deferred tax expense / income	32.3	35.6
Total	**191.3**	**168.8**

In FY 2018, corporate income taxes in Germany include the reassessment of tax risks which results in tax income of €52.8 m due to the release of provisions attributable to prior periods. Corporate income taxes outside of Germany include a tax expense of €70.3 m relating to tax liabilities arising in Spain. Corporate tax expense attributable to prior periods amount to €28.7 m (prior year income of €4.6 m) in FY 2018.

The deferred tax expense largely arose outside of Germany.

In FY 2018, total income taxes of €191.3 m (previous year €168.8 m) are derived as follows from an 'expected' income tax expense that would have arisen if the statutory income tax rate of parent company TUI AG (aggregate income tax rate) had been applied to earnings before tax.

Reconciliation of expected to actual income taxes

€ million	**2018**	2017
Earnings before income taxes	971.5	1,079.7
Expected income tax (current year 31.5 %, previous year 31.5 %)	**306.0**	**340.1**
Effect from the difference of the actual tax rates to the expected tax rates	–67.3	–61.9
Changes in tax rates and tax law	1.6	–1.5
Income not taxable	–164.1	–207.5
Expenses not deductible	104.6	102.7
Effects from loss carryforwards	–14.0	–16.4
Temporary differences for which no deferred taxes were recognised	–5.6	–4.4
Deferred and current income tax relating to other periods (net)	19.7	20.2
Other differences	10.4	–2.5
Income taxes	**191.3**	**168.8**

In the prior year the non-taxable income was affected by the tax-free disposal of the shares of Hapag-Lloyd AG.

(8) Result from discontinued operation

The result from discontinued operations consists of changes, which are directly related to the disposal of Hotelbeds Group and Specialist Group in prior periods.

On disposal of Hotelbeds Group in 2016 TUI granted to Hotelbeds Group a revenue guarantee and accounted for a respective liability. On acquisition of the business Destination Management this financial year this guarantee was terminated. Prior to the acquisition the revenue generated by the Hotelbeds Group in the liability for the revenue guarantee, was revalued based on the periods since disposal. Accordingly, the liability was reduced by €41.4 m.

The other results relate to the Specialist Group, sold in 2017.

In the prior year the result from discontinued operations showed the after-tax result of the Specialist Group including the profit on the sale.

(9) Group profit attributable to shareholders of TUI AG

In FY 2018, the share in Group profit attributable to TUI AG shareholders rose from €644.8 m in the prior year to €732.5 m. The increase is primarily due to the continuing sound operating performance in Holiday Experiences.

(10) Group profit attributable to non-controlling interest

In the Hotels & Resorts segment, the Group profit attributable to non-controlling interest primarily relates to the RIUSA II Group with € 84.8 m (previous year € 115.5 m).

(11) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group profit for the year attributable to TUI AG shareholders by the weighted average number of registered shares outstanding during the financial year. The average number of shares is derived from the total number of shares at the beginning of the financial year (587,386,900 shares) and the employee shares issued on a pro rata basis (22,611 new shares). In prior year the prorated effect of the own shares held by an employee benefit trust of 2,643,389 shares was deducted. These shares have been sold at the end of the previous financial year.

Earnings per share

		2018	2017
Group profit for the year attributable to shareholders of TUI AG	€ million	732.5	644.8
Weighted average number of shares		587,409,511	584,410,126
Basic earnings per share	€	**1.25**	**1.10**
– Basic earnings per share from continuing operations	€	1.18	1.36
– Basic earnings per share from discontinued operations	€	0.07	– 0.26

Diluted Earnings per share

		2018	2017
Group profit for the year attributable to shareholders of TUI AG	€ million	732.5	644.8
Weighted average number of shares		587,409,511	584,410,126
Diluting effect from assumed exercise of share awards		67,111	52,514
Weighted average number of shares (diluted)		587,476,622	584,462,640
Diluted earnings per share	€	**1.25**	**1.10**
– Diluted earnings per share from continuing operations	€	1.18	1.36
– Diluted earnings per share from discontinued operations	€	0.07	– 0.26

As a rule, a dilution of earnings per share occurs when the average number of shares increases due to the addition of the issue of potential shares from conversion options. In the completed financial year, these effects resulted from employee shares. The share-based remuneration plans from prior years have fully expired.

(12) Taxes attributable to other comprehensive income

Tax effects relating to other comprehensive income

	2018			2017		
€ million	**Gross**	**Tax effect**	**Net**	Gross	Tax effect	Net
Foreign exchange differences	–15.3	–	–15.3	–17.9	–	–17.9
Available for sale financial instruments	0.5	–	0.5	–31.8	–	–31.8
Cash flow hedges	429.7	–103.5	326.2	–263.6	46.9	–216.7
Remeasurements of benefit obligations and related fund assets	66.0	–12.5	53.5	280.7	–66.9	213.8
Changes in the measurement of companies measured at equity outside profit or loss	41.2	–	41.2	19.3	–	19.3
Other comprehensive income	**522.1**	**–116.0**	**406.1**	**–13.3**	**–20.0**	**–33.3**

Deferred income tax worth €–0.9 m (previous year €–2.4 m) and corporate income tax worth €–1.7 m (previous year €–2.5 m) were generated in the reporting period and recognised directly in equity.

Notes on the consolidated statement of financial position

(13) Goodwill

Goodwill

€ million	2018	2017
Historical cost		
Balance as at 1 Oct	**3,319.1**	**3,286.7**
Exchange differences	–27.0	–42.5
Additions	103.8	74.9
Disposals	8.6	–
Balance as at 30 Sep	**3,387.3**	**3,319.1**
Impairment		
Balance as at 1 Oct	**–429.6**	**–433.2**
Exchange differences	0.9	3.6
Balance as at 30 Sep	**–428.7**	**–429.6**
Carrying amounts as at 30 Sep	**2,958.6**	**2,889.5**

The increase in the carrying amount is mainly attributable to the acquisition of Destination Management worth €82.3 m in Q4 2018. Moreover, the carrying amount grew due to the acquisition of stakes in hotel companies (GBH Turizm Ticaret A.S. worth €9.1 m and Darecko S.A. worth €6.5 m) and the acquisition of Cruisetour AG and Croisimonde AG worth €5.6 m. In the prior year, the additions mainly arose from the acquisition of Transat France S.A.

The disposal of €8.6 m results from the sale of three RIUSA II Group hotel companies. More detailed information on the acquisitions and divestments is presented in the section on Principles and methods of consolidation. A reduction was caused by the translation of goodwill not carried in TUI Group's reporting currency into euros.

In accordance with the rules of IAS 21, goodwill allocated to the individual segments and sectors was recognised in the functional currency of the subsidiaries and subsequently translated when preparing the consolidated financial statements. Similar to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date are taken directly to equity outside profit and loss and disclosed as a separate item. In FY 2018, a decrease in the carrying amount of goodwill of €26.1 m (previous year decrease of €38.9 m) resulted from foreign exchange differences.

The following table presents a breakdown of goodwill by cash generating unit (CGU) at carrying amounts:

Goodwill per cash generating unit

€ million	**30 Sep 2018**	30 Sep 2017
Northern Region	1,196.2	1,217.0
Central Region	516.4	510.2
Western Region	411.2	411.2
Destination Services	168.3	86.0
Riu	343.1	351.7
Marella Cruises	287.4	289.2
Other	36.0	24.2
Total	**2,958.6**	**2,889.5**

In the completed financial year, goodwill was tested for impairment at the level of CGUs as at 30 June 2018.

For all CGUs, the recoverable amount was determined on the basis of fair value less costs of disposal. The fair value was determined by means of discounting the expected cash inflows. This was based on the Q4 forecast for the financial year and on the medium-term plan for the entity under review, prepared as at 30 September 2018, following deduction of income tax payments. Budgeted turnover and EBITA margins are based on empirical values from prior financial years and expectations with regard to the future development of the market.

The discount rates are calculated as the weighted average cost of capital, taking account of country-specific risks of the CGU and based on external capital market information. The cost of equity included in the determination reflects the return expected by investors. The cost of borrowing is derived from the long-term financing terms of comparable companies in the peer group.

The table below provides an overview of the parameters underlying the determination of the fair values per CGU. It shows the timeframe for the cash flow forecast, the growth rates used to extrapolate the cash flow forecast, the discount rates and the relevant valuation hierarchy according to IFRS 13. The table lists the CGUs to which goodwill has been allocated. The below stated EBITA margin p. a. is adjusted for reasonable discounts for centrally incurred cost.

Assumptions for calculation of fair value in FY 2018

	Planning period in years	Growth rate revenues in % p.a.	EBITA-Margin in % p.a.	Growth rate after planning period in %	WACC in %	Level
Northern Region	3.25	7.1	3.9	1.0	5.42	3
Central Region	3.25	6.6	1.4	1.0	5.42	3
Western Region	3.25	7.0	2.6	1.0	5.42	3
Destination Services	3.25	3.9	7.1	1.0	5.42	3
Riu	3.25	1.7	34.2	1.0	6.38	3
Marella Cruises	3.25	9.7	15.1	1.0	6.30	3
Other	3.25	18.4 to 77.5	1.5 to 18.1	1.0	6.38 to 7.52	3

Assumptions for calculation of fair value in FY 2017

	Planning period in years	Growth rate revenues in % p.a. (restated)	EBITA-Margin in % p.a. (restated)	Growth rate after planning period in %	WACC in %	Level
Northern Region	3.25	5.6	3.9	1.0	5.25	3
Central Region	3.25	4.5	1.1	1.0	5.25	3
Western Region	3.25	6.4	3.0	1.0	5.25	3
Destination Services	3.25	5.5	8.8	1.0	5.25	3
Riu	3.25	4.9	33.1	1.0	6.25	3
Marella Cruises	3.25	11.7	17.5	1.0	5.25	3
Other	3.25	17.3 to 79.1	3.7 to 19.7	1.0	6.25 to 7.00	3

Goodwill was tested for impairment as at 30 June 2018. The test did not result in a requirement to recognise any further impairment. Neither an increase in WACC by 50 basis points nor a reduction by 50 basis points in the growth rate after the detailed planning period would have led to an impairment of goodwill. The same applies to a reduction of the discounted free cash flow in perpetuity of 10 %.

(14) Other intangible assets

The development of the line items of other intangible assets in FY 2018 is shown in the following table.

Other intangible assets

€ million	Brands, licenses and other rights*	Computer software* internally generated	Computer software* acquired	Transport and leasing contracts	Customer base	Intangible assets in the course of construction and Payments on account*	**Total**
Historical cost							
Balance as at 1 Oct 2016	**686.4**	**300.2**	**–**	**93.0**	**49.2**	**2.5**	**1,131.3**
Exchange differences	–2.0	–6.2	–6.4	–1.5	–0.5	3.0	–13.6
Additions due to changes in the group of consolidated companies	8.1	0.2	0.2	–	11.3	0.9	20.7
Additions	1.3	11.0	16.6	–	–	100.6	129.5
Disposals	–2.2	–7.1	–5.1	–	–1.2	–9.2	–24.8
Transfer	–0.1	48.1	20.8	–	–	–70.0	–1.2
Transfer	–309.3	0	247.0	0	0	62.3	0
Balance as at 30 Sep 2017	**382.2**	**346.2**	**273.1**	**91.5**	**58.8**	**90.1**	**1,241.9**
Exchange differences	0.4	–4.5	1.2	–0.4	1.2	–0.8	–2.9
Additions due to changes in the group of consolidated companies	0.1	–	0.7	–	0.2	0.2	1.2
Additions	2.8	13.8	13.0	–	–	101.5	131.1
Disposals	–3.8	–6.6	–8.4	–	–	–	–18.8
Transfer	–1.5	66.5	13.8	–	–	–78.8	–
Balance as at 30 Sep 2018	**380.2**	**415.4**	**293.4**	**91.1**	**60.2**	**112.2**	**1,352.5**
Amortisation and impairment							
Balance as at 1 Oct 2016	**–390.7**	**–121.3**	**–**	**–43.3**	**–30.2**	**–**	**–585.5**
Exchange differences	–0.5	1.2	1.8	1.0	0.4	–0.2	3.7
Amortisation for the current year	–16.0	–37.8	–35.0	–4.5	–4.8	–	–98.1
Impairment for the current year	–	–27.3	–0.3	–	–	–9.0	–36.6
Disposals	1.2	7.0	4.0	–	1.3	9.2	22.7
Transfer	159.1	–	–159.1	–	–	–	–
Balance as at 30 Sep 2017	**–246.9**	**–178.2**	**–188.6**	**–46.8**	**–33.3**	**–**	**–693.8**
Exchange differences	1.4	2.4	–1.4	0.3	–	–	2.7
Amortisation for the current year	–14.3	–46.2	–31.0	–4.5	–4.9	–	–100.9
Impairment for the current year	–3.9	–1.6	–	–	–1.3	–	–6.8
Disposals	2.3	6.0	7.9	–	–	–	16.2
Transfer	–	–0.7	0.7	–	–	–	–
Balance as at 30 Sep 2018	**–261.4**	**–218.3**	**–212.4**	**–51.0**	**–39.5**	**–**	**–782.6**
Carrying amounts as at 30 Sep 2017	**135.3**	**168.0**	**84.5**	**44.7**	**25.5**	**90.1**	**548.1**
Carrying amounts as at 30 Sep 2018	**118.8**	**197.1**	**81.0**	**40.1**	**20.7**	**112.2**	**569.9**

* The acquired computer software, which was previously reported within brands, licences and other rights, was in the prior year for the first time presented together with the internally generated computer software. In addition the intangible assets under construction have no longer been reported as part of brands, licences and other rights but have been presented for the first time together with the payments on accounts. The opening balances of the prior year have been reclassified accordingly.

Internally generated computer software consists of computer programs for tourism applications exclusively used internally by the Group.

Transport contracts relate to landing rights at airports in the UK purchased and measured during the acquisition of First Choice Holidays Plc in 2007.

The lease contracts relate to intangible assets from the measurement of aircraft leases in connection with the acquisition of First Choice Holidays Plc in 2007. The assets are amortised in line with the length of the lease.

Payments on account made totalled € 4.7 m as at 30 September 2018 (previous year € 1.9 m).

Additions to consolidation mainly relate to the acquisition of Destination Management. For details, please refer to the section on Acquisitions.

The prior year's impairment charges related to financial software and an Internet platform in the Northern Region segment.

(15) Property, plant and equipment

The table below presents the development of the individual items of property, plant and equipment in FY 2018.

Property, plant and equipment

€ million	Hotels incl. land	Other buildings and land	Aircraft
Historical cost			
Balance as at 1 Oct 2016	**1,436.9**	**231.4**	**1,835.1**
Exchange differences	–19.0	–0.7	–68.0
Additions due to changes in the group of consolidated companies	15.8	4.9	–
Additions	51.8	15.2	182.1
Disposals	–4.9	–3.5	–29.5
Transfer to assets held for sale	–21.1	–0.7	–57.6
Transfer	92.8	–5.9	15.7
Balance as at 30 Sep 2017	**1,552.3**	**240.7**	**1,877.8**
Exchange differences	–23.9	–0.4	28.8
Additions due to changes in the group of consolidated companies	132.3	0.5	–
Additions	68.2	35.5	264.7
Disposals	–18.3	–3.9	–24.6
Transfer to assets held for sale	–46.6	–0.9	–5.4
Transfer	112.9	–2.5	43.9
Balance as at 30 Sep 2018	**1,776.9**	**269.0**	**2,185.2**
Depreciation and impairment			
Balance as at 1 Oct 2016	**–458.0**	**–76.0**	**–633.1**
Exchange differences	3.7	0.7	–9.7
Depreciation for the current year	–45.6	–4.2	–107.9
Impairment for the current year	–19.9	–8.0	–
Disposals	4.7	2.9	27.0
Transfer to assets held for sale	10.6	–	53.1
Transfer	–7.0	9.0	–
Balance as at 30 Sep 2017	**–511.5**	**–75.6**	**–670.6**
Exchange differences	3.1	–0.2	–5.4
Depreciation for the current year	–44.6	–2.6	–115.2
Impairment for the current year	–3.4	–	–
Disposals	4.8	3.5	21.1
Transfer to assets held for sale	45.9	–	–
Transfer	–8.4	–	–
Balance as at 30 Sep 2018	**–514.1**	**–74.9**	**–770.1**
Carrying amounts as at 30 Sep 2017	**1,040.8**	**165.1**	**1,207.2**
Carrying amounts as at 30 Sep 2018	**1,262.8**	**194.1**	**1,415.1**

Cruise ships	Other plant, operating and office equipment	Assets under construction	Payments on account	**Total**
894.5	**1,138.8**	**158.1**	**210.1**	**5,904.9**
−16.6	−24.1	25.7	−21.0	−123.7
–	3.4	–	–	24.1
8.4	101.3	376.8	294.8	1,030.4
−4.7	−56.5	–	−45.5	−144.6
0.2	−0.5	–	–	−79.7
247.6	32.9	−366.7	−13.2	3.2
1,129.4	**1,195.3**	**193.9**	**425.2**	**6,614.6**
−6.7	−15.9	−4.5	9.1	−13.5
–	11.9	–	–	144.7
8.9	98.6	318.1	220.8	1,014.8
−4.9	−57.0	−0.5	−145.4	−254.6
–	−4.9	−1.9	–	−59.7
204.8	31.8	−360.5	−30.4	–
1,331.5	**1,259.8**	**144.6**	**479.3**	**7,446.3**
−220.2	**−803.3**	**0.2**	**–**	**−2,190.4**
2.7	16.3	–	–	13.7
−56.4	−90.8	–	–	−304.9
–	−8.5	–	–	−36.4
4.6	54.1	–	–	93.3
–	0.4	–	–	64.1
–	−2.3	–	–	−0.3
−269.3	**−834.1**	**0.2**	**–**	**−2,360.9**
0.9	11.8	–	–	10.2
−72.8	−91.0	–	–	−326.2
–	−2.1	–	–	−5.5
4.9	51.4	–	–	85.7
–	3.7	–	–	49.6
–	8.4	–	–	–
−336.3	**−851.9**	**0.2**	**–**	**−2,547.1**
860.1	**361.2**	**194.1**	**425.2**	**4,253.7**
995.2	**407.9**	**144.8**	**479.3**	**4,899.2**

The additions from changes in the group of consolidated companies mainly relate to the acquisition of hotel companies. For details, please refer to the section on Acquisitions.

In the financial year under review, advance payments of € 29.2 m (previous year € 33.2 m) were made for the acquisition of cruise ships and € 163.0 m (previous year € 252.4 m) for the acquisition of aircraft.

In the reporting period, the cruise ship Marella Explorer was added at a carrying amount of € 202.2 m, initially carried as assets under construction. Following her launch, the cruise ship was reclassified accordingly. In the prior year, assets under construction had included the addition of Marella Discovery 2 at € 228.6 m. Both ships are operated in the Cruises segment.

Further additions to assets under construction include an amount of € 63.0 m (previous year € 92.1 m) for investments in hotels in the Hotels & Resorts segment.

In the completed financial year, five aircraft were acquired.

In the course of the year, a hotel resort was reclassified to assets held for sale. The resort was sold before the end of the financial year. Moreover, two aircraft fuselages were classified as held for sale and reclassified accordingly.

In FY 2018, borrowing costs of € 2.2 m (previous year € 4.0 m) were capitalised as part of the acquisition and production costs. The capitalisation rate of capitalised borrowing costs is 3.40 % p. a. for FY 2018 and 3.75 % p. a. for the prior year.

The carrying amount of property, plant and equipment subject to ownership restrictions or pledged as security totals € 535.2 m (previous year € 553.8 m) as at the balance sheet date.

FINANCE LEASES

Property, plant and equipment also comprise leased assets in which Group subsidiaries have assumed the risks and rewards of ownership of the assets (finance leases).

Composition of finance leased assets

	Net carrying amounts	
€ million	**30 Sep 2018**	30 Sep 2017
Other buildings and land	5.5	16.4
Aircraft	1,060.4	906.6
Cruise ships	189.7	209.0
Other plant, operating and office equipment	34.6	26.1
Total	**1,290.2**	**1,158.1**

The leasing contracts for aircraft include repurchase options for the lessee at fixed residual values.

Total payment obligations resulting from future lease payments total € 1,530.4 m (previous year € 1,420.7 m). Group companies have not granted any guarantees for the residual values of the leased assets, as in the prior year.

Reconciliation of future lease payments to liabilities from finance leases

	30 Sep 2018				30 Sep 2017			
	Remaining term				Remaining term			
€ million	up to 1 year	1–5 years	more than 5 years	**Total**	up to 1 year	1–5 years	more than 5 years	Total
Total future lease payments	139.3	588.1	803.0	1,530.4	128.2	513.1	779.4	1,420.7
Interest portion	34.1	105.6	48.0	187.7	32.0	107.8	54.4	194.2
Liabilities from finance leases	105.2	482.5	755.0	1,342.7	96.2	405.3	725.0	1,226.5

(16) Investments in joint ventures and associates

The table below presents all joint arrangements and associates of relevance to TUI Group. All joint arrangements and associates are listed as TUI Group Shareholdings in Note 47. All joint arrangements are joint ventures. There are no joint operations within the meaning of IFRS 11.

Significant associates and joint ventures

		Capital share in %		Voting rights share in %	
Name and headquarter of company	Nature of business	**30 Sep 2018**	30 Sep 2017	**30 Sep 2018**	30 Sep 2017
Associates					
Sunwing Travel Group Inc., Toronto, Canada	Tour operator & Hotel operator	49.0	49.0	25.0	25.0
Joint ventures					
Riu Hotels S.A., Palma de Mallorca, Spain	Hotel operator	49.0	49.0	49.0	49.0
TUI Cruises GmbH, Hamburg, Germany	Cruise ship operator	50.0	50.0	50.0	50.0
Togebi Holdings Limited, Nicosia, Cyprus	Tour operator	25.0	25.0	25.0	25.0

All companies presented above are measured at equity.

The financial year of Sunwing Travel Group Inc., Toronto / Canada (Sunwing) corresponds to TUI Group's financial year. The financial years of the joint ventures listed above deviate from TUI Group's financial year, ending on 31 December of any one year. In order to update the at equity measurement as at TUI Group's balance sheet date, interim financial statements for the period ending 30 September are prepared for these companies.

SIGNIFICANT ASSOCIATES

In 2009, Sunwing entered into a partnership with TUI Group. Sunwing is a vertically integrated travel company comprising tour operation, an airline and retail shops. Since the transfer of the hotel operation and development company Blue Diamond Hotels & Resorts Inc., St Michael / Barbados, to Sunwing in September 2016, Sunwing has also included the hotel operation business with a chain of luxury beach resorts and hotels in the Caribbean and Mexico. Sunwing's hotel operation business is carried in the Hotels & Resorts segment, while the tour operation business is carried in the Northern Region segment. The company has different classes of shares. TUI Group holds 25 % of the voting shares.

SIGNIFICANT JOINT VENTURES

Riu Hotels S.A. is a hotel company owning and operating hotels in the 4- to 5-star segments. The hotels of the company established in 1976 are mainly located in Spain and Central America.

TUI Cruises GmbH is a joint venture with the US shipping line Royal Caribbean Cruises Ltd established in 2008. The Hamburg-based company offers German-speaking cruises for the premium market. TUI Cruises GmbH currently operates six cruise ships.

Togebi Holdings Limited (TUI Russia) is a joint venture between TUI and Oscrivia Limited, a subsidiary of Unifirm Limited. Unifirm Limited is a subsidiary of OOO Severgroup, owned by a large shareholder and Supervisory Board member of TUI AG. The business purpose of this joint venture, established in 2009, is to develop the tour operation business, in particular in Russia and Ukraine. The company owns tour operation subsidiaries and retail chains in these countries. The relevant activities of TUI Russia are jointly determined by TUI Group and Oscrivia Limited, so that TUI Russia is classified as a joint venture.

After the balance sheet date TUI Group's share in TUI Russia decreased to 10 % due to a capital increase in which TUI Group did not participate.

FINANCIAL INFORMATION ON ASSOCIATES AND JOINT VENTURES

The tables below present summarised financial information for the significant associates and joint ventures of the TUI Group. The amounts shown reflect the full amounts presented in the consolidated financial statements of the relevant associates and joint ventures (100 %); they do not represent TUI Group's share of those amounts.

Summarised financial information of material associates

	Sunwing Travel Group Inc., Toronto, Canada	
€ million	**30 Sep 2018 / 2018**	30 Sep 2017 / 2017
Non-current assets	1,186.3	1,061.9
Current assets	545.9	471.9
Non-current provisions and liabilities	598.5	570.4
Current provisions and liabilities	596.1	511.7
Revenues	1,941.6	2,022.6
Profit / loss*	77.5	67.7
Other comprehensive income	12.5	– 35.8
Total comprehensive income	**90.0**	**31.9**

* Solely from continuing operations

Summarised financial information of material joint ventures

€ million	Riu Hotels S.A., Palma de Mallorca, Spain		TUI Cruises GmbH, Hamburg, Germany		Togebi Holdings Limited, Nicosia, Cypres	
	30 Sep 2018/ 2018	30 Sep 2017/ 2017	**30 Sep 2018/ 2018**	30 Sep 2017/ 2017	**30 Sep 2018/ 2018**	30 Sep 2017/ 2017
Non-current assets	844.8	757.1	2,799.3	2,542.5	3.4	3.5
Current assets	148.3	129.8	217.9	193.7	64.4	57.1
thereof cash and cash equivalents	61.1	67.4	117.0	109.4	15.4	10.7
Non-current provisions and liabilities	25.9	18.1	1,707.0	1,393.0	109.7	102.0
thereof financial liabilities	0.5	5.6	1,707.0	1,392.5	109.0	102.0
Current provisions and liabilities	56.8	106.4	623.6	657.6	94.6	75.1
thereof financial liabilities	4.9	42.3	157.4	200.0	56.9	49.3
Turnover	292.7	316.7	1,246.4	1,052.5	436.6	259.8
Depreciation/amortisation of intangible assets and property, plant and equipment	20.4	22.7	86.1	71.8	1.6	1.5
Interest income	0.6	0.3	0.1	–	–	–
Interest expenses	1.1	0.8	43.3	32.3	5.8	5.3
Income taxes	22.8	32.3	0.1	–0.1	0.3	–
Profit/loss*	102.2	105.5	362.5	271.8	–17.0	–10.5
Other comprehensive income	47.7	25.1	38.6	14.0	–	–
Total comprehensive income	**149.9**	**130.6**	**401.1**	**285.8**	**–17.0**	**–10.5**

*Solely from continuing operations

In FY 2018, TUI Group received dividends of €200.0 m from TUI Cruises and €227.5 m from all joint ventures in total (previous year €117.5 m, including €90.0 m from TUI Cruises). In FY 2018, TUI Group received dividends worth €2.0 m from Sunwing Travel Group (previous year none). In total, TUI Group received dividends of €3.5 m from its associates (previous year €2.0 m).

In addition to TUI Group's significant associates and joint ventures, TUI AG has interests in other associates and joint ventures measured at equity, which individually are not considered to be of material significance. The tables below provide information on TUI Group's share of the earnings figures shown for the major associates and joint ventures as well as the aggregated amount of the share of profit/loss, other comprehensive income and total comprehensive income for the immaterial associates and joint ventures.

Share of financial information of material and other associates

€ million	Sunwing Travel Group Inc., Toronto, Canada		Other immaterial associates		Associates Total	
	2018	2017	**2018**	2017	**2018**	2017
TUI's share of						
Profit/loss*	38.0	33.2	3.4	2.5	41.4	35.7
Other comprehensive income	5.1	–17.5	–1.5	–2.8	3.6	–20.3
Total comprehensive income	**43.1**	**15.7**	**1.9**	**–0.3**	**45.0**	**15.4**

*Solely from continuing operations

Share of financial information of material and other joint ventures

	Riu Hotels S.A., Palma de Mallorca, Spain		TUI Cruises GmbH, Hamburg, Germany		Togebi Holdings Limited, Nicosia, Cypres		Other immaterial joint ventures		Joint ventures Total	
€ million	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
TUI's share of										
Profit/loss*	50.1	51.7	181.2	135.9	–	–	24.4	29.0	255.7	216.6
Other comprehensive income	23.4	12.4	19.3	7.0	–	–	–3.8	–45.2	38.9	–25.8
Total comprehensive income	**73.5**	**64.1**	**200.5**	**142.9**	**–**	**–**	**20.6**	**–16.2**	**294.6**	**190.8**

*Solely from continuing operations

Net assets of the material associates

€ million	Sunwing Travel Group Inc., Toronto, Canada
Net assets as at 1 Oct 2016	**419.8**
Profit/loss	67.7
Other comprehensive income	–9.3
Dividends	–
Capital increase	–
Foreign exchange effects	–26.6
Consolidation effects	–
Net assets as at 30 Sep 2017	**451.6**
Profit/loss	77.5
Other comprehensive income	–
Dividends	–4.1
Capital increase	–
Foreign exchange effects	12.5
Consolidation effects	–
Net assets as at 30 Sep 2018	**537.5**

Reconciliation to the carrying amount of the associates in the Group balance sheet

€ million	Sunwing Travel Group Inc., Toronto, Canada	Other immaterial associates	Associates Total
Share of TUI AG in % as at 30 Sep 2017	49.0	–	–
TUI AG's share of the net assets as at 30 Sep 2017	221.3	49.3	270.6
Goodwill as at 30 Sep 2017	51.4	4.0	55.4
Carrying value as at 30 Sep 2017	**272.7**	**53.3**	**326.0**
Share of TUI AG in % as at 30 Sep 2018	49.0	–	–
TUI AG's share of the net assets as at 30 Sep 2018	263.4	66.5	329.9
Goodwill as at 30 Sep 2018	50.4	7.0	57.4
Carrying value as at 30 Sep 2018	**313.8**	**73.5**	**387.3**

Net assets of the material joint ventures

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany	Togebi Holdings Limited, Nicosia, Cyprus
Net assets as at 1 Oct 2016	**656.3**	**579.2**	**–113.5**
Profit/loss	105.5	271.9	–10.5
Other comprehensive income	38.2	14.3	–
Dividends	–26.0	–180.0	–
Foreign exchange effects	–13.0	–	7.5
Net assets as at 30 Sep 2017	**761.0**	**685.4**	**–116.5**
Profit/loss	102.2	362.5	–17.0
Other comprehensive income	45.8	38.6	–
Dividends payable	–	–400.0	–
Foreign exchange effects	1.4	–	–3.0
Net assets as at 30 Sep 2018	**910.4**	**686.5**	**–136.5**

Reconciliation to the carrying amount of the joint ventures in the Group balance sheet

€ million	Riu Hotels S.A., Palma de Mallorca, Spain	TUI Cruises GmbH, Hamburg, Germany	Togebi Holdings Limited, Nicosia, Cyprus	Other immaterial joint ventures	Joint ventures Total
Share of TUI AG in % as at 30 Sep 2017	49.0	50.0	25.0	–	–
TUI AG's share of the net assets as at 30 Sep 2017	372.9	342.7	–29.2	246.5	932.9
Unrecognised share of losses	–	–	8.5	–	8.5
Goodwill as at 30 Sep 2017	1.7	–	20.7	16.4	38.8
Carrying value as at 30 Sep 2017	**374.6**	**342.7**	**–**	**262.9**	**980.2**
Share of TUI AG in % as at 30 Sep 2018	49.0	50.0	25.0	–	–
TUI AG's share of the net assets as at 30 Sep 2018	446.1	343.3	–34.1	243.8	999.1
Unrecognised share of losses	–	–	13.0	–	13.0
Goodwill as at 30 Sep 2018	1.7	–	21.1	14.4	37.2
Carrying value as at 30 Sep 2018	**447.8**	**343.3**	**–**	**258.2**	**1,049.3**

UNRECOGNISED LOSSES BY JOINT VENTURES

Unrecognised accumulated losses increased by € 4.5 m to € 13.0 m. They relate to the joint venture TUI Russia, operating in source markets Russia and Ukraine. Due to the recognition of prorated losses in previous years, the carrying amount of the joint venture was already fully written off in FY 2014. Recognition of further losses would have reduced the carrying amount of the joint ventures to below zero.

RISKS ASSOCIATED WITH THE STAKES IN ASSOCIATES AND JOINT VENTURES

Contingent liabilities of € 34.6 m (previous year € 33.9 m) existed in respect of associates as at 30 September 2018. Contingent liabilities in respect of joint ventures totalled € 22.9 m (previous year € 73.2 m). Moreover, financial commitments from investments of € 272.7 m (previous year € 613.2 m) are in place in respect of joint ventures.

(17) Trade receivables and other assets

Trade receivables and other assets

	30 Sep 2018		30 Sep 2017	
€ million	Remaining term more than 1 year	**Total**	Remaining term more than 1 year	Total
Trade receivables	–	549.0	–	431.4
Advances and loans	93.6	135.7	97.9	142.7
Other receivables and assets	194.1	584.9	113.9	432.2
Total	**287.7**	**1,269.6**	**211.8**	**1,006.3**

Ageing structure of the financial instruments included in trade receivables and other assets

			of which not impaired and overdue in the following periods			
€ million	Carrying amount of financial instruments	of which not impaired but overdue	less than 30 days	between 30 and 90 days	between 91 and 180 days	more than 180 days
Balance as at 30 Sep 2018						
Trade receivables	548.9	185.8	92.1	65.3	12.4	16.0
Advances and loans	135.6	3.8	3.8	–	–	–
Other receivables and assets	133.6	8.3	4.0	0.3	0.5	3.5
Total	**818.1**	**197.9**	**99.9**	**65.6**	**12.9**	**19.5**
Balance as at 30 Sep 2017						
Trade receivables	431.4	159.3	112.3	30.5	12.0	4.5
Advances and loans	142.3	19.1	19.0	–	–	0.1
Other receivables and assets	171.4	25.6	6.1	9.9	1.7	7.9
Total	**745.1**	**204.0**	**137.4**	**40.4**	**13.7**	**12.5**

For financial assets which are neither past due nor impaired, TUI Group assumes that the counter party has a good credit standing.

As at 30 September 2018, trade accounts receivable and other receivables worth € 96.6 m (previous year € 76.0 m) were impaired. The table below provides a maturity analysis of impairment.

Ageing structure of impairment of financial instruments included in trade receivables and other assets

	30 Sep 2018			30 Sep 2017		
€ million	**Gross value**	**Impairment**	**Net value**	Gross value	Impairment	Net value
Trade receivables and other assets						
Not overdue	639.8	19.6	620.2	559.4	18.3	541.1
Overdue less than 30 days	102.6	2.7	99.9	151.1	13.7	137.4
Overdue 30 – 90 days	69.7	4.1	65.6	48.5	8.1	40.4
Overdue 91 – 180 days	15.2	2.3	12.9	15.7	2.0	13.7
Overdue more than 180 days	87.4	67.9	19.5	46.4	33.9	12.5
Total	**914.7**	**96.6**	**818.1**	**821.1**	**76.0**	**745.1**

Impairment of trade receivables and other assets developed as follows:

Impairment on assets of the trade receivables and other assets category according to IFRS 7

€ million	**2018**	2017
Balance at the beginning of period	**76.0**	**62.7**
Additions	33.4	26.4
Disposals	13.1	12.4
Other changes	0.3	– 0.7
Balance at the end of period	**96.6**	**76.0**

As in the previous year, in FY 2018, no material cash inflow was recorded from impaired interest-bearing trade receivables and other assets.

(18) Touristic payments on account

Touristic payments on account mainly relate to customary advance payments on future tourism services, in particular advance payments made by tour operators for future hotel services.

(19) Deferred tax assets

Individual items of deferred tax assets and liabilities recognised in the financial position

	30 Sep 2018		30 Sep 2017	
€ million	**Asset**	**Liability**	Asset	Liability
Finance lease transactions	2.2	–	2.2	–
Recognition and measurement differences for property, plant and equipment and other non-current assets	40.6	253.2	50.6	210.1
Recognition differences for receivables and other assets	4.4	41.2	60.5	114.8
Measurement of financial instruments	5.6	110.9	22.3	22.5
Measurement of pension provisions	156.7	12.5	183.3	5.6
Recognition and measurement differences for other provisions	68.2	2.2	71.2	17.0
Other transactions	43.4	58.2	58.3	61.8
Capitalised tax savings from recoverable losses carried forward	198.3	–	198.1	–
Netting of deferred tax assets and liabilities	–293.7	–293.7	–322.8	–322.8
Balance sheet amount	**225.7**	**184.5**	**323.7**	**109.0**

Deferred tax assets include an amount of € 218.8 m (previous year € 311.6 m) expected to be realised after more than twelve months. Deferred tax liabilities include an amount of € 114.8 m (previous year € 57.3 m) expected to be realised after more than twelve months.

No deferred tax assets are recognised for deductible temporary differences of € 191.4 m (previous year € 315.7 m).

No deferred tax liabilities are carried for temporary differences of € 66.7 m (previous year € 58.6 m) between the net assets of subsidiaries and the respective taxable carrying amounts of subsidiaries since these temporary differences are not expected to be reversed in the near future.

Recognised losses carried forward and time limits for non-recognised losses carried forward

€ million	**30 Sep 2018**	30 Sep 2017
Recognised losses carried forward	**1,061.5**	**998.2**
Non-recognised losses carried forward	**4,773.0**	**4,654.5**
of which losses carried forward forfeitable within one year	2.3	3.8
of which losses carried forward forfeitable within 2 to 5 years	61.0	89.8
of which losses carried forward forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	–	–
Non-forfeitable losses carried forward	4,709.7	4,560.9
Total unused losses carried forward	**5,834.5**	**5,652.7**

Losses carried forward for German companies comprise the cumulative amount of trade tax and corporation tax as well as interest carried forward in relation to the German interest barrier. Potential tax savings totalling € 925.6 m (previous year € 900.1 m) were not capitalised since the underlying losses carried forward are unlikely to be utilised in the foreseeable future.

In FY 2018, the use of losses carried forward previously assessed as non-recoverable and for which no deferred tax asset had been recognised as at 30 September 2017 led to tax reductions of € 6.4 m (previous year € 0.4 m). As in the prior year, no tax reductions were realised by means of losses carried back.

Development of deferred tax assets from losses carried forward

€ million	2018	2017
Capitalised tax savings at the beginning of the year	**198.1**	**211.5**
Use of losses carried forward	– 34.7	– 38.7
Capitalisation of tax savings from tax losses carried forward	35.6	27.9
Impairment of capitalised tax savings from tax losses carried forward	– 0.3	– 2.9
Reclassification to discontinued operation	–	–
Exchange adjustments and other items	– 0.4	0.3
Capitalised tax savings at financial year-end	**198.3**	**198.1**

Capitalised deferred tax assets from temporary differences and losses carried forward that are assessed as recoverable of € 1.7 m (previous year € 4.0 m) are covered by expected future taxable income even for companies that generated losses in the reporting period or the prior year.

(20) Inventories

Inventories

€ million	30 Sep 2018	30 Sep 2017
Airline spares and operating equipment	37.0	32.1
Real estate for sale	33.6	33.4
Consumables used in hotels	15.8	17.2
Other inventories	32.1	27.5
Total	**118.5**	**110.2**

In FY 2018, inventories of € 557.8 m (previous year € 541.1 m) were recognised as expense.

(21) Cash and cash equivalents

Cash and cash equivalents

€ million	30 Sep 2018	30 Sep 2017
Bank deposits	2,520.8	2,486.1
Cash in hand and cheques	27.2	30.0
Total	**2,548.0**	**2,516.1**

At 30 September 2018, cash and cash equivalents of € 199.2 m were subject to restrictions (previous year € 261.0 m).

On 30 September 2016, TUI AG entered into an agreement to close the gap between the obligations and the fund assets of defined benefit pension plans in the UK in the long run. At the balance sheet date an amount of € 79.0 m is deposited as security within a bank account. TUI Group can only use that cash and cash equivalents if it provides alternative collateral.

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

(22) Assets held for sale

At 30 September 2018 two aircraft fuselages are presented as held for sale. In the prior year hotels of € 5.0 m and aircraft assets of € 4.6 m were classified as held for sale.

(23) Subscribed capital

The fully paid subscribed capital of TUI AG consists of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share is around € 2.56. As the capital stock consists of registered shares, the owners are listed by name in the share register.

The subscribed capital of TUI AG has been registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover. In the financial year, it rose by a total of 514,404 employee shares. It thus comprised 587,901,304 shares (previous year 587,386,900 shares) as at the end of the financial year. It rose by € 1.3 m to € 1,502.9 m.

The Annual General Meeting on 13 February 2018 authorised the Executive Board of TUI AG to acquire own shares of up to 5 % of the capital stock. The authorisation will expire on 12 August 2019. The authorisation was used to acquire own shares amounting to € 1.1 m.

CONDITIONAL CAPITAL

The Annual General Meeting on 9 February 2016 had created conditional capital of € 150.0 m and authorised the Company to issue bonds. The conditional capital authorisation to acquire bonds with conversion or option rights and profit participation (with or without a mixed maturity) is limited to a nominal amount of € 2.0 bn and expires on 8 February 2021.

Overall, TUI AG's total conditional capital remained flat year-on-year at € 150.0 m as at 30 September 2018.

AUTHORISED CAPITAL

The Annual General Meeting on 13 February 2018 resolved to create additional authorised capital of € 30.0 m for the issue of employee shares. The Executive Board of TUI AG has been authorised to use this authorised capital in one or several transactions to issue employee shares against cash contribution by 12 February 2023. 514,404 new employee shares were issued in the completed financial year so that authorised capital totals around € 28.7 m at the balance sheet date.

The Annual General Meeting on 9 February 2016 resolved an authorisation to issue new registered shares against cash contribution for up to a maximum of € 150.0 m. This authorisation will expire on 8 February 2021.

The Annual General Meeting on 9 February 2016 also resolved to create authorised capital for the issue of new shares against cash or non-cash contribution for up to € 570.0 m. The issue of new shares against non-cash contribution is limited to a maximum of € 300.0 m. The authorisation for this authorised capital will expire on 8 February 2021.

At the balance sheet date, the accumulated authorised capital that had not yet been taken up amounted to € 748.7 m (previous year € 745.4 m).

(24) Capital reserves

The capital reserves comprise transfers of premiums. They also comprise amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants. Premiums from the issue of shares due to the exercise of conversion options and warrants were also transferred to the capital reserve.

Capital reserves rose by € 5.5 m (previous year € 2.8 m) due to the issue of employee shares in the completed financial year.

(25) Revenue reserves

In the completed financial year, TUI AG paid a dividend of € 0.65 per no-par value share to its shareholders; the total amount paid was € 381.8 m (previous year € 368.2 m). The share of non-controlling interests declined by € 53.5 m (previous year € 87.2 m) in FY 2018 due to the issue of dividends.

The ongoing recording of existing equity-settled stock option plans resulted in a decrease in equity of € 0.7 m in the reporting period. Disclosures on these long-term incentive programmes are outlined in the section on Share-based payments in accordance with IFRS 2 in Note 35.

In FY 2018, the movement in the first-time consolidation of non-controlling interests was essentially attributable to the non-controlling interests of the acquired companies in Destination Management worth € 3.0 m.

Foreign exchange differences comprise differences from the translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies. They also comprise reclassification amounts from the sale of two RIUSA II Group hotel companies totalling €–12.8 m to be recognised through profit or loss.

The proportion of gains and losses from hedges used as effective hedges of future cash flows is carried directly in equity at € 429.7 m (pre-tax). A reversal of this provision through profit and loss takes place in the same period in which the hedged item has an effect on profit and loss or is no longer assessed as probable. The significant increase in FY 2018 is primarily attributable to changes in exchange rates and fuel prices.

The revaluation of pension obligations (in particular actuarial gains and losses) is also carried directly in equity.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies is retained until the date of deconsolidation of the company concerned.

(26) Use of Group profit available for distribution

In accordance with the German Stock Corporation Act, the Annual General Meeting resolves the use of the profit available for distribution carried in TUI AG's commercial-law annual financial statements. TUI AG's profit for the year amounts to € 983.4 m (previous year € 741.7 m). Taking account of profit carried forward of € 814.0 m (previous year € 454.1 m), TUI AG's profit available for distribution totals € 1,797.4 m (previous year € 1,195.8 m). A proposal will be submitted to the Annual General Meeting to use the profit available for distribution for the financial year under review to pay a dividend of € 0.72 per no-par value share and carry the amount of € 1,374.1 m remaining after deduction of the dividend total of € 423.3 m forward on account. The final dividend total will depend on the number of dividend-bearing no-par value shares at the date on which the resolution regarding the use of Group profit available for distribution is adopted by the Annual General Meeting.

(27) Non-controlling interest

Non-controlling interests mainly relate to RIUSA II S.A. based in Palma de Mallorca, Spain. TUI's capital share in this hotel operator stands at 50.0 %, as in the prior year.

The financial year of RIUSA II S.A. ends on 31 December and thus deviates from TUI Group's financial year. This reporting date was fixed when the company was founded. In order to include the RIUSA II Group in TUI Group's consolidated financial statements as at 30 September, the RIUSA II Group prepares sub-group financial statements as at 30 September, the balance sheet date.

RIUSA II Group, allocated to Hotels & Resorts, operates owned and leased hotels and hotels operated under management contracts in tourism destinations of TUI Group.

The table below provides summarised financial information on RIUSA II S.A., Palma de Mallorca, Spain – the subsidiary for which material non-controlling interests exist. It presents the consolidated financial statements of the sub-group.

Summarised financial information on RIUSA II S.A., Palma de Mallorca, Spain*

€ million	**30 Sep 2018 / 2018**	30 Sep 2017 / 2017
Current assets	223.9	272.7
Non-current assets	1,569.3	1,400.8
Current liabiities	104.6	110.1
Non-current liabilities	88.8	29.3
Revenues	843.7	852.5
Profit / loss	161.0	231.0
Other comprehensive income	11.0	–19.8
Cash inflow / outflow from operating activities	228.2	251.7
Cash inflow / outflow from investing activities	–126.1	–147.5
Cash inflow / outflow from financing activities	–124.4	–181.7
Accumulated non-controlling interest	628.4	591.2
Profit / loss attributable to non-controlling interest	84.8	115.5
Dividends attributable to non-controlling interest	53.1	87.0

* Consolidated Subgroup

(28) Pension provisions and similar obligations

A number of defined contribution and defined benefit pension plans are operated for Group employees. Pension obligations vary, reflecting the different legal, fiscal and economic conditions in each country of operation, and usually depend on employees' length of service and pay levels.

All defined contribution plans are funded by the payment of contributions to external insurance companies or funds. German employees enjoy benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations exist for TUI Group companies. Once the contributions to the state-run pension plans and private pension insurance organisations have been paid, the Company has no further payment obligations. One major private pension fund is Aegon Levensverzekering N.V., operating the defined contribution pension plans for the main Dutch subsidiaries of TUI Group. Contributions paid are expensed for the respective period. In the reporting period, the expenses for all defined contribution plans totalled €80.3 m (previous year €85.4 m).

Apart from these defined contribution pension plans, the TUI Group operates defined benefit plans, which usually entail the formation of provisions within the Company or investments in funds outside the Company.

Within this group, MER-Pensionskasse VVaG, a private pension fund in which German companies of the tourism industry are organised, represents a multi-employer plan classified as a defined benefit plan. In accordance with the statues of the plan, the plan participants and the employers pay salary-based contributions into the plan. There are no further obligations pursuant to the statutes of the plan; an additional funding obligation of the participating companies is explicitly excluded. The paid-in contributions are invested in accordance with the policies of the pension plan unless they are used in the short term for benefit payments. As the investments are pooled and are not kept separately for each participating employer, an allocation of plan assets to individual participating employers is not possible. The investment risk and the mortality risk are jointly shared by all plan participants. Moreover, the pension fund does not provide any information to participating companies that would allow the allocation of any over- or underfunding or TUI's participation in the plan. For this reason, accounting for the plan as defined benefit plan is not possible, and the plan is therefore in accordance with the requirements of IAS 19 shown like a defined contribution plan. In the reporting period, contributions to MER-Pensionskasse VVaG totalled €5.9 m (previous year €5.9 m). For the next financial year, contributions are expected to remain at that level.

TUI Group's major pension plans recognised as defined benefit plans exist in Germany and the UK. By far the largest pension plans are operated by the Group's tour operators in the UK. They accounted for 71.6 % (previous year 72.6 %) of TUI Group's total obligations at the balance sheet date. German plans account for a further 23.3 % (previous year 22.5 %).

Material defined benefit plans in Great Britain

Scheme name	Status
BAL Scheme	closed
TUI UK Scheme	closed
TAPS Scheme	closed

Almost all defined benefit plans in the UK are funded externally. Under UK law, the employer is obliged to ensure sufficient funding so that plan assets cover the pension payments to be made and the administrative costs of the funds. The pension funds are managed by independent trustees. The trustees comprise independent members but also beneficiaries of the plan and employer representatives. The trustees are responsible for the investment of fund assets, taking account of the interests of plan members, but they also negotiate the level of the contributions to the fund to be paid by the employers, which constitute minimum contributions to the funds. To that end, actuarial valuations are made every three years by actuaries commissioned by the trustees. The annual contributions to be paid to the funds in order to cover any shortfalls were last defined in September 2016.

On 21 September 2018 TUI Group formally announced to members that the main sections of the TUI Group UK Pension Trust will close to future accrual of benefits with effect from 31 October 2018. Beginning 1 November 2018, accrued benefits for current active members will increase in line with deferred revaluation rates rather than members' pensionable salaries. As a result of this, with an effective date of 21 September 2018, the DBO of the TUI Group UK Pension Trust decreased by € 6.3 m which is reflected in the income statement for the year under review as a past service credit due to plan amendment.

Accordingly, the major future payments into the pension plans in the UK are limited to the annual payments agreed to recover the existing funding shortfall.

By contrast, defined benefit plans in Germany are mainly unfunded and the obligations from these plans are recognised as provisions. The company assumes the obligation for payments of company pensions when the beneficiaries reach the legal retirement age. The amount of the pension paid usually depends on the remuneration received by the staff members at the retirement date. Pension obligations usually include surviving dependants' benefits and invalidity benefits. Pension payments are partly limited by third party compensations, e. g. from insurances and MER-Pensionskasse.

Material defined benefit plans in Germany

Scheme name	Status
Versorgungsordnung TUI AG	open
Versorgungsordnung TUIfly GmbH	open
Versorgungsordnung TUI Deutschland GmbH	closed
Versorgungsordnung TUI Beteiligungs GmbH	closed
Versorgungsordnung TUI Immobilien Services GmbH	closed

In the reporting period, defined benefit pension obligations created total expenses of € 77.1 m.

Pension costs for defined benefit obligations

€ million	**2018**	2017
Current service cost for employee service in the period	68.1	76.3
Curtailment gains	4.4	1.8
Net interest on the net defined benefit liability	19.5	15.7
Past service cost	– 6.1	– 0.2
Total	**77.1**	**90.0**

Provisions for pension obligations are established for benefits payable in the form of retirement, invalidity and surviving dependants' benefits. Provisions are exclusively formed for defined benefit schemes under which the Company guarantees employees a specific pension level, including arrangements for early retirement and temporary assistance benefits.

Defined benefit obligation recognised on the balance sheet

€ million	30 Sep 2018 Total	30 Sep 2017 Total
Present value of funded obligations	2,760.6	2,892.3
Fair value of external plan assets	2,701.1	2,631.3
Deficit of funded plans	**59.5**	**261.0**
Present value of unfunded pension obligations	810.2	809.4
Defined benefit obligation recognised on the balance sheet	**869.7**	**1,070.4**
of which		
Overfunded plans in Other assets	125.1	57.0
Provisions for pensions and similar obligations	**994.8**	**1,127.4**
of which current	32.6	32.7
of which non-current	962.2	1,094.7

For funded pension plans, the provision carried only covers the shortfall in coverage between plan assets and the present value of benefit obligations.

Where plan assets exceed funded pension obligations, taking account of a difference due to past service cost, and where at the same time there is an entitlement to reimbursement or reduction of future contributions to the fund, the excess is recognised in conformity with the cap defined by IAS 19. As at 30 September 2018, other assets include excesses of € 125.1 m (previous year € 57.0 m).

Development of defined benefit obligations

€ million	Present value of obligation	Fair value of plan assets	Total
Balance as at 1 Oct 2017	**3,701.7**	**–2,631.3**	**1,070.4**
Current service cost	68.1	–	68.1
Past service cost	–6.1	–	–6.1
Curtailments and settlements	–5.5	1.1	–4.4
Interest expense (+) / interest income (–)	85.3	–65.8	19.5
Pensions paid	–156.2	125.8	–30.4
Contributions paid by employer	–	–177.1	–177.1
Contributions paid by employees	2.1	–2.1	–
Remeasurements	–105.1	39.1	–66.0
due to changes in financial assumptions	–70.6	–	–70.6
due to changes in demographic assumptions	–38.2	–	–38.2
due to experience adjustments	3.7	–	3.7
due to return on plan assets not included in group profit for the year	–	39.1	39.1
Exchange differences	–15.6	9.9	–5.7
Other changes	2.1	–0.7	1.4
Balance as at 30 Sep 2018	**3,570.8**	**–2,701.1**	**869.7**

Development of defined benefit obligations

€ million	Present value of obligation	Fair value of plan assets	Total
Balance as at 1 Oct 2016	**4,154.7**	**–2,740.0**	**1,414.7**
Current service cost	76.3	–	76.3
Past service cost	–0.2	–	–0.2
Curtailments and settlements	–6.3	4.5	–1.8
Interest expense (+) / interest income (–)	79.0	–63.3	15.7
Pensions paid	–152.6	118.9	–33.7
Contributions paid by employer	–	–107.6	–107.6
Contributions paid by employees	1.4	–1.4	–
Remeasurements	–405.2	124.5	–280.7
due to changes in financial assumptions	–289.2	–	–289.2
due to changes in demographic assumptions	–1.0	–	–1.0
due to experience adjustments	–115.0	–	–115.0
due to return on plan assets not included in group profit for the year	–	124.5	124.5
Exchange differences	–78.3	62.2	–16.1
Other changes	32.9	–29.1	3.8
Balance as at 30 Sep 2017	**3,701.7**	**–2,631.3**	**1,070.4**

In the reporting period, the present value of the pension obligations decreased by € 130.9 m to € 3,570.8 m, mainly due to remeasurements from changes in assumptions especially a slight increase in interest rates in the UK.

The Group's fund assets increased by € 69.8 m in the same period mainly due to a one-off payment made in September of £ 50.0 m (€ 56.0 m) according to the agreed payment schedule to recover the existing funding shortfall in the UK and is split into asset categories as shown in the table below.

Composition of fund assets at the balance sheet date

	30 Sep 2018		30 Sep 2017	
	Quoted market price in an active market		Quoted market price in an active market	
€ million	**yes**	**no**	yes	no
Fair value of fund assets at end of period	**1,363.0**	**1,338.1**	**1,833.5**	**797.8**
of which equity instruments	167.4	141.5	199.0	147.8
of which government bonds	20.4	–	41.9	–
of which corporate bonds	47.1	–	216.4	–
of which liability driven investments	543.3	–	707.3	–
of absolute return bonds	411.7	–	517.4	–
of which property	169.8	39.7	108.9	14.9
of which growth funds	–	252.6	–	143.1
of which insurance policies	–	121.5	–	119.7
of which insurance linked securities	–	137.4	–	136.0
of which loans	–	277.2	–	180.7
of which cash	–	362.1	–	30.0
of which other	3.3	6.1	42.6	25.6

At the balance sheet date, as in the prior year, fund assets did not comprise any direct investments in financial instruments issued by TUI AG or its consolidated subsidiaries or any property owned by the Group. For funded plans, investments in passive index tracker funds may entail a proportionate investment in Group-owned financial instruments.

Pension obligations are measured on the basis of actuarial calculations based on country-specific parameters and assumptions. The obligations under defined benefit plans are calculated on the basis of the internationally accepted projected unit credit method, taking account of expected future increases in salaries and pensions.

Actuarial assumptions

			30 Sep 2018
Percentage p.a.	**Germany**	**Great Britain**	**Other countries**
Discount rate	1.7	2.8	1.2
Projected future salary increases	2.5	2.8	1.4
Projected future pension increases	1.8	3.4	1.3

			30 Sep 2017
Percentage p.a.	Germany	Great Britain	Other countries
Discount rate	1.8	2.6	1.3
Projected future salary increases	2.5	2.8	1.3
Projected future pension increases	1.8	3.4	1.2

The interest rate applicable in discounting the provision for pensions is based on an index for corporate bonds adjusted for securities already downgraded and under observation by rating agencies as well as subordinate bonds in order to meet the criterion for high quality bonds (rated AA or higher) required under IAS 19. In order to cover a correspondingly broad market, an index partly based on shorter-term bonds is used (e. g. iBoxx € Corporates AA 7-10 for the Eurozone). The resulting yield structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk mark-up reflecting the term of the obligation.

Apart from the parameters described above, a further key assumption relates to life expectancy. In Germany, the Heubeck reference tables 2018 G, as published on 20 July 2018, are used to determine life expectancy. Compared to the Heubeck tables 2005 G used in prior year, the remeasurement amounts to € 11.2 m. In the UK, the S2NxA base tables are used, adjusted to future expected increases on the basis of the Continuous Mortality Investigation (CMI) 2017. Using CMI 2017 adjustments resulted in a decrease in obligations from remeasurements of € 17.1 m compared to CMI 2016 adjustments used in prior year. The pension in payment escalation formulae depend primarily on the pension plan concerned. Apart from fixed rates of increase, there are also a number of inflation-linked pension adjustment mechanisms in different countries.

Based on the currently observable age of retirement of employees of the Group's German airline, the expected age of retirement used for the calculation of the obligation for these plans was increased in the reported period. Due to this remeasurement the obligation decreased by € 32.9 m compared to the assumption used in prior year.

Changes in the key actuarial assumptions mentioned above would lead to the changes in defined benefit obligations presented below. The methodology used to determine sensitivity corresponds to the method used to calculate the defined benefit obligation. The assumptions were amended in isolation each time; actual interdependencies between the assumptions were not taken into account. The effect of the increase in life expectancy by one year is calculated by means of a reduction in mortality due to the use of the Heubeck tables 2018 G for pension plans in Germany. In the UK, an extra year is added to the life expectancy determined on the basis of the mortality tables.

Sensitivity of the defined benefit obligation due to changed actuarial assumptions

	30 Sep 2018		30 Sep 2017	
€ million	**+ 50 basis points**	**– 50 Basis points**	+ 50 Basis points	– 50 Basis points
Discount rate	– 315.1	+ 360.3	– 320.8	+ 368.2
Salary increase	+ 17.0	– 15.8	+ 26.9	– 25.6
Pension increase	+ 108.7	– 103.9	+ 106.9	– 109.6
	+ 1 year		+ 1 year	
Life expectancy	+ 135.7	–	+ 142.3	–

The weighted average duration of the defined benefit obligations totalled 19.0 years (previous year 19.5 years) for the overall Group. In the UK, the weighted duration was 19.8 years (previous year 20.7 years), while it stood at 17.4 years (previous year 16.0 years) in Germany.

Fund assets are determined on the basis of the fair values of the funds invested as at 30 September 2018. The interest rate used to determine the interest income from the assets of external funds is identical with the discount rate used for the defined benefit obligation.

For the forthcoming financial year, the companies of TUI Group are expected to contribute around € 113.5 m (previous year € 183.1 m) to pension funds and pay pensions worth € 32.6 m (previous year € 32.7 m) for unfunded plans. The expected employer contribution includes an annual payment of £ 81.0 m agreed with the trustees to reduce the existing coverage shortfall. For funded plans, payments to the recipients are fully made from fund assets so that TUI Group does not record a cash outflow as a result.

TUI Group's defined benefit plans entail various risks; some of which may have a substantial effect on the Company.

INVESTMENT RISK

The investment risk plays a major role, in particular for the large funded plans in the UK. Although shares usually outperform bonds in terms of producing higher returns, they also entail stronger volatility of balance sheet items and the risk of short-term shortfalls in coverage. In order to limit this risk, the trustees have built a balanced investment portfolio to limit the concentration of risks.

INTEREST RATE RISK

The interest rate influences in particular unfunded schemes in Germany as a decline in interest rates leads to an increase in the defined benefit obligations. Accordingly, an increase in the interest rate leads to a reduction in the defined benefit obligations. Funded plans are less strongly affected by this development as the performance of the interest-bearing assets included in plan assets regularly dampens the effects.

INFLATION RISK

An increase in the inflation rate normally increases the obligation in pension schemes linked to the final salary of beneficiaries as inflation causes an increase in the projected salary increases. At the same time, inflation-based pension increases included in the plan also rise. The inflation risk is reduced through the use of caps and collars. Moreover, the large pension funds in the UK hold inflation-linked assets, which also partly reduce the risk from a significant rise in inflation.

LONGEVITY RISK

An increasing life expectancy increases the expected benefit duration of the pension obligation. This risk is countered by using regularly updated mortality data in calculating the present values of the obligation.

CURRENCY RISK

For the TUI Group, the pension schemes entail a currency risk as most pension schemes are operated in the UK and therefore denominated in sterling. The risk is limited as the currency effects on the obligation and the assets partly offset each other. The currency risk only relates to any excess of pension obligations over plan assets or vice versa.

(29) Other provisions

Development of provisions in the FY 2018

€ million	Balance as at 30 Sep 2017	Changes with no effect on profit and loss*	Usage	Reversal	Additions	**Balance as at 30 Sep 2018**
Maintenance provisions	615.4	– 1.6	95.7	11.6	163.1	669.6
Provisions for other personnel costs	40.8	– 0.7	13.6	0.4	30.3	56.4
Provisions for environmental protection	43.9	–	1.8	–	4.9	47.0
Provisions for other taxes	35.2	4.4	0.9	6.4	11.1	43.4
Risks from onerous contracts	43.6	– 5.4	11.9	12.5	15.1	28.9
Provisions for Litigation	81.0	– 2.4	12.5	46.6	4.1	23.6
Restructuring provisions	27.8	0.8	25.6	2.1	20.0	20.9
Miscellaneous provisions	263.6	– 1.7	52.1	75.0	91.8	226.6
Other provisions	**1,151.3**	**– 6.6**	**214.1**	**154.6**	**340.4**	**1,116.4**

* Reclassifications, transfers, exchange differences and changes in the group of consolidated companies.

Provisions for external maintenance primarily relate to contractual maintenance, overhaul and repair requirements for aircraft, engines and other specific components arising from aircraft operating lease contracts. Measurement of these provisions is based on the expected cost of the next maintenance event, estimated on the basis of current prices, expected price increases and manufacturers' data sheets. In line with the terms of the individual contracts and the aircraft model concerned, additions are recognised on a prorated basis in relation to flight hours, the number of flights or the length of the complete maintenance cycle.

Provisions for personnel costs comprise provisions for jubilee benefits and provisions for cash settled share-based payment schemes in accordance with IFRS 2. Information on these long-term incentive programmes is presented under Note 35 in the section 'Share-based payments in accordance with IFRS 2'.

Provisions for environmental protection measures primarily relate to statutory obligations to remediate sites contaminated with legacy waste from former mining and metallurgical activities.

Provisions for onerous contracts principally relate to unfavourable lease contracts.

Provisions for litigation are established in relation to existing lawsuits. For further details on lawsuits please refer to note 33.

Restructuring provisions comprise severance payments to employees and payments for the early termination of lease agreements. They primarily relate to restructuring projects in France and Sweden for which detailed, formal restructuring plans have been drawn up and communicated to the parties concerned. The restructuring provisions included at the balance sheet date of € 20.9 m (previous year € 27.8 m) largely relate to benefits for employees in connection with the termination of employment contracts.

Miscellaneous provisions include several kinds of other provisions. Taken individually, none of the lawsuits has a significant influence on TUI Group's economic position. This category also includes compensation claims from customers and provision for interest.

Changes in other provisions outside profit and loss primarily relate to changes in the group of consolidated companies, foreign exchange differences and reclassifications within other provisions.

Where the difference between the present value and the settlement value of a provision is material for the measurement of a non-current provision as at the balance sheet date, the provision is recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the liability and of future price increases. This criterion applies to some items contained in TUI Group's other provisions. Additions to other provisions comprise an interest portion of € 2.2 m (previous year € 3.7 m), recognised as an interest expense.

Terms to maturity of other provisions

€ million	30 Sep 2018 Remaining term more than 1 year	30 Sep 2018 Total	30 Sep 2017 Remaining term more than 1 year	30 Sep 2017 Total
Maintenance provisions	559.2	669.6	523.5	615.4
Provisions for other personnel costs	38.9	56.4	23.7	40.8
Provisions for environmental protection	43.2	47.0	39.4	43.9
Provisions for other taxes	27.5	43.4	28.6	35.2
Risks from onerous contracts	10.0	28.9	13.4	43.6
Provisions for litigation	5.6	23.6	55.8	81.0
Restructuring provisions	0.2	20.9	0.2	27.8
Miscellaneous provisions	83.5	226.6	116.8	263.6
Other provisions	**768.1**	**1,116.4**	**801.4**	**1,151.3**

(30) Financial liabilities

Financial liabilities

€ million	30 Sep 2018 Remaining term up to 1 year	30 Sep 2018 Remaining term 1 – 5 years	30 Sep 2018 Remaining term more than 5 years	30 Sep 2018 Total	30 Sep 2017 Remaining term up to 1 year	30 Sep 2017 Remaining term 1 – 5 years	30 Sep 2017 Remaining term more than 5 years	30 Sep 2017 Total
Bonds	–	296.8	–	**296.8**	–	295.8	–	295.8
Liabilities to banks	64.1	368.6	347.8	**780.5**	46.2	180.4	154.7	381.3
Liabilities from finance leases	105.2	482.5	755.0	**1,342.7**	96.2	405.3	725.0	1,226.5
Other financial liabilities	22.9	–	–	**22.9**	29.5	–	–	29.5
Total	**192.2**	**1,147.9**	**1,102.8**	**2,442.9**	**171.9**	**881.5**	**879.7**	**1,933.1**

Non-current financial liabilities increased year-on-year by € 489.5 m to € 2,250.7 m as at the balance sheet date. This increase was mainly driven by the issuance of a Schuldschein, carried under liabilities to banks. The Schuldschein issued in July 2018 has a value of € 425.0 m, divided into three tranches with tenures of 5 years, 7 years and 10 years. In addition, liabilities from finance leases increased, primarily due to the renewal and modernisation of the aircraft fleet.

Movements financial liabilities

€ million	Bonds	Short-term liabilities to banks	Long-term liabilities to banks	Finance Leasing	Other financial liabilities	Total financial liabilities
Balance as at 1 Oct 2017	**295.8**	**46.2**	**335.1**	**1,226.5**	**29.5**	**1,933.1**
Payment in the period	–	–14.1	398.6	–106.5	–6.6	271.4
Aquisitions	–	8.0	–	1.0	0.7	9.7
Foreign exchange movements	–	–2.0	1.9	18.3	0.1	18.3
Other non-cash movement	1.0	26.0	–19.2	203.3	–0.7	210.4
Balance as at 30 Sep 2018	**296.8**	**64.1**	**716.4**	**1,342.6**	**23.0**	**2,442.9**

Fair values and carrying amounts of the bonds at 30 Sep 2018

						30 Sep 2018		30 Sep 2017
€ million	**Issuer**	**Nominal value initial**	**Nominal value outstanding**	**Interest rate % p.a.**	**Stock market value**	**Carrying amount**	Stock market value	Carrying amount
2016/21 bond	TUI AG	300.0	300.0	2.125	311.1	296.8	314.0	295.8
Total					**311.1**	**296.8**	**314.0**	**295.8**

The fixed-interest bond with a nominal value of € 300.0 m issued in October 2016 has a coupon of 2.125 % p.a. The bond will mature on 26 October 2021. It can be redeemed ahead of its maturity date any time at its value as at the redemption date. In addition, a 100 % redemption option exists on 26 July 2021.

(31) Other liabilities

Other liabilities

€ million	30 Sep 2018 Remaining term up to 1 year	30 Sep 2018 Remaining term 1–5 years	30 Sep 2018 Total	30 Sep 2017 Remaining term up to 1 year	30 Sep 2017 Remaining term 1–5 years	30 Sep 2017 Total
Other liabilities relating to employees	255.9	24.2	280.1	238.7	22.8	261.5
Other liabilities relating to social security	51.4	–	51.4	49.4	–	49.4
Other liabilities relating to other taxes	48.0	–	48.0	26.6	–	26.6
Other miscellaneous liabilities	240.3	14.4	254.7	239.4	44.0	283.4
Deferred income	78.8	64.8	143.6	43.9	83.4	127.3
Other liabilities	**674.4**	**103.4**	**777.8**	**598.0**	**150.2**	**748.2**

(32) Contingent liabilities

As at 30 September 2018, contingent liabilities amounted to € 118.7 m (previous year € 156.1 m). Contingent liabilities are reported at an amount representing the best estimate of the potential expenditure that would be required to meet the potential obligation as at the balance sheet date. Contingent liabilities as at 30 September 2018 are mainly attributable to the granting of guarantees for the benefit of hotel activities. The decline of € 37.4 m as against 30 September 2017 mainly results from the return of all guarantees given for the benefit of TUI Cruises GmbH.

(33) Litigation

TUI AG and its subsidiaries are involved in several pending or foreseeable court or arbitration proceedings, which do not have a significant impact on their economic position as at 30 September 2018 or future periods. This also applies to actions claiming warranty, repayment or any other compensation in connection with the divestment of subsidiaries and business units over the past few years. As in previous years, the Group recognised adequate provisions, partly covered by expected insurance benefits, to cover all probable financial charges from court or arbitration proceedings.

(34) Other financial commitments

Financial commitments from operating lease and rental contracts

€ million	30 Sep 2018 Remaining term up to 1 year	1–5 years	5–10 years	more than 10 years	**Total**	30 Sep 2017 Remaining term up to 1 year	1–5 years	5–10 years	more than 10 years	Total
Aircraft	383.4	919.4	228.5	15.8	1,547.1	365.2	866.2	229.7	–	1,461.1
Hotel complexes	229.8	353.0	83.0	9.4	675.2	237.9	413.6	66.9	10.0	728.4
Travel agencies	63.2	120.3	24.0	4.8	212.3	62.8	117.3	28.7	8.3	217.1
Administrative buildings	40.3	113.9	53.6	36.2	244.0	37.2	102.1	54.2	40.3	233.8
Ships, Yachts and Motorboats	1.0	–	–	–	1.0	27.1	2.1	–	–	29.2
Other	28.9	43.4	7.3	51.7	131.3	20.3	27.4	8.7	51.4	107.8
Total	**746.6**	**1,550.0**	**396.4**	**117.9**	**2,810.9**	**750.5**	**1,528.7**	**388.2**	**110.0**	**2,777.4**

The commitments from lease, rental and charter agreements exclusively relate to leases that do not transfer all risks and rewards of ownership of the assets to the TUI Group companies in accordance with IFRS rules (operating leases). The average basic lease term is around 9 years.

The increase in commitments against 30 September 2017 is driven by an increase in lease obligations for aircraft. New aircraft lease commitments and extensions to existing arrangements more than off-set lease payments made in the financial year. Off-setting the increase are lower hotel commitments as a result of fewer extensions. A further decrease was driven by foreign exchange effects for liabilities denominated in Turkish lira.

The expected payments to be received from non-cancellable sublease contracts for aircraft are shown in the following table:

Expected minimum lease payments from operating lease contracts

€ million	30 Sep 2018 Remaining term up to 1 year	1–5 years	more than 5 years	**Total**	30 Sep 2017 Remaining term up to 1 year	1–5 years	more than 5 years	Total
Aircraft	32.3	56.9	51.5	140.7	28.0	63.6	58.9	150.5

Order commitments in respect of capital expenditure and other financial commitments

€ million	30 Sep 2018 Remaining term up to 1 year	1–5 years	more than 5 years	**Total**	30 Sep 2017 Remaining term up to 1 year	1–5 years	more than 5 years	Total
Order commitments in respect of capital expenditure	1,092.1	2,480.9	310.3	3,883.3	733.0	2,769.4	662.1	4,164.5
Other financial commitments	52.2	18.0	–	70.2	49.6	46.3	–	95.9
Total	**1,144.3**	**2,498.9**	**310.3**	**3,953.5**	**782.6**	**2,815.7**	**662.1**	**4,260.4**

Order commitments in respect of capital expenditure relate almost exclusively to tourism and decreased by € 281.2 m year-on-year as at 30 September 2018. This was due to various factors including the delivery of Marella Explorer and additional aircraft. Further declines resulted from additional advance payments for aircraft and aircraft equipment, which were partly offset by new order commitments for cruise ships and new commitments for hotel projects.

(35) Share-based payments in accordance with IFRS 2

As at 30 September 2018, all existing awards except the employee share program oneShare are recognized as cash-settled share-based payment schemes.

The following share-based payment schemes are in effect within TUI Group as at 30 September 2018.

LONG TERM INCENTIVE PLAN WITH EARNINGS-PER-SHARE PERFORMANCE MEASURE (LTIP EPS)

The long-term incentive programme for Board members is based on phantom shares. In each financial year, a new period of performance measurement commences, spanning the current plus the following three financial years. As a result, each performance measurement period has a general term of four years. All Board members have their individual target amount defined in their service contract. At the beginning of each performance measurement period, this target amount is translated into phantom shares based on the average price of TUI AG shares ('preliminary number of phantom shares'). The average share price is calculated based on the share prices during the 20 trading days prior to the beginning of any financial year. The entitlement under the long-term incentive programme arises upon completion of the four-year performance period.

Upon the completion of the four-year performance period, the preliminary number of phantom shares is multiplied by the degree of target achievement.

50 % of this degree of target achievement is determined by comparing the total shareholder return (TSR) achieved by TUI Group with the TSR of companies listed in the 'Dow Jones Stoxx 600 Travel & Leisure' index. If the TUI Group TSR is below the median value, the target achievement is 0 %. If the TUI Group TSR is equal to the median value, target achievement is 100 %. If the TUI Group TSR is the maximum value in the comparison, the target achievement equals 175 %.

The remaining 50 % of the degree of target achievement is based on the average pro forma underlying earning per share (LTIP relevant EPS) growth of TUI Group in the four-year performance period. An average EPS growth of less than 3 % results in a target achievement of 0 %. An average EPS growth of 3 % results in a target achievement of 25 %, an average EPS growth of 5 % in a target achievement of 100 % and an average EPS growth of at least 10 % results in 175 % target achievement. The target achievement percentages between 3 % and 5 % and between 5 % and 10 % are calculated on a straight line basis.

At the end of the four-year performance period, the average degree of target achievement of both performance measures above is calculated and multiplied with the number of preliminary phantom shares. The number of phantom shares determined this way is multiplied by the average price (20 trading days) of TUI AG shares, and the resulting amount is paid out in cash. The maximum amount payable under the long-term incentive programme has been capped for each individual.

If the conditions mentioned above are met, upon expiry of the performance period, the awards are automatically exercised. If the conditions are not met, the awards are forfeited. The service period will be restricted to the end of the employment period if plan participants leave the Company, as long as employment is not terminated due to a significant reason within the sphere of responsibility of the participant or by the participant without cause.

LONG TERM INCENTIVE PLAN WITHOUT EARNINGS-PER-SHARE PERFORMANCE MEASURE (LTIP)

The EPS performance measurement described above was added to the formerly labeled 'Multi-Annual bonus payment' LTIP scheme in the FY 2018. Before 2018, and for certain Board members also during 2018, the LTIP without the EPS performance measure was in effect. The phantom shares awarded under the original LTIP scheme remain in effect and will vest according to the original plan conditions. 100 % of the target achievement is therefore determined by the the TUI AG TSR performance measure.

PERFORMANCE SHARE PLAN (PSP)

The PSP details the share-based payments for entitled Group executives who are not part of the Board. The scheme conditions are harmonized with the LTIP without earnings-per-share performance measure of the Board members with the notable exceptions of a three year performance period instead of four years. Target amounts and grant frequency are subject to individual contractual agreements.

Since LTIP and PSP follow common scheme principles, the following development of awarded phantom shares under the programs are shown on an aggregated basis. The development of phantom shares awarded that are subject to the EPS performance measure are shown separately.

Development of phantom shares awarded (LTIP EPS, LTIP & PSP)

	LTIP EPS		LTIP & PSP	
	Number of shares	Present value € million	**Number of shares**	Present value € million
Balance as at 30 Sep 2016	**–**	**–**	**662,251**	**8.2**
Phantom shares awarded	–	–	931,575	11.7
Phantom shares exercised	–	–	–219,368	–3.2
Phantom shares forfeited	–	–	–117,604	–1.5
Measurement results	–	–	–	3.1
Balance as at 30 Sep 2017	**–**	**–**	**1,256,854**	**18.3**
Phantom shares awarded	360,808	5.3	523,738	6.9
Phantom shares exercised	–	–	–341,311	–5.0
Phantom shares forfeited	–	–	–75,326	–1.1
Measurement results	–	0.8	–	3.5
Balance as at 30 Sep 2018	**364,528**	**6.1**	**1,363,955**	**22.6**

EMPLOYEE SHARE PROGRAM ONESHARE

Eligible employees can acquire TUI AG shares under preferential conditions when participating in the oneShare program. The preferential conditions include a discount on 'investment' shares bought during a twelve month investment period plus one 'matching' share per three held investment shares, after a lock up period of two years. Investment shares are created via capital increase, while matching shares are bought on the open market. Eligible employees decide once a year about their participation in oneShare. In the FY 2018, one oneShare tranche commenced with a twelve month investment period. This 2018 tranche contained an additional element, the 'Golden shares'. Each participant was awarded twelve shares free of charge, which were not subject to any restrictions. In the completed financial year, 59,196 Golden shares were awarded to employees.

Since investment, matching and Golden shares are equity instruments of TUI AG, oneShare is accounted for as an equity-settled share-based payment scheme in line with IFRS 2. Once all eligible employees have decided upon their yearly participation, the fair value of the equity instrument granted is calculated once and fixed for each tranche on the basis of the proportional shares price at grant date taking into consideration the discounted estimated dividends.

The development of acquired investment and estimated matching shares, as well as the parameters used for the calculation of the fair value are as follows:

Overview oneShare tranches

		Tranche 1 (2017/3)	Tranche 2 (2017/7)	Tranche 3 (2018/7)	**Total**
Investment period		1 Apr 2017 – 31 Jul 2017	1 Aug 2017 – 31 Jul 2018	1 Aug 2018 – 31 Jul 2019	–
Matching date		30 Sep 2019	30 Sep 2020	30 Sep 2021	–
Acquired investment shares		349,941	524,619	135,715	1,010,275
thereof forfeited investment shares		1,228	10,216	–	11,444
Estimated matching shares		114,811	174,873	45,238	334,922
thereof forfeited matching shares		409	3,405	–	3,814
Share price at grant date	€	12.99	13.27	18.30	–
Fair value: Discount per investment share	€	2.60	2.20	2.94	–
recognised estimated dividend	€	–	0.63	0.72	–
Fair value: matching share	€	11.65	11.15	15.92	–
recognised discounted estimated dividend	€	1.34	2.11	2.37	–

CLOSED SHARE-BASED PAYMENT SCHEMES

The following share-based payment schemes are closed, resulting in no new awards being granted. Awards made in the past remain valid and will vest according to the respective plan conditions.

TUI AG STOCK OPTION PLAN

The stock option plan for qualifying Group executives below Board level was closed during FY 2016. The last tranche was granted in February 2016 and vested in February 2018.

Bonuses were granted to Group executives entitled to receive a bonus; the bonuses were translated into phantom shares in TUI AG on the basis of an average share price. The phantom shares were calculated on the basis of Group earnings before interest, taxes and amortisation of goodwill (EBITA). The translation into phantom shares was based on the average share price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements were approved. The number of phantom shares granted in a financial year was, therefore, only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within three years. Following significant corporate news, the entitlements have to be exercised within defined timeframes. The lock-up period is not applicable if a beneficiary leaves the Company; in that case, the entitlements have to be exercised in the next time window. The level of the cash payment depends on the average share price of the TUI share over a period of 20 trading days after the exercise date. There are no absolute or relative return or share price targets. A cap has been agreed for exceptional, unforeseen developments. Since the strike price is € 0.00 and the incentive programme does not entail a vesting period, the fair value corresponds to the intrinsic value and hence the market price at the balance sheet date. Accordingly, the fair value of the obligation is determined by multiplying the number of phantom shares with the share price at the respective reporting date.

As at 30 September 2018, 40,593 share options valued at € 0.7 m are vested and outstanding. Since the plan is closed, no new grants were made, 113,167options were exercised (total value of € 2.0 m) and no options were forfeited.

SHARE-BASED PAYMENT SCHEMES OF FORMER TUI TRAVEL PLC

The three principal schemes below were all closed to new participants during the FY 2016. The last tranche will vest in December 2018 and will be settled in cash.

The share option awards of these remuneration schemes will only vest if the average annual return on invested capital (ROIC) is at least equal to the average weighted average cost of capital (WACC) over a period of three years. If this condition is fulfilled, the number of vesting awards is determined as a function of the fulfilment of the following performance conditions.

PERFORMANCE SHARE PLAN (PSP)

Up to 50 % of these awards granted will vest based on growth in the Group's reported earnings per share (EPS) relative to the UK Retail Price Index. Up to 25 % of the awards will vest based on the Group's total shareholder return (TSR) performance relative to an average of the TSR performance of an index of other capital market-orientated travel and tourism companies. Likewise, up to 25 % of the awards vest if the Group's average return on invested capital (ROIC) meets predefined targets.

DEFERRED ANNUAL BONUS SCHEME (DABS)

The awards granted under this scheme vest upon completion of a three-year period at the earliest. Up to 50 % of the granted awards will vest based on growth in earnings per share (EPS) relative to the UK Retail Price Index (RPI). 25 % of the awards will vest based on total shareholder return (TSR) performance relative to the TSR performance of other capital market-oriented travel and tourism companies. Likewise, up to 25 % of the awards will vest if the average return on invested capital (ROIC) meets certain targets.

DEFERRED ANNUAL BONUS LONG-TERM INCENTIVE SCHEME (DABLIS)

The Deferred Annual Bonus Long-Term Incentive Scheme (DABLIS), for executive staff (except for the Executive Board) requires a 25 % conversion of any annual variable compensation into share options. Some eligible staff have been awarded further (matching) share option awards as additional bonuses. Matching share options are limited to four times the converted amount. The earliest point for the share options to be eligible for release is at the end of a three-year period. Up to 50 % of the awards will vest based on achievement of certain EBITA targets. Up to 25 % of awards will vest based on the earnings per share (EPS) performance relative to the UK Retail Price Index and up to 25 % based on the total shareholder return (TSR) performance in relation to the TSR performance of other capital market-oriented travel and tourism companies.

The development of awards schemes granted under DABLIS and the closed TUI Travel PLC PSP and the former DABS is as follows:

Development of phantom shares options awarded (DABS, DABLIS & TUI Travel PLC PSP)

	Number of shares	Present value € million
Balance as at 30 Sep 2016	**1,739,933**	**22.2**
Phantom share options exercised	– 171,351	– 2.2
Phantom share options forfeited	– 210,912	– 2.7
Measurement results	–	2.2
Balance as at 30 Sep 2017	**1,357,670**	**19.5**
Phantom share options exercised	– 800,668	– 12.8
Phantom share options forfeited	– 174,654	– 2.9
Measurement results	–	2.4
Balance as at 30 Sep 2018	**382,348**	**6.2**

The weighted average TUI AG share price was € 15.93 at exercise date (previous year € 12.32).

ACCOUNTING FOR SHARE-BASED PAYMENT SCHEMES

As at 30 September 2018, all existing awards except oneShare are recognized as cash-settled share-based payment schemes and are granted with an exercise price of € 0.00. The personnel expense is recognized upon actual delivery of service according to IFRS 2 and is, therefore, spread over a period of time. According to IFRS 2, all contractually granted entitlements have to be accounted for, irrespective of whether and when they are actually awarded. Accordingly, phantom shares granted in the past are charged on a pro rata basis upon actual delivery of service.

In the FY 2018, personnel expenses due to cash-settled share-based payment schemes of € 18.2 m (previous year € 11.1 m) were recognised through profit and loss.

In the FY 2018, personnel expenses due to equity-settled share-based payment schemes of € 4.3 m (previous year € 1.9 m) were recognised through profit and loss.

As at 30 September 2018, provisions relating to entitlements under these long-term incentive programmes totaled € 34.2 m and further € 4.1 m were included as liabilities (previous year provisions of € 32.9 m and € 1.6 m liabilities).

(36) Financial instruments

RISKS AND RISK MANAGEMENT

RISK MANAGEMENT PRINCIPLES

Due to the nature of its business operations, the TUI Group is exposed to various financial risks, including market risks (consisting of currency risks, interest rate risks and market price risks), credit risks and liquidity risks.

In accordance with the Group's financial goals, financial risks have to be mitigated. In order to achieve this, policies and procedures have been developed to manage risk associated with financial transactions undertaken.

The rules, responsibilities and processes as well as limits for transactions and risk positions have been defined in policies. The trading, processing and control have been segregated in functional and organisational terms. Compliance with the policies and limits is continually monitored. All hedges by the TUI Group are consistently based on recognised or forecasted underlying transactions. Standard software is used for assessing, monitoring, reporting, documenting and reviewing the effectiveness of the hedging relationships for the hedges entered into. In this context, the fair values of all derivative financial instruments determined on the basis of the Group's own systems are regularly compared with the fair value confirmations from the external counterparties. The processes, the methods applied and the organisation of risk management are reviewed for compliance with the relevant regulations on at least an annual basis by the internal audit department and external auditors.

Within the TUI Group, financial risks primarily arise from cash flows in foreign currencies, fuel requirements (jet fuel and bunker oil) and financing via the money and capital markets. In order to limit the risks from changes in exchange rates, market prices and interest rates for underlying transactions, the TUI Group uses over-the-counter derivative financial instruments. These are primarily fixed-price transactions. In addition, the TUI Group also uses options and structured products. Use of derivative financial instruments is confined to internally fixed limits and other policies. The transactions are concluded on an arm's length basis with counterparties operating in the financial sector, whose counterparty risk is regularly monitored. Foreign exchange translation risks from the consolidation of Group companies not preparing their accounts in euros are not hedged.

MARKET RISK

Market risks result in fluctuations in earnings, equity and cash flows. Risks arising from input cost volatility are more fully detailed in the risk report section of the management report. In order to limit or eliminate these risks, the TUI Group has developed various hedging strategies, including the use of derivative financial instruments.

IFRS 7 requires the presentation of a sensitivity analysis showing the effects of hypothetical changes in relevant market risk variables on profit or loss and equity. The effects for the period are determined by relating the hypothetical changes in risk variables to the portfolio of primary and derivative financial instruments as at the balance sheet date. It is assured that the portfolio of financial instruments as at the balance sheet date is representative for the entire financial year.

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain risks. Due to unforeseeable developments in the global financial markets, actual results may deviate substantially from the disclosures provided. The risk analysis methods used must not be considered a projection of future events or losses, since the TUI Group is also exposed to risks of a non-financial or non-quantifiable nature. These risks primarily include sovereign, business and legal risks not covered by the following presentation of risks.

CURRENCY RISK

The business operations of the TUI Group's companies generate payments or receipts denominated in foreign currencies, which are not always matched by payments or receipts with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), the TUI Group enters into appropriate hedges with external counterparties in order to protect its profit margin from exchange rate-related fluctuations.

Within the TUI Group, risks from exchange rate fluctuations are hedged, with the largest hedging volumes relating to US dollars, euros and pound sterling. The Eurozone limits the currency risk from transactions in the key tourist destinations to Group companies whose functional currency is not the euro. The tourism business operations are mainly affected by changes in the value of the US dollar and the euro, the latter predominantly affecting the TUI tour operators in the UK and the Nordic countries. In tourism operations, payments in US dollars primarily relate to the procurement of services in non-European destinations, purchases of jet and ship fuel and aircraft and cruise ship purchases or charter.

The tourism companies use financial derivatives to hedge their planned foreign exchange requirements. They aim to cover 80 % to 100 % of the planned currency requirements at the beginning of the tourism season. In this regard, account is taken of the different risk profiles of the TUI Group companies. The hedged currency volumes are adjusted in line with changes in planned requirements based on reporting by business units.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's presentation currency are not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. A 10 % strengthening or weakening of the respective functional currencies, primarily euro and pound sterling, against the other currencies would cause the following effects on the revaluation reserve and earnings after income tax:

Sensitivity analysis – currency risk

€ million	30 Sep 2018		30 Sep 2017	
Variable: Foreign exchange rate	**+10%**	**–10%**	+10%	–10%
Exchange rates of key currencies				
€/US dollar				
Revaluation reserve	–142.5	+144.3	–108.3	+109.4
Earnings after income taxes	–20.8	+23.0	–2.3	+0.9
Pound sterling/€				
Revaluation reserve	+205.3	–201.8	+197.4	–190.9
Earnings after income taxes	+49.6	–46.7	–8.9	–2.2
Pound sterling/US dollar				
Revaluation reserve	–20.9	+17.7	–138.9	+133.4
Earnings after income taxes	+17.3	–14.1	+18.8	–13.3
€/Swedish krona				
Revaluation reserve	+30.2	–30.2	+31.7	–31.7
Earnings after income taxes	–	–	–	–

INTEREST RATE RISK

The TUI Group is exposed to interest rate risks from floating-rate primary and derivative financial instruments. Where interest-driven cash flows of floating-rate primary financial instruments are converted into fixed cash flows using derivative hedges and the critical terms of the hedging transaction are the same as those of the hedged items they are not exposed to an interest rate risk. No interest rate risk exists for fixed-interest financial instruments carried at amortised cost.

Changes in market interest rates mainly impact floating-rate primary financial instruments and derivative financial instruments entered into in order to reduce interest-induced cashflow fluctuations.

The table below presents the equity and earnings effects of an assumed increase or decrease in the market interest rate of 50 base points as at the balance sheet date.

Sensitivity analysis – interest rate risk

€ million	30 Sep 2018		30 Sep 2017	
Variable: Interest rate level for floating interest-bearing debt	**+50 basis points**	**–50 basis points**	+50 basis points	–50 basis points
Revaluation reserve	+12.6	–12.0	+2.9	–2.9
Earnings after income taxes	+1.5	–1.5	+2.4	–2.4

FUEL PRICE RISK

Due to the nature of its business operations, the TUI Group is exposed to market price risks from the purchase of fuel, both for the aircraft fleet and the cruise ships.

The tourism companies use financial derivatives to hedge their exposure to market price risks for the planned consumption of fuel. At the beginning of the touristic season the target hedging ratio is at least 80%. The different risk profiles of the Group companies operating in different source markets are taken into account, including the possibility of levying fuel surcharges. The hedging volumes are adjusted for changes in planned consumption as identified by the Group companies.

If the commodity prices, which underlie the fuel price hedges, increase or decrease by 10 % on the balance sheet date, the impact on equity and on earnings after income taxes would be as shown in the table below.

Sensitivity analysis – fuel price risk

€ million	30 Sep 2018		30 Sep 2017	
Variable: Fuel prices for aircraft and ships	**+10 %**	**–10 %**	+10 %	–10 %
Revaluation reserve	+ 94.2	– 94.2	+ 84.1	– 83.9
Earnings after income taxes	–	–	– 0.2	+ 0.2

OTHER PRICE RISKS

Apart from the financial risks that may result from changes in exchange rates, commodity prices and interest rates, the TUI Group is not exposed to significant price risks at the balance sheet date.

CREDIT RISK

The credit risk in non-derivative financial instruments results from the risk of counterparties defaulting on their contractual payment obligations.

Maximum credit risk exposure corresponds to the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values). It also relates to the granting of financial guarantees for the discharge of liabilities. Details concerning the guarantees at the balance sheet date are presented in Note 32. Where legally enforceable, financial assets and liabilities are netted. Credit risks are reviewed closely on conclusion of the contract and continually monitored thereafter in order to swiftly respond to potential impairment in a counterparty's solvency. Responsibility for handling the credit risk is generally held by the Group company holding the receivable.

Since the TUI Group operates in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors are not to be expected. A significant concentration of credit risks related to specific countries is not to be expected either. As in the previous year, as at the balance sheet date, there is no material collateral held, or other credit enhancements that reduce the maximum credit risk. Collateral held in the prior period relates exclusively to financial assets of the category Trade receivable and other assets. The collateral mainly comprises collateral for financial receivables granted and maturing in more than one year and / or with a volume of more than € 1 m. Real property rights, directly enforceable guarantees, bank guarantees and comfort letters are used as collateral.

Identifiable credit risks of individual receivables are subject to provisions for bad debts. In addition, portfolios are impaired based on observed values. An analysis of the aging structure of the category Trade receivables and other assets is presented in Note 17.

Credit management also covers the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into is limited to the total of all positive market values of these instruments since in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments are concluded with different debtors, credit risk exposure is reduced. The specific credit risks of individual counterparties are taken into account in determining the fair values of derivative financial instruments. In addition, the counterparty risk is continually monitored and controlled using internal bank limits.

LIQUIDITY RISK

Liquidity risks arise from the TUI Group being unable to meet its short term financial obligations and the resulting increases in funding costs. The TUI Group has established an internal liquidity management system to secure TUI Group's liquidity at all times and consistently comply with contractual payment obligations. To that end, TUI Group's liquidity management system uses the opportunities of physical and virtual cash pooling for more efficient liquidity pooling. It also uses credit lines to compensate for the seasonal fluctuations in liquidity resulting from the tourism business. The core credit facility is a syndicated revolving credit facility with banks with a volume of € 1,535 m as a cash line.

As in the previous year, no material assets were deposited as collateral for liabilities. Moreover, the Group companies participating in the cash pool are jointly and severally liable for financial liabilities from cash pooling agreements.

The tables provided below list the contractually agreed (undiscounted) cash flows of all primary financial liabilities as at the balance sheet date. Planned payments for future new liabilities were not taken into account. Where financial liabilities have a floating interest rate, the forward interest rates fixed at the balance sheet date were used to determine future interest payments. Financial liabilities cancellable at any time are allocated to the earliest maturity band.

The analysis of cash flows from derivative financial instruments shows the contractually agreed (undiscounted) cash flows of foreign exchange hedges of all liabilities and receivables that existed at the balance sheet date. Derivative financial instruments used to hedge other price risks are included in the analysis with their agreed cash flows from all financial liabilities at the balance sheet date.

Cash flow of financial instruments – financial liabilities (30 Sep 2018)

	Cash outflow until 30 Sep							
	up to 1 year		1–2 years		2–5 years		more than 5 years	
€ million	**repayment**	**interest**	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	–	–6.4	–	–6.4	–300.0	–6.4	–	–
Liabilities to banks	–64.1	–18.2	–43.3	–16.4	–325.3	–40.5	–347.8	–16.2
Liabilities from finance leases	–105.2	–34.1	–121.9	–31.9	–360.6	–73.7	–755.0	–48.0
Other financial liabilities	–22.9	–	–	–	–	–	–	–
Trade payables	–2,937.3	–	–	–	–	–	–	–
Other liabilities	–192.9	–25.6	–10.6	–	–1.2	–	–0.1	–

Cash flow of financial instruments – financial liabilities (30 Sep 2017)

	Cash outflow until 30 Sep							
	up to 1 year		1–2 years		2–5 years		more than 5 years	
€ million	**repayment**	**interest**	repayment	interest	repayment	interest	repayment	interest
Financial liabilities								
Bonds	–	–6.4	–	–6.4	–300.0	–19.3	–	–
Liabilities to banks	–46.2	–11.6	–42.2	–10.3	–138.2	–22.6	–154.7	–10.4
Liabilities from finance leases	–96.2	–32.0	–100.2	–32.5	–305.1	–75.3	–725.0	–54.4
Other financial liabilities	–29.5	–0.1	–	–	–	–	–	–
Trade payables	–2,653.3	–	–	–	–	–	–	–
Other liabilities	–185.5	–28.6	–20.7	–	–22.2	–	–	–

Cash flow of derivative financial instruments (30 Sep 2018)

	Cash in-/outflow until 30 Sep			
€ million	**up to 1 year**	1–2 years	2–5 years	more than 5 years
Derivative financial instruments				
Hedging transactions – inflows	+7,889.8	+1,470.5	+73.5	+0.8
Hedging transactions – outflows	–7,709.7	–1,423.5	–66.7	–1.4
Other derivative financial instruments – inflows	+2,274.8	+90.8	–	–
Other derivative financial instruments – outflows	–2,280.9	–90.4	–	–

Cash flow of derivative financial instruments (30 Sep 2017)

	Cash in-/outflow until 30 Sep			
€ million	**up to 1 year**	1–2 years	2–5 years	more than 5 years
Derivative financial instruments				
Hedging transactions – inflows	+6,449.2	+1,621.7	+196.3	–
Hedging transactions – outflows	–6,487.6	–1,602.5	–198.8	–0.7
Other derivative financial instruments – inflows	+1,108.9	+127.0	+12.2	–
Other derivative financial instruments – outflows	–1,108.2	–123.2	–12.2	–

For further information for hedging strategies and risk management see also the remarks in the Risk Report section of the Management Report.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGES

STRATEGY AND GOALS

In accordance with the TUI Group's policy, derivatives are allowed to be used if they are based on underlying recognised assets or liabilities, firm commitments or forecast transactions. Hedge accounting based on the rules of IAS 39 is applied to forecasted transactions. In the completed financial year, hedges consisted of cash flow hedges.

Derivative financial instruments in the form of fixed-price transactions and options as well as structured products are used to limit currency, interest rate and fuel risks.

CASH FLOW HEDGES

As at 30 September 2018, hedges existed to manage cash flows in foreign currencies with maturities of up to four years (previous year up to four years). The fuel price hedges had terms of up to four years (previous year up to four years). Hedges to protect variable interest payment obligations have terms of up to thirteen years (previous year up to fourteen years). The impact on profit or loss for the period is at the time the expected cash inflow/outflow occurs.

In accounting for cash flow hedges, the effective portion of the cumulative change in market value is carried in the revaluation reserve outside profit and loss until the hedged item occurs. It is recognised in the income statement through profit and loss when the hedged item is executed. In the completed financial year, expenses of € 177.6 m (previous year income of € 371.8 m) for currency hedges and derivative financial instruments used as price hedges were carried in the cost of sales. As in the previous year, there was no result from interest rate hedges. Expenses of € 2.5 m (previous year expenses of € 4.5 m) were recognised for the ineffective portion of the cash flow hedges.

Nominal amounts of derivative financial instruments used

			30 Sep 2018			30 Sep 2017
	Remaining term			Remaining term		
€ million	up to 1 year	more than 1 year	**Total**	up to 1 year	more than 1 year	Total
Interest rate hedges						
Caps/Floors	–	361.6	361.6	150.0	115.6	265.6
Swaps	23.0	787.5	810.5	–	255.4	255.4
Currency hedges						
Forwards	13,738.6	2,197.1	15,935.7	7,010.8	1,854.6	8,865.4
Options	–	–	–	–	–	–
Structured instruments	–	–	–	113.5	–	113.5
Commodity hedges						
Swaps	853.5	270.8	1,124.3	754.3	407.9	1,162.2
Options	–	–	–	19.9	–	19.9

The nominal amounts correspond to the total of all purchase or sale amounts or the contract values of the transactions.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments generally correspond to the market value. The market price determined for all derivative financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A description of the determination of the fair values of derivative financial instruments is provided with the classification of financial instruments measured at fair value.

Positive and negative fair values of derivative financial instruments shown as receivables or liabilities

		30 Sep 2018		30 Sep 2017
€ million	**Receivables**	**Liabilities**	Receivables	Liabilities
Cash flow hedges for				
currency risks	194.3	52.2	168.6	217.4
other market price risks	288.0	0.2	91.2	11.1
interest rate risks	2.4	3.6	–	0.7
Hedging	**484.7**	**56.0**	**259.8**	**229.2**
Other derivative financial instruments	**40.3**	**22.5**	**35.5**	**38.4**
Total	**525.0**	**78.5**	**295.3**	**267.6**

Financial instruments which are entered into in order to hedge a risk position according to operational criteria but do not meet the criteria of IAS 39 to qualify for hedge accounting are shown as other derivative financial instruments. They include foreign currency transactions entered into in order to hedge against foreign exchange-exposure to changes in the value of balance sheet items and foreign exchange fluctuations from future expenses in Tourism.

FINANCIAL INSTRUMENTS – ADDITIONAL DISCLOSURES

CARRYING AMOUNTS AND FAIR VALUES

Where financial instruments are listed in an active market, e.g. shares held and bonds issued, the fair value or market value is the respective quotation in this market at the balance sheet date. For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the respective credit spread, which depends on the credit rating.

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

The fair values of non-current trade receivables and other assets correspond to the present values of the cash flows associated with the assets, taking account of current interest parameters which reflect market and counterparty-related changes in terms and expectations. There are no financial investments held to maturity.

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

		Category under IAS 39						
€ million	**Carrying amount**	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Available for sale financial assets	54.3	–	27.6	26.7	–	–	54.3	54.3*
Trade receivables and other assets	1,269.6	818.1	–	–	–	–	818.1	818.1
Derivative financial instruments								
Hedging	484.7	–	–	484.7	–	–	484.7	484.7
Other derivative financial instruments	40.3	–	–	–	40.3	–	40.3	40.3
Cash and cash equivalents	2,548.0	2,548.0	–	–	–	–	2,548.0	2,548.0
Liabilities								
Financial liabilities	2,442.9	1,100.3	–	–	–	1,342.6	1,100.3	1,163.6
Trade payables	2,937.3	2,932.6	–	–	–	–	2,932.6	2,932.6
Derivative financial instruments								
Hedging	56.0	–	–	56.0	–	–	56.0	56.0
Other derivative financial instruments	22.5	–	–	–	22.5	–	22.5	22.5
Other liabilities	777.8	33.7	–	–	–	–	33.7	33.7

* Total includes financial instruments measured at cost of € 27.6 m

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

€ million	Carrying amount	Category under IAS 39 At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (leases)	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Available for sale financial assets	69.5	–	43.5	26.0	–	–	69.5	69.5[1]
Trade receivables and other assets	1,006.3	745.1	–	–	–	–	745.1	745.1
Derivative financial instruments								
Hedging	259.8	–	–	259.8	–	–	259.8	259.8
Other derivative financial instruments	35.5	–	–	–	35.5	–	35.5	35.5
Cash and cash equivalents	2,516.1	2,516.1	–	–	–	–	2,516.1	2,516.1
Liabilities								
Financial liabilities	1,933.1	706.6	–	–	–	1,226.5	706.6	766.6
Trade payables	2,653.3	2,652.4	–	–	–	–	2,652.4	2,652.4
Derivative financial instruments								
Hedging	229.2	–	–	229.2	–	–	229.2	229.2
Other derivative financial instruments	38.4	–	–	–	38.4	–	38.4	38.4
Other liabilities[2]	748.2	49.4	–	–	45.8	–	95.2	95.2

1 Total includes financial instruments measured at cost of € 43.5 m
2 Adjusted

The financial investments classified as financial assets available for sale include an amount of € 27.6 m (previous year € 43.5 m) for stakes in partnerships and corporations for which an active market does not exist. The fair value of these non-listed stakes is not determined using a measurement model since the future cash flows cannot be reliably determined. The stakes are carried at acquisition cost. In the reporting period and in the previous year, there were no significant disposals of stakes in partnerships and corporations measured at acquisition cost. The TUI Group does not intend to sell or derecognise the stakes in these partnerships and corporations in the near future.

Unlike the previous year, a revenue guarantee to the purchaser of Hotelbeds Group with the fair value was recorded in other liabilities. The prior year presentation has been adjusted.

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

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	**Carrying amount Total**	Fair value
Loans and receivables	3,366.1	–	–	–	3,366.1	3,366.1
Financial assets						
available for sale	–	27.6	26.7	–	54.3	54.3*
held for trading	–	–	–	40.3	40.3	40.3
Financial liabilities						
at amortised cost	4,066.6	–	–	–	4,066.6	4,129.9
held for trading	–	–	–	22.5	22.5	22.5

* Total includes financial instruments measured at cost of € 27.6 m

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

€ million	At amortised cost	At cost	Fair value with no effect on profit and loss	Fair value through profit and loss	**Carrying amount Total**	Fair value
Loans and receivables	3,261.2	–	–	–	3,261.2	3,261.2
Financial assets						
available for sale	–	43.5	26.0	–	69.5	69.5[1]
held for trading	–	–	–	35.5	35.5	35.5
Financial liabilities						
at amortised cost	3,408.4	–	–	–	3,408.4	3,468.4
held for trading[2]	–	–	–	84.2	84.2	84.2

[1] Total includes financial instruments measured at cost of € 43.5 m
[2] Adjusted

FAIR VALUE MEASUREMENT

The table below presents the fair values of recurring, non-recurring and other financial instruments measured at fair value in line with the underlying measurement level. The individual measurement levels have been defined as follows in line with the inputs:

- Level 1: (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs for the measurement other than quoted market prices included within Level 1 that are observable in the market for the asset or liability, either directly (as quoted prices) or indirectly (derivable from quoted prices).
- Level 3: inputs for the measurement of the asset or liability not based on observable market data.

Classification of fair value measurement of financial instruments as of 30 Sep 2018

€ million	Total	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Available for sale financial assets	26.7	–	–	26.7
Derivative financial instruments				
Hedging transactions	484.7	–	484.7	–
Other derivative financial instruments	40.3	–	40.3	–
Liabilities				
Derivative financial instruments				
Hedging transactions	56.0	–	56.0	–
Other derivative financial instruments	22.5	–	22.5	–
Other liabilities	–	–	–	–

Classification of fair value measurement of financial instruments as of 30 Sep 2017

€ million	Total	Fair value hierarchy Level 1	Level 2	Level 3
Assets				
Available for sale financial assets	26.0	–	20.1	5.9
Derivative financial instruments				
Hedging transactions	259.8	–	259.8	–
Other derivative financial instruments	35.5	–	35.5	–
Liabilities				
Derivative financial instruments				
Hedging transactions	229.2	–	229.2	–
Other derivative financial instruments	38.4	–	38.4	–
Other liabilities*	45.8	–	–	45.8

* Adjusted

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

Reclassifications from Level 3 to Level 2 or Level 1 are made if observable market price quotations become available for the asset or liability concerned. Checks of the measurement parameters showed that the stake in peakwork AG did not classify as Level 2 any longer as observable valuation parameter were no longer available. There were no other transfers from or to Level 3. The TUI Group records transfers from or to Level 3 at the date of the obligating event or occasion triggering the transfer.

LEVEL 1 FINANCIAL INSTRUMENTS

The fair value of financial instruments for which an active market exists is based on quoted prices at the reporting date. An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency and these prices represent actual and regularly occurring market transactions on an arm's length basis. These financial instruments are classified as Level 1. The fair values correspond to the nominal amounts multiplied by the quoted prices at the reporting date. Level 1 financial instruments primarily comprise shares in listed companies classified as available for sale and bonds issued classified as financial liabilities at amortised cost.

LEVEL 2 FINANCIAL INSTRUMENTS:
The fair values of financial instruments not traded in an active market, e.g. over-the-counter (OTC) derivatives, are determined by means of valuation techniques. These valuation techniques make maximum use of observable market data and minimise the use of Group-specific assumptions. If all essential inputs for the determination of the fair value of an instrument are observable, the instrument is classified as Level 2.

If one or several key inputs are not based on observable market data, the instrument is classified as Level 3.

The following specific valuation techniques are used to measure financial instruments:

- For over-the-counter bonds, liabilities to banks, promissory notes and other non-current financial liabilities, the fair value is determined as the present value of future cash flows, taking account of yield curves and the respective credit spread, which depends on the credit rating
- The fair value of over-the-counter derivatives is determined by means of appropriate calculation methods, e.g. by discounting the expected future cash flows. The forward prices of forward transactions are based on the spot or cash prices, taking account of forward premiums and discounts. The calculation of the fair values of options concluded for currency options is based on the Black & Scholes model and the Turnbull & Wakeman model for optional fuel hedges. The fair values determined on the basis of the Group's own systems are periodically compared with fair value confirmations of the external counterparties.
- Other valuation techniques, e.g. discounting future cash flows, are used to determine the fair values of other financial instruments.

LEVEL 3 FINANCIAL INSTRUMENTS:
The table below presents the fair values of the financial instruments measured at fair value on a recurring basis, classified as Level 3:

Financial assets measured at fair value in level 3

€ million	Available for sale financial assets	Other liabilities*
Balance as at 1 October 2016	**6.0**	**50.3**
Total gains or losses for the period	–0.1	–4.5
recognised through profit or loss	–	–4.5
recogniseed in other comprehensive income	–0.1	–
Balance as at 30 September 2017	**5.9**	**45.8**
Change in unrealised gains or losses for the period for financial assets held at the balance sheet date	**–**	**–4.5**
Balance as at 1 October 2017	**5.9**	**45.8**
Additions (incl. Transfers)	20.1	–
conversion/rebooking	20.1	–
Disposals	–	–4.4
repayment/sale	–	–4.4
Total gains or losses for the period	0.7	–41.4
recognised through profit or loss	–	–41.4
recognised in other comprehensive income	0.7	–
Balance as at 30 September 2018	**26.7**	**–**

*Adjusted

Further information on Level 3 is not presented for materiality reasons.

EFFECTS ON RESULTS
The effects of the measurement of financial assets available for sale outside profit and loss and the effective portions of changes in fair values of derivatives designated as cash flow hedges are listed in the statement of changes in equity.

The net results of the financial instruments by measurement category according to IAS 39 are as follows:

Net results of financial instruments

			2018			2017
€ million	**from interest**	**other net results**	**net result**	from interest	other net results	net result
Loans and receivables	19.2	–93.5	–74.3	–2.7	332.8	330.1
Available for sale financial assets	–	1.3	1.3	–	173.3	173.3
Financial assets and liabilities held for trading	0.6	1.4	2.0	–2.5	20.0	17.5
Financial liabilities at amortised cost	–52.4	–39.2	–91.6	–22.2	–50.5	–72.7
Total	**–32.6**	**–130.0**	**–162.6**	**–27.4**	**475.6**	**448.2**

The other net result of available-for-sale financial assets mainly consists of the result from participations, capital gains and losses, the effects of the fair value measurement and value adjustments.

Financial instruments measured at fair value outside profit and loss did not give rise to any commission expenses in FY 2018, just as in the previous year.

NETTING

The following financial assets and liabilities are subject to contractual netting arrangements:

Offsetting of financial assets

€ million	Gross Amounts of financial assets	Gross amounts of financial liabilities set off	**Net amounts of financial assets presented in the balance sheet**	Related amounts not set off in the balance sheet: Financial liabilities	Related amounts not set off in the balance sheet: Cash Collateral received	Net Amount
Financial assets as at 30 Sep 2018						
Derivative financial assets	525.0	–	525.0	78.5	–	446.5
Cash and cash equivalents	5,900.4	3,352.4	2,548.0	–	–	2,548.0
Financial assets as at 30 Sep 2017						
Derivative financial assets	295.3	–	295.3	87.5	–	207.8
Cash and cash equivalents	6,222.3	3,706.2	2,516.1	–	–	2,516.1

Offsetting of financial liabilities

€ million	Gross Amounts of financial liabilities	Gross amounts of financial assets set off	**Net amounts of financial liabilities presented in the balance sheet**	Related amounts not set off in the balance sheet: Financial assets	Related amounts not set off in the balance sheet: Cash Collateral granted	Net Amount
Financial liabilities as at 30 Sep 2018						
Derivative financial liabilities	78.5	–	78.5	78.5	–	–
Financial liabilities	5,795.3	3,352.4	2,442.9	–	–	2,442.9
Financial liabilities as at 30 Sep 2017						
Derivative financial liabilities	267.6	–	267.6	87.5	–	180.1
Financial liabilities	5,639.3	3,706.2	1,933.1	–	–	1,933.1

Financial assets and financial liabilities are only netted in the balance sheet if a legally enforceable right to netting exists and the Company intends to settle on a net basis.

The contracts for financial instruments are based on standardised master agreements for financial derivatives (including ISDA Master Agreement, German master agreement for financial derivatives), creating a conditional right to netting contingent on defined future events. Under the contractual agreements all derivatives contracted with the corresponding counterparty with positive or negative fair values are netted in that case, resulting in a net receivable or payable in the amount of the balance. As this conditional right to netting is not enforceable in the course of ordinary business transactions and thus the criteria for netting is not met, the derivative financial assets and liabilities are carried at their gross amounts in the balance sheet at the reporting date.

Financial assets and liabilities in the framework of the cash pooling scheme are shown on a net basis if there is a right to netting in ordinary business transactions and the Group intends to settle on a net basis.

(37) Capital management

TUI Group's capital management ensures that our goals and strategies can be achieved in the interest of our share- / bond- and credit-holders as well as other stakeholders. The primary objectives of the Group are as follows:

- Ensuring sufficient liquidity for the Group
- Profitable growth and a sustainable increase in TUI Group's value
- Strengthening our cash generation allowing to invest, pay dividends and strengthen the balance sheet
- Maintaining sufficient debt capacity and an at least stable credit rating

Key management variables used in capital management to measure and control the above goals are Return On Invested Capital (ROIC), the leverage ratio and the coverage ratio, presented in the table below. TUI Group's financial policy aims for a leverage ratio of 3.00 (x) to 2.25 (x) and a coverage ratio of 5.75 (x) to 6.75 (x).

TUI Group's financial and liquidity management for all Group subsidiaries is centrally operated by TUI AG, which acts as the Group's internal bank. Financing and refinancing requirements, derived from the multi-year finance budget, are satisfied by the timely conclusion of appropriate financing instruments. The short-term liquidity reserve is safeguarded by syndicated credit facilities, bilateral bank loans and liquid funds. Moreover, through intra-Group cash pooling the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies.

Key figures of capital risk management

€ million		2018	2017
Ø Invested Capital		4,978.2	4,667.7
Underlying EBITA		1,147.0	1,102.1
ROIC	**in %**	**23.0**	**23.6**
Gross financial liabilities		2,442.9	1,933.1
Discounted value of financial commitments from lease, rental and leasing agreements		2,653.7	2,619.3
Defined benefit obligation recognised on the balance sheet		869.7	1,070.4
EBITDAR		2,219.9	2,240.9
Leverage Ratio		**2.7**	**2.5**
EBITDAR		2,219.9	2,240.9
Net interest expense		88.7	119.2
⅓ of long-term leasing and rental expenses		240.5	250.0
Coverage Ratio		**6.7**	**6.1**

Reconciliation to EBITDAR

€ million	2018	2017
EBITA (continuing operations)*	**1,060.2**	**1,026.5**
Amortisation (+) / write-backs (–) of other intangible assets and depreciation (+) / write-backs (–) of property, plant and equipment	438.3	464.4
EBITDA (continuing operations)	**1,498.5**	**1,490.9**
Long-term rental, leasing and leasing expenses	721.4	750.0
EBITDAR	**2,219.9**	**2,240.9**

* The reconciliation from EBITA to earnings before income taxes is shown in the segment reporting.

Notes on the cash flow statement

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

In the period under review, cash and cash equivalents rose by € 31.9 m to € 2,548.0 m.

(38) Cash inflow from operating activities

Based on the Group result after tax, the cash flow from operating activities is derived using the indirect method. In the financial year under review, the cash inflow from operating activities amounted to € 1,150.9 m (previous year € 1,583.1 m).

In the period under review, the cash inflow included interest of € 29.9 m (previous year € 17.7 m) and dividends of € 226.5 m (previous year € 121.7 m). Income tax payments resulted in a cash outflow of € 236.0 m (previous year € 146.1 m).

(39) Cash outflow from investing activities

In FY 2018, the cash outflow from investing activities totalled € 845.7 m (previous year € 687.7 m). The cash flow from investing activities includes a cash outflow for capital expenditure related to property, plant and equipment and intangible assets of € 956.2 m, including € 2.2 m for interest capitalised as borrowing costs (previous year € 4.0 m). The Group also recorded a cash inflow of € 192.4 m from the sale of property, plant and equipment and intangible assets. The item also includes a cash outflow of € 135.6 m in connection with the acquisition of consolidated companies, including € 135.1 m relating to the Destination Experiences and Hotels & Resorts segments. The Group recorded a cash inflow of € 94.1 m from the sale of consolidated companies and an investment. In the period under review, the acquisition of associates and a joint venture as well as the capital increase of an associate, an advance payment for an investment and the investment of cash and cash equivalents in a money market fund resulted in an outflow of cash for other assets of € 40.4 m.

(40) Cash outflow from financing activities

The cash outflow from financing activities totals € 236.9 m (previous year € 733.8 m). TUI AG recorded an inflow of cash of € 422.9 m from the issue of an unsecured Schuldschein after deducting borrowing costs. TUI Group companies took out further financial liabilities worth € 11.3 m. A further cash outflow of € 162.7 m related to the redemption of financial liabilities, including € 106.5 m for finance lease obligations (previous year € 97.8 m). The external revolving credit facility to control the seasonality of the Group's cash flows and liquidity was not used as at the balance sheet day. An amount of € 110.8 m was used for interest payments, while a cash outflow of € 381.8 m related to dividend payments to TUI AG shareholders and a further outflow of € 53.5 m related to dividend payments to minority shareholders. The sale of shares in TUI AG held by the Employee Benefit Trust of TUI Travel Ltd. in the prior year gave rise to an inflow of € 32.7 m in October 2017. An amount of € 1.0 m was spent to purchase shares issued to employees. The issue of employee shares resulted in a cash inflow of € 6.8 m.

(41) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i. e. cash in hand, bank balances and cheques.

Cash and cash equivalents declined by € 36.4 m (previous year € 49.1 m) due to foreign exchange effects.

Other notes

(42) Services of the auditors of the consolidated financial statements

TUI AG's consolidated financial statements have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft. Since FY 2017, Dr Hendrik Nardmann has been the auditor in charge. Total expenses for the services provided by the auditors of the consolidated financial statements in FY 2018 break down as follows:

Services of the auditors of the consolidated financial statements

€ million	**2018**	2017
Audit fees for TUI AG and subsidiaries in Germany	3.4	2.9
Audit fees	**3.4**	**2.9**
Review of interim financial statements	1.7	1.1
Other audit related services	0.2	–
Other certification and measurement services	**1.9**	**1.1**
Consulting fees	0.1	–
Tax advisor services	0.0	0.1
Other services	**0.1**	**0.1**
Total	**5.4**	**4.1**

(43) Remuneration of Executive and Supervisory Board members acc. to section 314 HGB

In the completed financial year, the remuneration paid to Executive Board members totalled € 3,792.8 k (previous year € 3,794.7 k).

Pension payments for former Executive Board members or their surviving dependants totalled € 4,963.6 k (previous year € 13,497.1 k) in the completed financial year. Pension obligations for former Executive Board members and their surviving dependants amounted to € 63,738.2 k (previous year € 64,683.5 k) at the balance sheet date.

Disclosures of the relevant amounts for individual Board members and further details on the remuneration system are provided in the Remuneration Report included in the Management Report.

(44) Use of exemption provision

The following German subsidiaries fully included in consolidation made use of the exemption provision in accordance with section 264 (3) of the German Commercial Code (HGB):

Use of exemption provisions

Berge & Meer Touristik GmbH, Rengsdorf	TUI aqtiv GmbH, Hanover
DEFAG Beteiligungsverwaltungs GmbH I, Hanover	TUI Aviation GmbH, Hanover
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	TUI Beteiligungs GmbH, Hanover
FOX-TOURS Reisen GmbH, Rengsdorf	TUI Business Services GmbH, Hanover
Hapag-Lloyd Executive GmbH, Langenhagen	TUI Customer Operations GmbH, Hanover
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	TUI Deutschland GmbH, Hanover
Last-Minute-Restplatzreisen GmbH, Baden-Baden	TUI Group Services GmbH, Hanover
Leibniz Service GmbH, Hanover	TUI-Hapag Beteiligungs GmbH, Hanover
L'tur tourismus GmbH, Baden-Baden	TUI Hotel Betriebsgesellschaft mbH, Hanover
MEDICO Flugreisen GmbH, Baden-Baden	TUI Immobilien Services GmbH, Hanover
MSN 1359 GmbH, Hanover	TUI InfoTec GmbH, Hanover
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	TUI Leisure Travel Service GmbH, Neuss
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	TUI Magic Life GmbH, Hanover
Robinson Club GmbH, Hanover	TUIfly GmbH, Langenhagen
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden	TUIfly Vermarktungs GmbH, Hanover
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Wolters Reisen GmbH, Stuhr
TUI 4 U GmbH, Bremen	

(45) Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are shown in the list of shareholdings published in the Federal Gazette (www.bundesanzeiger.de). Apart from pure equity investments, related parties also include companies that supply goods or provide services for TUI Group companies.

Financial obligations from order commitments vis-à-vis related parties primarily relate to the purchasing of hotel services. TUI Group also has obligations of € 272.7 m (previous year € 613.2 m) from order commitments vis-à-vis the related company TUI Cruises.

Transactions with related parties

€ million	**2018**	2017
Services provided by the Group		
Management and consultancy services	92.8	104.2
Sales of tourism services	104.3	79.2
Other services	1.5	0.7
Total	**198.6**	**184.1**
Services received by the Group		
In the framework of rental and leasing agreements	47.6	46.6
Purchase of hotel services	352.2	253.1
Distribution services	7.9	8.0
Other services	14.3	11.3
Total	**422.0**	**319.0**

Transactions with related parties

€ million	**2018**	2017
Services provided by the Group to		
non-consolidated Group companies	1.0	0.7
joint ventures	95.5	92.0
associates	39.1	28.8
other related parties	63.0	62.6
Total	**198.6**	**184.1**
Services received by the Group from		
non-consolidated Group companies	6.5	6.6
joint ventures	306.7	264.2
associates	94.4	34.5
other related parties	14.4	13.7
Total	**422.0**	**319.0**

Transactions with joint ventures and associates are primarily effected in the Tourism segment. They relate in particular to the tourism services of the hotel companies used by the Group's tour operators.

All transactions with related parties were executed on an arm's length basis, applying international comparable uncontrolled price methods in accordance with IAS 24.

Receivables against related parties

€ million	30 Sep 2018	30 Sep 2017
Trade receivables from		
non-consolidated Group companies	0.1	2.2
joint ventures	33.9	18.8
associates	2.8	4.9
other related parties	1.1	0.3
Total	**37.9**	**26.2**
Advances and loans to		
non-consolidated Group companies	0.3	0.3
joint ventures	13.2	4.2
associates	5.5	6.8
Total	**19.0**	**11.3**
Payments on account to		
joint ventures	16.8	21.2
Total	**16.8**	**21.2**
Other receivables from		
non-consolidated Group companies	2.1	1.5
joint ventures	11.7	3.8
associates	1.0	1.6
other related parties	34.1	–
Total	**14.8**	**6.9**

Payables due to related parties

€ million	30 Sep 2018	30 Sep 2017
Trade payables due to		
joint ventures	42.2	36.2
associates	6.2	4.1
other related parties	0.1	0.1
Total	**48.5**	**40.4**
Financial liabilities due to		
non-consolidated Group companies	6.7	6.7
joint ventures	152.7	175.7
Total	**159.4**	**182.4**
Other liabilities due to		
non-consolidated Group companies	6.6	5.7
joint ventures	20.8	13.7
associates	8.0	1.9
key management personnel	13.1	7.9
Total	**48.5**	**29.2**

Liabilities to joint ventures included liabilities from finance leases of € 152.7 m (previous year € 168.4 m).

The share of result of associates and joint ventures is shown separately by segment in segment reporting.

The Russian entrepreneur Alexey Mordashov, CEO of OOO Severgroup, has been a member of TUI AG's Supervisory Board since February 2016 and held 24.998 % of the shares in TUI AG as at the balance sheet date.

At the balance sheet date, the joint venture Riu Hotels S.A. holds 3.4 % of the shares in TUI AG. Luis Riu Güell and Carmen Riu Güell (a member of TUI AG's Supervisory Board) hold 51 % of the shares in Riu Hotels S. A. At the balance sheet date there is a compensation claim towards the other shareholders of the Riu Group of € 34.3 m, resulting from payments made by TUI Group, which relate to the other shareholders of the Riu Group.

In accordance with IAS 24, key management functions within the Group, the Executive Board and the Supervisory Board are related parties whose remuneration has to be listed separately.

Remuneration of Executive and Supervisory Board

€ million	**2018**	2017
Short-term benefits	12.5	13.5
Post-employment benefits	2.2	1.5
Other long-term benefits (share-based payments)	7.9	3.5
Termination benefits	0.2	–
Total	**20.3**	**18.5**

Post-employment benefits are transfers to or reversals of pension provisions for Executive Board members active in the reporting period. The expenses mentioned do not meet the definition of remuneration for Executive and Supervisory Board members under German accounting rules.

Pension provisions for active Executive Board members total € 22.1 m (previous year € 19.7 m) as at the balance sheet date.

In addition, provisions and payables of € 20.6 m (previous year € 10.2 m) are recognised relating to the long-term incentive programme.

(46) International Financial Reporting Standards (IFRS) not yet applied

New standards endorsed by the EU, but applicable after 30 Sep 2018

Standard	Applicable from	Amendments	Expected impact on financial position and performance
Amendments to IFRS 2 Classification and Measurement of Share-based Payment transactions	1 Jan 2018	The amendments clarify the accounting for certain share based payment transactions.	Not material.
IFRS 9 Financial Instruments	1 Jan 2018	The new standard replaces the current guidance in IAS 39 on classification and measurement of financial assets and introduces new rules for hedge accounting. The existing impairment rules are being superseded by a new model based on expected credit losses.	The likely effects are explained below.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 Jan 2019	The amendments serve to enable entities applying IFRS 9 that hold debt instruments with a prepayment feature under which a party receives or pays a reasonable compensation in the event of early termination of the contract to measure these instruments at amortised cost or at fair value through other comprehensive income. Until the effective date of the amendments, such instruments have to be measured at fair value through profit or loss.	Not material.

New standards endorsed by the EU, but applicable after 30 Sep 2018

IFRS 15 Revenue from Contracts with Customers	1 Jan 2018	IFRS 15 combines and supersedes the guidance on revenue recognition comprised in various standards and interpretations so far. It establishes a single, comprehensive framework for revenue recognition, to be applied across industries and for all categories of revenue transactions, specifying which amount of revenue and at which point in time or over which time period revenue is to be recognised. IFRS 15 replaces, amongst others, IAS 18 and IAS 11.	IFRS 15 and the clarifications to IFRS 15 will affect the Group's financial statements. The possible effects are explained below.
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 Jan 2018	The amendments comprise clarifications of the guidance on identifying performance obligations, the principal versus agent assessment (i. e., gross vs. net revenue presentation) as well as the accounting for revenue from licences at a 'point in time' or 'over time'. In addition, it introduces practical expedients to simplify first-time adoption.	
Amendments to IAS 40 Transfer of Investment Property	1 Jan 2018	The amendments set out the conditions, according to which property under construction or development, which was previously classified as inventory, could be transferred to investment property in case of an evident change in use (and reversal).	Not material.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 Jan 2018	The interpretation clarifies the exchange rate to be used when an entity has received or paid advance consideration in a foreign currency. The date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which the entity initally recognises the advance consideration.	No impact as the current accounting is in line with the new interpretation.
IFRS 16 Leases	1 Jan 2019	IFRS 16 replaces the current IAS 17 and its interpretations. For lessees, there is no longer the requirement to classify into finance and operating leases. Instead all leases are accounted for according to the so-called 'Rights of Use' approach. In the statement of financial position a lessee is to recognise an asset for the right to use the leased item and a liability for the future lease payments. There are optional exemptions for short-term leases (< 12 months) and so-called small-ticket leases. For lessors, the accounting stays largely unchanged. Lessors will continue to classify leases in accordance with the criteria transfered from IAS 17. In addition, IFRS 16 includes several other new requirements, in particular a new definition of a lease, on sale and leaseback transactions and the accounting for subleases.	The new standard will have significant effects on the Group's financial statements. The likely effects are explained below.
IFRIC 23 Uncertainty over Income Tax Treatments	1 Jan 2019	The interpretation complements the rules of IAS 12 on the accounting for actual and deferred taxes to clarify the accounting for uncertainties over income tax treatments and transactions by taxation authorities or fiscal courts.	Not material.

The amendments to IFRS 4 Applying IFRS 9 with IFRS 4 of 12 September 2016, endorsed by the EU on 3 November 2017 and effective from 1 January 2018, are not relevant for TUI Group.

IFRS 15

TUI Group will first apply IFRS 15 from 1 October 2018 using the retrospective method. This means that the prior-year reference period is presented in accordance with IFRS 15. Revenue reserves will therefore decline by a low double-digit million amount as at 1 October 2017, primarily due to the three following circumstances:

- Revenue recognition by the tour operator: Depending on the specific contract terms, the tour operation business currently predominantly recognises revenue as at the date of the start of a journey, i.e. at a point in time. The new rules of IFRS 15 will predominantly result in revenue recognition over time. This will result in later revenue and cost recognition.
- Change fees: Revenue from rebooking travel services will no longer be recognised at the date of rebooking but will be recognised at the point in time or over time when the service is provided.
- Following IFRS 15 adoption, for some business models within the tour operator business, revenues, which TUI currently presents on a gross basis, will be presented on a net basis. This effect will be in the low-triple-digit million euro range. The effect results in particular from revised criteria regarding the assessment of whether TUI provides services for its own account (gross revenue) or for account of a third party (net revenue).

The effects of the recognition of additional revenue and tourism expenses at the beginning of a financial year and lower revenue and tourism expenses at the end of a financial year will almost fully offset each other at constant business volume.

The new rules will result in a material expansion of the qualitative and quantitative disclosure requirements.

IFRS 9

TUI Group has assessed the impact of the application of IFRS 9 Financial Instruments in a Group-wide project. Overall, we do not expect any major effects on the consolidated financial statements.

- There will be no significant measurement effects from the reclassification of financial assets based on the business model for managing those financial assets and the related contractual cash flows. In our view, all financial assets currently measured at amortised cost satisfy the conditions for classification at amortised cost under IFRS 9.
- For the individual reclassification, we will irrevocably allocate our equity instruments currently classified as financial assets 'available for sale' to the new measurement category 'at fair value through OCI'. We expect the future measurement of shareholdings previously measured at cost, in particular due to the immaterial relevance of non-consolidated subsidiaries, joint ventures and associates, to increase the carrying amount by €22.8 m as at the date of first-time application. On the other hand, debt instruments currently classified as 'financial assets available for sale' will have to be measured at fair value through profit and loss in future. We do not expect this to create any significant additional volatility in results.
- Due to the transition from the incurred loss model to the new expected loss model, impairment charges will be recognised in profit or loss at an earlier point in time in the future. The expected credit losses are to be determined based on historical data and forward-looking information. For the majority of its financial assets, TUI Group will use the simplified model, in which all expected losses are considered at initial recognition. For all other financial assets measured at amortised cost (e.g. tourism loans), we will determine the impairments based on the general expected credit loss model. Compared with the current allowances the transition to the new impairment model will result in an increase in a low double digit million euro range, which is to be recognised in revenue reserves.
- Recognition of financial liabilities will not be affected. The new rules only relate to recognition of financial liabilities for which the fair value option is elected. The Group does not make use of that option.
- Regarding the new rules on hedge accounting, we will make use of the option to continue to apply the hedge accounting rules of IAS 39 as the adaption of the treasury management systems will not be completed before FY 2019.

The reconciliation of the carrying amounts and loss allowances in transitioning from IAS 39 to IFRS 9 will be presented in a reconciliation table. We will use the option not to restate the prior-year comparatives in the transition.

IFRS 16

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

- Statement of financial position: This far, the payments for operating leases had to be disclosed in the Notes only. In future, the rights and obligations arising from all leases must be recognised as rights of use and lease liabilities in the lessee's statement of financial position. The right-of-use asset is initially recognised at the present value of future lease payments plus initial direct costs and is subsequently depreciated over the lease term. The lease liability is initially measured at the present value of the lease payments made during the term of the lease. Following initial recognition, the carrying amount is increased for the effective interest and reduced by lease payments made. Due to the obligations from operating leases presented in Note 34, TUI Group expects a material increase in lease liabilities and fixed assets as at the date of first-time application. The equity ratio will decline as a result of this balance sheet extension. The material increase in lease liabilities will cause a corresponding increase in net financial liabilities.
- Income statement: In future, a lessee will recognise depreciation on the right-of-use asset and interest expenses from unwinding the discount on lease liabilities instead of lease expenses. This change will result in a significant improvement in EBITDA and EBITA and a moderate improvement in EBIT.
- Cash flow statement: The payments representing a repayment of principal or interest portion of a lease liability will be included in the cash flow from financing activities in future. Only payments that have not been included in the determination of the lease liability and payments from short-term leases and low-value assets for which TUI Group makes use of respective exemptions will be allocated to cash flows from operating activities. This change in presentation in comparison to current recognition of operating lease expenses will result in an increase in cash flows from operating activities and a decrease in cash flows from financing activities.
- Notes: The new requirements will result in a significant expansion of disclosure requirements for lessees and lessors in comparison to IAS 17.

TUI Group has launched a Group-wide project to assess the impact and to implement the new requirements.

Currently, TUI Group has decided to make use of the exemptions for short-term leases and low-value assets. Further, the new rules will not be applied to leases for intangible assets. For car and IT leases, comprising both lease and non-lease components, we will make use of the simplification to avoid accounting for lease components separately from non-lease components. We also intend to present intra-Group leases – in line with internal control – as operating leases in line with IAS 17 in segment reporting in accordance with IFRS 8.

The Group-wide detailed assessment of all external leases included within the implementation project and the assessment of the impact of the new rules on accounting for maintenance provisions for leased aircraft have not yet been fully completed. For that reason and due to the Group's large number of external and internal leases, a reliable estimate of the quantitative effects is currently not yet possible.

Based on the modified retrospective approach, TUI Group will apply the new rules from 1 October 2019. The Group may use various practical expedients in transitioning to the new rules, and no decisions have yet been taken on how to exercise these options. Upon first-time application, the cumulative effect of the transition will be recognised in equity outside profit and loss. The prior-year comparatives for FY 2019, the year prior to first-time application, will not be restated retrospectively.

The following amendments and new standards have not yet been endorsed by the European Union.

New standards and interpretations not yet endorsed by the EU and applicable after 30 Sep 2018

Standard	Applicable from	Amendments	Expected impact on financial position and performance
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 Jan 2019	The amendments clarify that the impairment rules of IFRS 9 apply to long-term interests in associates and joint ventures that, in substance, form part of the net investment in the associate or joint venture to which the equity method is applied. Nevertheless, (as a second step) these long-term interests will have to be taken into account when the IAS 28 loss allocations are adjusted to the value of the long-term interests.	Not material.
Various Improvements to IFRS (2015 – 2017)	1 Jan 2019	The various amendments from the annual improvement project 2015 – 2017 cycle affect minor changes to IFRS 3, IFRS 13, IAS 12 and IAS 23.	Not material.
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	1 Jan 2019	Where an amendment, curtailment or settlement of a defined benefit plan occurs, the amendments require a company to use updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	TUI Group does currently not expect any material impacts.
Framework Amendments to References to Conceptual Framework in IFRS Standards	1 Jan 2020	The revised Framework includes updated definitions of asset, liabilities as well as new guidelines around measurement, derecognition, presentation and disclosures. References from existing standards to the Framework are being updated. The revised Framework is not subject to the endorsement process.	No impact.
IFRS 3 Definition of a Business	1 Jan 2020	The amendments provide more guidance on the definition of a 'business' and aim at facilitating the assessment whether a transaction results in the recognition of a group of assets or a business acquisition.	TUI Group will review the impacts of the interpretation on the consolidated financial statements in due time. We currently do not expect any material impacts.
IAS 1 & IAS 8 Definition of Material	1 Jan 2020	The concept of materiality is an important concept when preparing accounts in accordance with IFRS. The amendments clarify the definition of material and how it should be applied. In addition the amendments ensure that the definition of material is consistent across all IFRS Standards.	Not material.

IFRS 17 Insurance Contracts, newly published by the IASB on 18 May 2017, is not of relevance to TUI Group.

(47) TUI Group Shareholdings

Company	Country	Capital share in %
Consolidated companies		
Tourism		
Absolut Holding Limited, Qormi	Malta	99.9
Acampora Travel S.r.l., Sorrent	Italy	100
Adehy Limited, Dublin[1]	Ireland	100
Advent Insurance PCC Limited, Qormi	Malta	100
Africa Focus Tours Namibia Pty. Ltd., Windhuk[1]	Namibia	100
Antwun S.A., Clémency	Luxembourg	100
Arccac Eurl, Bourg St. Maurice	France	100
ATC African Travel Concept Pty. Ltd., Cape Town[1]	South Africa	50.1
ATC-Meetings and Conferences (Pty) Ltd, Cape Town[1]	South Africa	100
B2B d.o.o., Dubrovnik[1]	Croatia	100
Berge & Meer Touristik GmbH, Rengsdorf	Germany	100
Blue Travel Partner Services S.A., Santo Domingo[1]	Dominican Republic	100
Boomerang-Reisen GmbH, Trier	Germany	100
Boomerang-Reisen Vermögensverwaltungs GmbH, Trier	Germany	87.2
Brunalp SARL, Venosc	France	100
BU RIUSA II EOOD, Sofia	Bulgaria	100
Cabotel-Hoteleria e Turismo Lda., Santiago	Cape Verde	100
Cassata Travel s.r.l., Cefalù (Palermo)[1]	Italy	66
Citirama Ltd., Quatre Bornes[1]	Mauritius	100
Club Hotel CV SA, Santa Maria	Cape Verde	100
Club Hôtel Management Tunisia SARL, Djerba	Tunisia	100
Cruisetour AG, Zurich	Switzerland	100
Crystal Holidays, Inc, Wilmington (Delaware)	United States	100
Daidalos Hotel- und Touristikunternehmen A.E., Athens	Greece	89.8
Darecko S.A., Clémency	Luxembourg	100
Destination Services Greece Travel and Tourism SA, Piraeus[1]	Greece	100
Destination Services Morocco SA[1]	Morocco	100
Destination Services Singapore Pte Limited, Singapore[1]	Singapore	100
Destination Services Spain SL, Barcelona[1]	Spain	100
Egyptian Germany Co. for Hotels (L.T.D), Cairo	Egypt	66.6
Elena SL, Palma de Mallorca	Spain	100
Entreprises Hotelières et Touristiques PALADIEN Lena Mary A.E., Argolis	Greece	100
Europa 2 Ltd, Valletta	Malta	100
Explorers Travel Club Limited, Luton	United Kingdom	100
First Choice (Turkey) Limited, Luton	United Kingdom	100
First Choice Holiday Hypermarkets Limited, Luton	United Kingdom	100
First Choice Holidays & Flights Limited, Luton	United Kingdom	100
First Choice Land (Ireland) Limited, Dublin	Ireland	100
First Choice Travel Shops (SW) Limited, Luton	United Kingdom	100
First Choice Travel Shops Limited, Luton	United Kingdom	100
Follow Coordinate Hotels Portugal Unipessoal Lda, Albufeira	Portugal	100
FOX-TOURS Reisen GmbH, Rengsdorf	Germany	100
Fritidsresor Tours & Travels India Pvt Ltd, Bardez, Goa	India	100
GBH Turizm Sanayi Isletmecilik ve Ticaret A.S., Istanbul	Turkey	100
GEAFOND Número Dos Fuerteventura S.A., Las Palmas, Gran Canaria	Spain	100
GEAFOND Número Uno Lanzarote S.A., Las Palmas, Gran Canaria	Spain	100
Germantur Turizm Ticaret A.S., Izmir	Turkey	100
Groupement Touristique International S.A.S., Lille	France	100
Gulliver Travel d.o.o., Dubrovnik[1]	Croatia	70

[1] Destination Management of Hotelbeds

Company	Country	Capital share in %
Hannibal Tour SA, Tunis	Tunisia	100
Hapag-Lloyd (Bahamas) Limited, Nassau	Bahamas	100
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	Germany	100
Hellenic EFS Hotel Management E.P.E., Athens	Greece	100
Holiday Center S.A., Cala Serena/Cala d'Or	Spain	100
Holidays Services S.A., Agadir	Morocco	100
Hotelbeds Costa Rica SA, San José[1]	Costa Rica	100
Iberotel International A.S., Antalya	Turkey	100
Iberotel Otelcilik A.S., Istanbul	Turkey	100
Imperial Cruising Company SARL, Heliopolis-Cairo	Egypt	90
Incorun SAS, Saint Denis[1]	France	51
Inter Hotel SARL, Tunis	Tunisia	100
Intercruises Shoreside & Port Services Canada, Inc., Quebec[1]	Canada	100
Intercruises Shoreside & Port Services PTY LTD, Sydney[1]	Australia	100
Intercruises Shoreside & Port Services S.a.r.l., Paris[1]	France	100
Intercruises Shoreside & Port Services Sam, Monaco[1]	Monaco	100
Intercruises Shoreside & Port Services, Inc., State of Delaware[1]	United States	100
Itaria Limited, Nicosia	Cyprus	100
Jandia Playa S.A., Morro Jable/Fuerteventura	Spain	100
Jetair Real Estate N.V., Brussels	Belgium	100
Kras B.V., Ammerzoden	Netherlands	100
Kurt Safari (Pty) Ltd, White River – Mpumalanga[1]	South Africa	51
Label Tour EURL, Levallois Perret	France	100
Lapter Eurl, Macot La Plagne	France	100
Last-Minute-Restplatzreisen GmbH, Baden-Baden	Germany	100
Le Passage to India Tours and Travels Pvt Ltd, New Delhi[1]	India	91
Lodges & Mountain Hotels SARL, Notre Dame de Bellecombe, Savoie	France	100
l'tur GmbH, Baden-Baden	Germany	100
L'TUR Suisse AG, Dübendorf/ZH	Switzerland	99.5
Lunn Poly Limited, Luton	United Kingdom	100
Luso Ds - Agência de Viagens Unipessoal Lda, Faro[1]	Portugal	100
Lusomice Unipessoal Lda., Lisbon[1]	Portugal	100
Magic Hotels SA, Tunis	Tunisia	100
MAGIC LIFE Assets GmbH, Vienna	Austria	100
Magic Life Egypt for Hotels LLC, Sharm el Sheikh	Egypt	100
Magic Life Greece Tourist Enterprises E.P.E., Athens	Greece	100
Magic Tourism International S.A., Tunis	Tunisia	100
Manahe Ltd., Quatre Bornes[1]	Mauritius	51
Medico Flugreisen GmbH, Baden-Baden	Germany	100
Meetings & Events International Limited, Luton[1]	United Kingdom	100
Meetings & Events Spain S.L.U., Palma de Mallorca[1]	Spain	100
Meetings & Events UK Limited, Luton[1]	United Kingdom	100
Morvik EURL, Bourg Saint Maurice	France	100
MX RIUSA II S.A. de C.V., Cabo San Lucas	Mexico	100
Nazar Nordic AB, Malmö	Sweden	100
Nordotel S.A., San Bartolomé de Tirajana	Spain	100
Nouvelles Frontières Senegal S.R.L., Dakar	Senegal	100
Nungwi Limited, Sansibar	Tanzania	100
Ocean College LLC, Sharm el Sheikh	Egypt	100
Ocean Ventures for Hotels and Tourism Services SAE, Sharm el Sheikh	Egypt	98
Pacific World (Beijing) Travel Agency Co., Ltd., Peking[1]	China	100
Pacific World (Shanghai) Travel Agency Co. Limited, Shanghai[1]	China	100
Pacific World Meetings & Events (Thailand) Limited, Bangkok[1, 2]	Thailand	49
Pacific World Meetings & Events Hellas Travel Limited, Athens[1]	Greece	100

[1] Destination Management of Hotelbeds
[2] Controlling influence

Company	Country	Capital share in %
Pacific World Meetings & Events Hong Kong, Limited, Hong Kong[1]	Hong Kong	100
Pacific World Meetings & Events SAM, Monaco[1]	Monaco	100
Pacific World Meetings & Events Singapore Pte. Ltd, Singapore[1]	Singapore	100
Pacific World Meetings and Events France SARL, Nanterre[1]	France	100
PATS N.V., Oostende	Belgium	100
Preussag Beteiligungsverwaltungs GmbH IX, Hanover	Germany	100
Professor Kohts Vei 108 AS, Stabekk	Norway	100
Promociones y Edificaciones Chiclana S.A., Palma de Mallorca	Spain	100
ProTel Gesellschaft für Kommunikation mbH, Rengsdorf	Germany	100
RC Clubhotel Cyprus Limited, Limassol	Cyprus	100
RCHM S.A.S., Agadir	Morocco	100
Rideway Investment Limited, London	United Kingdom	100
Riu Jamaicotel Ltd., Negril	Jamaica	100
Riu Le Morne Ltd, Port Louis	Mauritius	100
RIUSA II S.A., Palma de Mallorca[2]	Spain	50
RIUSA NED B.V., Amsterdam	Netherlands	100
ROBINSON AUSTRIA Clubhotel GmbH, Villach-Landskron	Austria	100
Robinson Club GmbH, Hanover	Germany	100
Robinson Club Italia S.p.A., Marina di Ugento	Italy	100
Robinson Club Maldives Private Limited, Malé	Maldives	100
Robinson Clubhotel Turizm Ltd. Sti., Istanbul	Turkey	100
Robinson Hoteles España S.A., Cala d'Or	Spain	100
Robinson Hotels Portugal S.A., Vila Nova de Cacela	Portugal	67
Robinson Otelcilik A.S., Istanbul	Turkey	100
SERAC Travel GmbH, Zermatt	Switzerland	100
Skymead Leasing Limited, Luton	United Kingdom	100
Société d'Exploitation du Paladien Marrakech SA, Marrakech	Morocco	100
Société d'Investissement Aérien S.A., Casablanca	Morocco	100
Société d'Investissement et d'Exploration du Paladien de Calcatoggio (SIEPAC), Montreuil	France	100
Société d'investissement hotelier Almoravides S.A., Marrakech	Morocco	100
Société Marocaine pour le Developpement des Transports Touristiques S.A., Agadir	Morocco	100
Sons of South Sinai for Tourism Services and Supplies SAE, Sharm el Sheikh	Egypt	84.1
Specialist Holidays, Inc., Mississauga, Ontario	Canada	100
Stella Polaris Creta A.E., Heraklion	Greece	100
STIVA RII Ltd., Dublin	Ireland	100
Summer Times International Ltd., Quatre Bornes[1]	Mauritius	100
Summer Times Ltd., Quatre Bornes[1]	Mauritius	100
Sunshine Cruises Limited, Luton	United Kingdom	100
Tantur Turizm Seyahat A.S., Istanbul	Turkey	100
TCV Touristik-Computerverwaltungs GmbH, Baden-Baden	Germany	100
TdC Agricoltura Società agricola a r.l., Florence	Italy	100
TdC Amministrazione S.r.l., Florence	Italy	100
Tec4Jets B.V., Rijswijk ZH	Netherlands	100
Tec4Jets NV, Oostende	Belgium	100
Tenuta di Castelfalfi S.p.A., Florence	Italy	100
Thomson Reisen GmbH, St. Johann	Austria	100
Thomson Services Limited, St. Peter Port	Guernsey	100
Thomson Travel Group (Holdings) Limited, Luton	United Kingdom	100
TICS GmbH Touristische Internet und Call Center Services, Baden-Baden	Germany	100
Tigdiv Eurl, Tignes	France	100

1 Destination Management of Hotelbeds
2 Controlling influence

Company	Country	Capital share in %
TLT Reisebüro GmbH, Hanover	Germany	100
Transfar - Agencia de Viagens e Turismo Lda., Faro	Portugal	100
Travel Choice Limited, Luton	United Kingdom	100
Travel Partner Mexico SA de CV, Mexico City[1]	Mexico	100
TT Hotels Italia S.R.L., Rome	Italy	100
TT Hotels Turkey Otel Hizmetleri Turizm ve ticaret AS, Antalya	Turkey	100
TUI (Cyprus) Limited, Nicosia	Cyprus	100
TUI (Suisse) AG, Zurich	Switzerland	100
TUI 4 U GmbH, Bremen	Germany	100
TUI Airlines Belgium N.V., Oostende	Belgium	100
TUI Airlines Nederland B.V., Rijswijk	Netherlands	100
TUI Airways Limited, Luton	United Kingdom	100
TUI aqtiv GmbH, Hanover	Germany	100
TUI Austria Holding GmbH, Vienna	Austria	100
TUI Belgium NV, Oostende	Belgium	100
TUI Belgium Retail N.V., Zaventem	Belgium	100
TUI BLUE AT GmbH, Schladming	Austria	100
TUI Bulgaria EOOD, Varna	Bulgaria	100
TUI Curaçao N.V., Curaçao	Country of Curaçao	100
TUI Customer Operations GmbH, Hanover	Germany	100
TUI Danmark A/S, Copenhagen	Denmark	100
TUI Destination Services Cyprus, Nicosia	Cyprus	100
TUI Deutschland GmbH, Hanover	Germany	100
TUI Dominicana SAS, Higuey	Dominican Republic	100
TUI DS USA, Inc, Wilmington (Delaware)	United States	100
TUI España Turismo SL, Palma de Mallorca	Spain	100
TUI Finland Oy Ab, Helsinki	Finland	100
TUI France SAS, Nanterre	France	100
TUI Hellas Travel Tourism and Airline A.E., Athens	Greece	100
TUI Holding Spain S.L., Palma de Mallorca	Spain	100
TUI Hotel Betriebsgesellschaft mbH, Hanover	Germany	100
TUI Ireland Limited, Luton	United Kingdom	100
TUI Jamaica Limited, Montego Bay	Jamaica	100
TUI Leisure Travel Special Tours GmbH, Hanover	Germany	100
TUI Magic Life GmbH, Hanover	Germany	100
TUI Malta Limited, Pieta	Malta	100
TUI Mexicana SA de CV, Mexico	Mexico	100
TUI Nederland Holding N.V., Rijswijk	Netherlands	100
TUI Nederland N.V., Rijswijk	Netherlands	100
TUI Nordic Holding AB, Stockholm	Sweden	100
TUI Norge AS, Stabekk	Norway	100
TUI Northern Europe Limited, Luton	United Kingdom	100
TUI Norway Holding AS, Stabekk	Norway	100
TUI Österreich GmbH, Vienna	Austria	100
TUI Pension Scheme (UK) Limited, Luton	United Kingdom	100
TUI Poland Dystrybucja Sp. z o.o., Warsaw	Poland	100
TUI Poland Sp. z o.o., Warsaw	Poland	100
TUI PORTUGAL - Agencia de Viagens e Turismo S.A., Faro	Portugal	100
TUI Reisecenter Austria Business Travel GmbH, Vienna	Austria	74.9
TUI Service AG, Altendorf	Switzerland	100
TUI Suisse Retail AG, Zurich	Switzerland	100
TUI Sverige AB, Stockholm	Sweden	100
TUI Technology NV, Zaventem	Belgium	100
TUI Travel (Ireland) Limited, Dublin	Ireland	100

[1] Destination Management of Hotelbeds

Company	Country	Capital share in %
TUI Travel Distribution N.V., Oostende	Belgium	100
TUI UK Italia Srl, Turin	Italy	100
TUI UK Limited, Luton	United Kingdom	100
TUI UK Retail Limited, Luton	United Kingdom	100
TUI UK Transport Limited, Luton	United Kingdom	100
TUIfly GmbH, Langenhagen	Germany	100
TUIfly Nordic AB, Stockholm	Sweden	100
TUIfly Vermarktungs GmbH, Hanover	Germany	100
Tunisie Investment Services Holding S.A., Tunis	Tunisia	100
Tunisie Voyages S.A., Tunis	Tunisia	100
Tunisotel S.A.R.L., Tunis	Tunisia	100
Turcotel Turizm A.S., Istanbul	Turkey	100
Turkuaz Insaat Turizm A.S., Ankara	Turkey	100
Ultramar Express Transport S.A., Palma de Mallorca	Spain	100
Wolters Reisen GmbH, Stuhr	Germany	100
WonderCruises AB, Stockholm	Sweden	100
WonderHolding AB, Stockholm	Sweden	100
WOT Hotels Adriatic Management d.o.o., Zagreb	Croatia	51
Zanzibar Beach Village Limited, Sansibar	Tanzania	100
All other segments		
Absolut Insurance Limited, St. Peter Port	Guernsey	100
Asiarooms Pte Ltd, Singapore	Singapore	100
B.D.S Destination Services Tours, Cairo	Egypt	100
Canadian Pacific (UK) Limited, Luton	United Kingdom	100
Cast Agencies Europe Limited, Luton	United Kingdom	100
Cheqqer B.V., Rijswijk	Netherlands	100
Corsair S.A., Rungis	France	100
CP Ships (Bermuda) Ltd., Hamilton	Bermuda	100
CP Ships (UK) Limited, Luton	United Kingdom	100
CP Ships Ltd., Saint John	Canada	100
DEFAG Beteiligungsverwaltungs GmbH I, Hanover	Germany	100
DEFAG Beteiligungsverwaltungs GmbH III, Hanover	Germany	100
First Choice Holidays Finance Limited, Luton	United Kingdom	100
First Choice Holidays Limited, Luton	United Kingdom	100
First Choice Olympic Limited, Luton	United Kingdom	100
First Choice Overseas Holdings Limited, Luton	United Kingdom	100
Hapag-Lloyd Executive GmbH, Langenhagen	Germany	100
I Viaggi del Turchese S.r.l., Fidenza	Italy	100
Jetset Group Holding (Brazil) Limited, Luton	United Kingdom	100
Jetset Group Holding Limited, Luton	United Kingdom	100
Leibniz-Service GmbH, Hanover	Germany	100
Mala Pronta Viagens e Turismo Ltda., Curitiba	Brazil	100
Manufacturer's Serialnumber 852 Limited, Dublin	Ireland	100
MSN 1359 GmbH, Hanover	Germany	100
Paradise Hotels Management Company LLC, Cairo	Egypt	100
PM Peiner Maschinen GmbH, Hanover	Germany	100
Sovereign Tour Operations Limited, Luton	United Kingdom	100
Thomson Airways Trustee Limited, Luton	United Kingdom	100
travel-Ba.Sys GmbH & Co KG, Mülheim an der Ruhr	Germany	83.5
TUI Ambassador Tours Unipessoal Lda, Lisbon	Portugal	100
TUI Aviation GmbH, Hanover	Germany	100
TUI Beteiligungs GmbH, Hanover	Germany	100
TUI Brasil Operadora e Agencia de Viagens LTDA, Curitiba	Brazil	100

Company	Country	Capital share in %
TUI Business Services GmbH, Hanover	Germany	100
TUI Canada Holdings, Inc, Toronto	Canada	100
TUI Chile Operador y Agencia de Viajes SpA, Santiago	Chile	100
TUI China Travel CO. Ltd., Peking	China	75
TUI Colombia Operadora y Agencia de Viajes SAS, Bogota	Colombia	100
TUI Group Fleet Finance Limited, Luton	United Kingdom	100
TUI Group Services GmbH, Hanover	Germany	100
TUI Group UK Healthcare Limited, Luton	United Kingdom	100
TUI Group UK Trustee Limited, Luton	United Kingdom	100
TUI Immobilien Services GmbH, Hanover	Germany	100
TUI India Private Limited, New Delhi	India	100
TUI InfoTec GmbH, Hanover	Germany	100
TUI International Holiday (Malaysia) Sdn. Bhd., Kuala Lumpur	Malaysia	100
TUI Leisure Travel Service GmbH, Neuss	Germany	100
TUI LTE Viajes S.A de C.V, Mexico City	Mexico	100
TUI Spain, SLU, Madrid	Spain	100
TUI Travel Amber E&W LLP, Luton	United Kingdom	100
TUI Travel Aviation Finance Limited, Luton	United Kingdom	100
TUI Travel Common Investment Fund Trustee Limited, Luton	United Kingdom	100
TUI Travel Group Management Services Limited, Luton	United Kingdom	100
TUI Travel Group Solutions Limited, Luton	United Kingdom	100
TUI Travel Holdings Limited, Luton	United Kingdom	100
TUI Travel Limited, Luton	United Kingdom	100
TUI Travel Nominee Limited, Luton	United Kingdom	100
TUI Travel Overseas Holdings Limited, Luton	United Kingdom	100
TUI-Hapag Beteiligungs GmbH, Hanover	Germany	100
Non-consolidated Group companies		
Tourism		
"Schwerin Plus" Touristik-Service GmbH, Schwerin	Germany	80
Airline Consultancy Services S.A.R.L., Casablanca	Morocco	100
Ambassador Tours S.A., Barcelona	Spain	100
AMCP S.a.r.l., Montreuil	France	100
Atora GmbH i.L., Kiel	Germany	100
Best4Concept GmbH, Rengsdorf	Germany	100
Boomerang - Solutions GmbH, Trier	Germany	95
Boomerang Reisen - Pacific Tours AG, Zurich	Switzerland	100
Centro de Servicios Destination Management SA de CV, Cancun[1]	Mexico	100
FIRST Reisebüro Güttler GmbH & Co. KG, Dormagen	Germany	75.1
FIRST Reisebüro Güttler Verwaltungs GmbH, Hanover	Germany	75
FIRST Travel GmbH, Hanover	Germany	100
Gebeco Verwaltungsgesellschaft mbH, Kiel	Germany	50.2
HANSEATIC TOURS Reisedienst GmbH, Hamburg	Germany	100
Hapag-Lloyd Reisebüro Hagen GmbH & Co. KG, Hanover	Germany	70
Hapag-Lloyd Reisebüro Hagen Verwaltungs GmbH, Hanover	Germany	70
Hotel Club du Carbet S.A., Montreuil	France	100
HV Finance S.A.S., Levallois-Perret	France	100
Ikaros Travel A.E.(i.L.), Heraklion	Greece	100
Loc Vacances S.A.R.L., Chartres de Bretagne	France	100
L'TUR Polska Sp.z o.o., Stettin	Poland	100
L'TUR S.A.R.L., Schiltigheim	France	100
Lunn Poly (Jersey) Limited, St. Helier	Jersey	100
Magic Life GmbH in Liqu., Vienna	Austria	100
Magyar TUI Utazásszervezö, Kereskedelmi és Szolgáltató Kft., Budapest	Hungary	100

[1] Destination Management of Hotelbeds

Company	Country	Capital share in %
N.S.E. Travel and Tourism A.E. (i.L.), Athens	Greece	100
NEA Synora Hotels Limited (Hinitsa Beach), Porto Heli Argolide	Greece	100
New Eden S.A., Marrakech	Morocco	100
NOF Sociedade Imobiliaria, Lda, Lisbon	Portugal	100
Nouvelles Frontières Burkina Faso EURL, Ouagadougou	Burkina Faso	100
Nouvelles Frontières Tereso EURL, Grand Bassam	Ivory Coast	100
Nouvelles Frontières Togo S.R.L.(i.L), Lome	Togo	99
Reisefalke GmbH, Vienna	Austria	60
Résidence Hôtelière Les Pins SARL (i.L.), Montreuil	France	100
RIUSA Brasil Empreendimentos Ltda., Igarassu (Pernambuco)	Brazil	99
Societe de Gestion du resort Al Baraka, Marrakech	Morocco	100
STAR TOURS Reisedienst GmbH, Hamburg	Germany	100
TLT Urlaubsreisen GmbH, Hanover	Germany	100
Transat Développement SAS, Ivri-sur-Seine	France	100
Trendturc Turizm Otelcilik ve Ticaret A.S., Istanbul	Turkey	100
TUI 4 U Poland sp.zo.o., Warsaw	Poland	100
TUI d.o.o., Maribor	Slovenia	100
TUI Magyarország Utazasi Iroda Kft., Budapest	Hungary	100
TUI Reisecenter GmbH, Salzburg	Austria	100
TUI ReiseCenter Slovensko s.r.o., Bratislava	Slovakia (Slovak Republic)	100
TUI Travel Cyprus Limited, Nicosia	Cyprus	100
TUIFly Academy Brussels, Zaventem	Belgium	100
V.P.M. SA, Levallois Perret	France	100
VPM Antilles S.R.L., Levallois Perret	France	100
All other segments		
Bergbau Goslar GmbH, Goslar	Germany	100
I'tur ultimo minuto S.A., Palma de Mallorca	Spain	51
Mango Event Management Limited, London	United Kingdom	100
Preussag Beteiligungsverwaltungs GmbH XIV, Hanover	Germany	100
Società Consortile a r.l. Tutela dei Viaggiatori i Viaggi del Turchese, Fidenza (Pr)	Italy	100
Sportsworld Holdings Limited, Luton	United Kingdom	100
travel-Ba.Sys Beteiligungs GmbH, Mülheim an der Ruhr	Germany	83.5
TUI Insurance Services GmbH, Hanover	Germany	100
Joint ventures and associates		
Tourism		
Ahungalla Resorts Limited, Colombo	Sri Lanka	40
Aitken Spence Travels (Private) Limited, Colombo	Sri Lanka	50
Alpha Tourism and Marketing Services Ltd., Port Louis[1]	Mauritius	25
Alpha Travel (U.K.) Limited, Harrow[1]	United Kingdom	25
Atlantica Hellas A.E., Rhodos	Greece	50
Atlantica Hotels and Resorts Limited, Lemesos	Cyprus	49.9
Bartu Turizm Yatirimlari Anonim Sirketi, Istanbul	Turkey	50
Daktari Travel & Tours Ltd., Limassol	Cyprus	33.3
DER Reisecenter TUI GmbH, Berlin	Germany	50
ENC for touristic Projects Company S.A.E., Sharm el Sheikh	Egypt	50
Etapex, S.A., Agadir	Morocco	35
Fanara Residence for Hotels S.A.E., Sharm el Sheikh	Egypt	50
Gebeco Gesellschaft für internationale Begegnung und Cooperation mbH & Co. KG, Kiel	Germany	50.1
GRUPOTEL DOS S.A., Can Picafort	Spain	50
Holiday Travel (Israel) Limited, Airport City	Israel	50

[1] Destination Management of Hotelbeds

Company	Country	Capital share in %
Hydrant Refuelling System NV, Brussels	Belgium	25
InteRes Gesellschaft für Informationstechnologie mbH, Darmstadt	Germany	25.2
Interyachting Limited, Limassol	Cyprus	45
Jaz Hospitality Services DMCC, Dubai	United Arab Emirates	50
Jaz Hotels & Resorts S.A.E., Cairo	Egypt	51
Kamarayat Nabq Company for Hotels S.A.E., Sharm el Sheikh	Egypt	50
Karisma Hotels Adriatic d.o.o., Zagreb	Croatia	33.3
Karisma Hotels Caribbean S.A., Panama	Panama	50
Nakheel Riu Deira Islands Hotel FZ CO, Dubai	United Arab Emirates	40
Pollman's Tours and Safaris Limited, Mombasa[1]	Kenya	25
Raiffeisen-Tours RT-Reisen GmbH, Burghausen	Germany	25.1
Ranger Safaris Ltd., Arusha[1]	Tanzania	25
Riu Hotels S.A., Palma de Mallorca	Spain	49
Sharm El Maya Touristic Hotels Co. S.A.E., Cairo	Egypt	50
Sun Oasis for Hotels Company S.A.E., Hurghada	Egypt	50
Sunwing Travel Group, Inc, Toronto	Canada	49
Teckcenter Reisebüro GmbH, Kirchheim unter Teck	Germany	50
Tikida Bay S.A., Agadir	Morocco	34
TIKIDA DUNES S.A., Agadir	Morocco	30
Tikida Palmeraie S.A., Marrakech	Morocco	33.3
Togebi Holdings Limited, Nicosia	Cyprus	25
Travco Group Holding S.A.E., Cairo	Egypt	50
TRAVELStar GmbH, Hanover	Germany	50
TUI Cruises GmbH, Hamburg	Germany	50
UK Hotel Holdings FZC L.L.C., Fujairah	United Arab Emirates	50
Vitya Holding Co. Ltd., Takua, Phang Nga Province	Thailand	47.5
WOT Hotels Adriatic Asset Company d.o.o., Tučepi	Croatia	50
All other segments		
.BOSYS SOFTWARE GMBH, Hamburg	Germany	25.2
ACCON-RVS Accounting & Consulting GmbH, Berlin	Germany	50

1 Destination Management of Hotelbeds

RESPONSIBILITY STATEMENT BY MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hanover, 11 December 2018

The Executive Board

Friedrich Joussen

Horst Baier

Birgit Conix

David Burling

Sebastian Ebel

Dr Elke Eller

Frank Rosenberger

INDEPENDENT AUDITOR'S REPORT

To TUI AG, Berlin and Hanover / Germany

Report on the audit of the consolidated financial statements and of the combined management report

Audit Opinions

We have audited the consolidated financial statements of TUI AG, Berlin and Hanover / Germany, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2018, and the income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 October 2017 to 30 September 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of TUI AG, Berlin and Hanover / Germany, for the financial year from 1 October 2017 to 30 September 2018, which was combined with the management report of the Parent. In accordance with the German legal requirements, we have not audited the content of the parts of the combined management report listed in the Appendix to the Independent Auditor's Report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2018, and of its financial performance for the financial year from 1 October 2017 to 30 September 2018, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the parts of the combined management report listed in the Appendix to the Independent Auditor's Report.

Pursuant to § 322 Abs. 3 Satz [Sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537 / 2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2017 to 30 September 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the key audit matters we have determined in the course of our audit:

❶ Recoverability of goodwill
❷ Recoverability of touristic payments on account for hotel services
❸ Recoverability of deferred tax assets
❹ Specific provisions
❺ Presentation of the acquisition of Destination Management

Our presentation of these key audit matters has been structured as follows:

Ⓐ Description (including reference to corresponding information in the consolidated financial statements)
Ⓑ Auditor's response

❶ Recoverability of goodwill

Ⓐ In TUI AG's consolidated financial statements as at 30 September 2018, goodwill totalling mEUR 2,958.6 is reported under the statement of financial position item "Goodwill". Goodwill is subject to an impairment test at least once a year, namely as of 30 June of the financial year. Measurement is by means of a valuation model based on the Discounted Cash Flow method. The result of this valuation depends to a great extent on the estimate of future cash inflows by the Management Board and also on the discount rate used. Thus, the valuation is subject to a significant uncertainty. Against this background, we believe that this is a key audit matter.

The Company's disclosures on goodwill are provided in Note (13) of the Notes to the consolidated financial statements.

Ⓑ We investigated the process for performing the impairment test on goodwill and conducted an audit of the accounting-relevant controls contained therein. Specifically, we convinced ourselves of the appropriateness of the future cash inflows used in the calculation. To do so, among other things we compared these figures with the current budgets contained in the three-year plan adopted by the Management Board and approved by the Supervisory Board, and checked it against general and industry-specific market expectations. Since even relatively small changes in the discount rate can have a material effect on the amount of the business value determined in this way, we also focused on examining the parameters used to determine the discount rate used, including the Weighted Average Cost of Capital, and analysed the calculation algorithm. Owing to the material significance of goodwill and the fact that the valuation also depends on macroeconomic conditions which are beyond the control of the Company, we also assessed the sensitivity analyses prepared by the Company for the cash-generating units with low excess cover (carrying amount compared to present value).

❷ Recoverability of touristic payments on account for hotel services

Ⓐ Payments on account for hotel services amounting to mEUR 366.1 are recognised under the statement of financial position item "Touristic payments on account" in TUI AG's consolidated financial statements as at 30 September 2018.

In our opinion, this is a key audit matter, as the measurement of this significant item is based to a large extent on estimates and assumptions made by the Management Board.

The Company's disclosures on "Touristic payments on account" are provided in Note (18) of the Notes to the consolidated financial statements.

Ⓑ We investigated the process of evaluating hotel prepayments and carried out an audit of the accounting-relevant controls contained therein. In the knowledge that there is an increased risk of misstatements in financial reporting with estimated values and that the valuation decisions of the Management Board have a direct and significant effect on the consolidated net income, we have assessed the appropriateness of the valuations by comparing these values with historical values and using the contractual bases presented to us. We assessed the recoverability of touristic payments on account in particular against the background of current developments in Turkey and North Africa. For this, we took into account, among other things, the repayment schedules agreed with the hoteliers concerned, the options for offsetting against future overnight accommodation and the framework agreements concluded.

❸ Recoverability of deferred tax assets

Ⓐ TUI AG's consolidated financial statements as at 30 September 2018 report deferred tax assets totalling mEUR 225.7 under the statement of financial position item "Deferred tax assets". Recoverability of the deferred tax assets recognised is measured by means of forecasts about the future earnings situation.

In our opinion, this is a key audit matter because it depends to a large extent on estimates and assumptions made by the Management Board and is subject to uncertainties.

The Company's disclosures on deferred tax assets are provided in the Notes to the consolidated financial statements "Accounting and measurement methods" and under Note (19).

Ⓑ We involved our own tax specialists in our audit of tax issues. With their support we assessed the internal processes and controls established for recording tax issues. We assessed the recoverability of deferred tax assets on the basis of internal forecasts on the future taxable income situation of TUI AG and its major subsidiaries. In this context, we referred to the planning prepared by the Management Board and assessed the appropriateness of the planning basis used. Among other things, these were examined in the light of general and industry-specific market expectations.

❹ Specific provisions

Ⓐ Provisions for maintenance amounting to mEUR 669.6 and provisions for onerous hotel lease contracts amounting to mEUR 4.4 are disclosed under the statement of financial position item "Other provisions" in TUI AG's consolidated financial statements as at 30 September 2018. Furthermore, provisions for pensions and similar obligations amounting to mEUR 994.8 were recognized as at 30 September 2018. In our opinion, these are key audit matters, as the recognition and measurement of these significant items are based to a large extent on estimates and assumptions made by the Management Board.

The Company's disclosures on provisions are provided under the Notes (28) and (29) as well as under the disclosures on accounting and measurement methods in the Notes to the consolidated financial statements.

Ⓑ We investigated the process of recognising and measuring specific provisions and carried out an audit of the accounting-relevant controls contained therein. In the knowledge that there is an increased risk of misstatements in financial reporting with estimated values and that the valuation decisions of the Management Board have a direct and significant effect on consolidated net income, we assessed the appropriateness of the valuations by comparing these values with historical values and using the contractual bases presented to us.

Among other things we

- assessed the computation of the expected maintenance costs for aircrafts. This was done on the basis of Group-wide maintenance contracts, price increases expected on the basis of external market forecasts and the discount rates applied, supported by our own analyses;
- assessed the appropriateness of the valuation parameters used to calculate the pension provisions. Among other things we did this by comparing them with market data and including the expertise of our internal pension valuation experts.
- assessed the valuation of the provision for onerous hotel leasing contracts, in particular for hotels in Turkey. We did this, among other things, on the basis of the contracts concluded and the Company's profit planning for the individual hotels.

❺ Presentation of the acquisition of Destination Management

Ⓐ In 2018, TUI has acquired shares of 47 companies of the Destination management line of HNVR Midco Limited for a purchase price of mEUR 94.8. For performing the final purchase price allocation on the acquired assets and liabilities, a period of 12 months as from the date of acquisition, i.e. until end of July 2019 is available. In our opinion, the presentation of the acquisition of the companies of the Destination management line within the statement of financial position is a key audit matter since the identification of the acquired assets and liabilities, their recognition as well as also their valuation are highly dependent on discretionary estimates and assumptions of the Management Board and since the used valuation models are very complex.

The disclosures on the acquisition of the companies of the Destination management line are provided in the section "Acquisitions" of the Notes to the consolidated financial statements.

Ⓑ We have audited the performed allocation of the purchase price to the acquired assets and liabilities. In doing so, we have included the knowledge of our internal experts for the accounting of business acquisitions and assessed the assumptions made when identifying assets and liabilities.

Other information

The Management Board is responsible for the other information. The other information comprises:

- the parts of the combined management report whose contents were not audited listed in the Appendix to the Independent Auditor's Report
- the responsibility statement by management relating to the consolidated financial statements and to the combined management report pursuant to §297 Abs. 2 Satz 4 and §315 Abs. 1 Satz 5 HGB respectively, and
- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our group audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to §315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal an regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 13 February 2018. We were engaged by the Supervisory Board on 26 March / 15 April 2018. We have been the group auditor of TUI AG, Berlin and Hanover / Germany, without interruption since the financial year 2016 / 17.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Limited Review of the Management Board's declaration of compliance with the UK Corporate Governance Code

Pursuant to Section 9.8.10 (1) and (2) of the Listing Rules in the United Kingdom, we were engaged to review Management's statement pursuant to Section 9.8.6 R (6) of the Listing Rules in the United Kingdom that relate to provisions C.1.1, C.2.1, C.2.3 and C.3.1 to C.3.8 of the UK Corporate Governance Code and Management Board's statement pursuant to Section 9.8.6 R (3) of the Listing Rules in the United Kingdom in the financial year 2017 / 18 included in the "Viability statement" of the combined management report and in the section "Going concern reporting according to the UK Corporate Governance Code". We have nothing to report in this regard.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr Hendrik Nardmann.

Appendix to the Independent Auditor's Report: Parts of the combined management report whose contents are unaudited

We have not audited the content of the following parts of the combined management report:

- the non-financial group statement pursuant to §§ 315b and 315c HGB included in section "Non-financial group statement" of the combined management report and
- the statement on corporate governance pursuant to § 289f and § 315d HGB included in section "Corporate Governance Report / Statement on Corporate Governance" of the combined management report.

Hanover / Germany, 12 December 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Schenk
Wirtschaftsprüfer
[German Public Auditor]

Signed: Dr Nardmann
Wirtschaftsprüfer
[German Public Auditor]

FORWARD-LOOKING STATEMENTS

The annual report, in particular the report on expected developments included in the management report, includes various forecasts and expectations as well as statements relating to the future development of the TUI Group and TUI AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provision or fundamental changes in the economic and political environment. TUI does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this annual report.